

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/S./2022-23/24153-24155]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005

In respect of

Noticee No.	Name of Noticees	PAN
1.	BFL Asset Finvest Limited	AAACB6405F
2.	Baid Leasing and Finance Co. Limited	AAACB6404E
3.	Dream Finhold Pvt Limited	AACCD9060C

(Hereinafter Noticees 1, 2 and 3 are collectively referred to as 'Noticees')

In the matter of BFL Asset Finvest Ltd-Case II

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation in the matter of alleged price manipulation in the scrip of BFL Asset Finvest Ltd. (Formerly known as "**BFL Developers Ltd**"; hereinafter referred to as "**the company/BFL-2/Noticee 1/by name**") for the period December 08, 2016 to June 01, 2017 (hereinafter referred to as "**Investigation Period/IP**"). The shares of the Company are listed at BSE Ltd (hereinafter referred to as "**BSE**"). On conclusion of the investigation, SEBI observed certain violations of provisions of, *inter-alia*, Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**"), Securities Contract Regulation Act, 1956 (hereinafter referred to as "**SCRA**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as

Adjudication Order in the matter of BFL Asset Finvest Ltd-Case II

“**PFUTP Regulations**”), SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009 (hereinafter referred to as “**ICDR Regulations**”) and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “**LODR Regulations**”) by Noticees in respect of the company. Thereafter, SEBI initiated adjudication proceedings against Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

2. Vide order dated May 10, 2021, SEBI appointed the undersigned as the Adjudicating Officer under Section 15-I of SEBI Act and Section 23I of SCRA read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as ‘**SEBI Adjudication Rules**’) and Rule 3 of Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as ‘**SCRA Adjudication Rules**’)(both rules are collectively referred to as ‘**Adjudication Rules**’) to inquire into and adjudge:
 - a) Under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as ‘**SEBI Act**’), the alleged violations of Regulations 3(a), (b), (c), (d) and Regulations 4(1) and 4(2)(f) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, (hereinafter referred to as ‘**PFUTP Regulations**’) read with Section 12A(a), (b), (c) of SEBI Act read with Section 67(2) read with Section 24(1) of Chapter III of Companies Act, 2013 and Regulation 73(1)(e) of SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009 (hereinafter referred to as ‘**ICDR Regulations**’) by Noticee 1;
 - b) Under Section 23E of SCRA, the alleged violations of Regulation 31(1), Regulation 31A(3)(a) and Regulation 31A(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as ‘**LODR Regulations**’) read with Section 21 of SCRA by Noticee 1;
 - c) Under Section 15HA of SEBI Act, the alleged violations of Regulations 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act by Baid Leasing and Finance Co. Ltd (hereinafter referred to as ‘**Noticee 2/Baid Leasing & Finance/by name**’);
 - d) Under Section 15H(i) of SEBI Act, the alleged violations of Regulation 29(1) and Regulation 29(3) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 (hereinafter referred to as ‘**SAST Regulations**’) by Noticee 2;
 - e) Under Section 15HA of SEBI Act, the alleged violations of Regulations 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) and under Section 15H(i) of SEBI Act, the alleged violation of Regulation 29(1) and Regulation

29(3) of SAST Regulations by Dream Finhold Pvt Ltd (hereinafter referred to as 'Noticee 3/by name');

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated December 05, 2022 (hereinafter referred to as 'SCN') was issued to Noticees under Rule 4 of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against Noticees and penalty, if any, not be imposed upon them under the provisions of Sections 15H(i) and 15HA of SEBI Act and Section 23E of SCRA, as applicable, for the aforesaid violations alleged to have been committed by them.
4. The relevant extracts of the SCN containing the allegations against Noticees 1 to 3 are as under:

A. ALLEGED VIOLATION OF SECTION 12A(a), (b), (c) OF SEBI ACT, READ WITH REGULATIONS 3(a), (b), (c), (d) and 4(1) OF PFUTP REGULATIONS BY NOTICEES

- a) *"...it is alleged that Noticee 1 provided funds indirectly to subscribe to its own shares to the proposed allottees through two of its own promoter group entities namely, Baid Leasing and Finance Co. Ltd and Jaisukh Developers Pvt Ltd, thereby giving misleading impression of successful subscription to the preferential allotment when there was actually no infusion of funds."*
- b) *"It is, therefore, alleged that Noticee 1 committed an act of fraud as defined in Regulation 2(1)(c) of PFUTP Regulations and thereby violated the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) of PFUTP Regulations, read with Sections 12A(a), (b) and (c) of SEBI Act read with Section 67(2) r/w Section 24 (1) of Chapter III of Companies Act, 2013."*
- c) *On examining the funds trail and source of funds for the allottees for their subscription to the preferential issue, as seen from their respective bank statements (Annexure 10), it was observed that that both the aforesaid allottees were funded by two other promoter group entities of Noticee 1, i.e., Skyview was funded by promoter group entity, Baid Leasing and Finance Co. Ltd (Noticee 2) and Dream Finhold Pvt Ltd (Noticee 3) received the funds from promoter group entity namely, Jaisukh Developers Pvt Ltd*

- d) Therefore, it is alleged that Noticee 2 had funded both the allottees directly and through Jaisukh Developers Pvt Ltd for the entire subscription amount payable by them.
- e) It is also alleged that by acting as conduits to transfer funds to the two preferential allottees and thereby providing assistance to the allottees in subscription to the shares of Noticee 1 as defined in Regulation 2(1)(b)(iii) of PFUTP Regulations, Noticee 2 and Jaisukh Developers Pvt Ltd (subsequently amalgamated with Noticee 2 in terms of clause 7(a) of Scheme of Amalgamation and Arrangement vide NCLT order dated 21.08.2019) committed an act of fraud as defined in Regulation 2(1)(c) of PFUTP Regulations and thereby violated the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act.
- f) On examining the funds trail and source of funds for the allottees for their subscription to the preferential issue, as seen from their respective bank statements (Annexure 10), it was observed that that both the aforesaid allottees were funded by two other promoter group entities of Noticee 1, i.e., Skyview was funded by promoter group entity, Baid Leasing and Finance Co. Ltd (Noticee 2) and Dream Finhold Pvt Ltd (Noticee 3) received the funds from promoter group entity namely, Jaisukh Developers Pvt Ltd.
- g) It is also alleged that by virtue of being connected to promoter group entities viz.: Jaisukh Developers Pvt Ltd and Tradeswift Broking Pvt Ltd and by subscribing to the preferential shares of BFL-2 out of the funds received indirectly from Noticee 1, Noticee 3 has committed a fraud as defined in Reg.2(1)(c) of PFUTP Regulations, and thereby violated the provisions of Regulation 3 (a), (b), (c) & (d) and Regulation 4(1) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act.

B. ALLEGED VIOLATION OF SECTION 12A(a), (b), (c) OF SEBI ACT, READ WITH REGULATIONS 3(a), (b), (c), (d) and 4(1) and 4(2)(f) OF PFUTP REGULATIONS BY NOTICEES

- a) "It was observed during investigation that while making the requisite disclosures to the shareholders in the Explanatory statement of the Notice of Annual General Meeting ('AGM') of shareholders of BFL-2 dated July 07, 2016 (Annexure 12A),

Noticee 1 had stated to shareholders that one of the allottees, Skyview, was not part of promoter group of Noticee 1 and that the beneficial owner of the allottee was only Mr. Ramesh Chand Pareek..”

- b) “...it was observed that by virtue of having held only 0.005% of stake in Skyview at the time of preferential allotment and also by virtue of not being a major stake holder/promoter of Elect Agencies, Ramesh Chand Pareek cannot be considered as ultimate beneficial owner of Skyview Tie Up Pvt Ltd.”*
- c) “... it was observed that Elect Agencies Pvt Ltd was one of the promoters of Skyview having shareholding of 47.83% in the latter... it was observed that Mahendra Baid HUF (wherein Mahendra Kumar Baid, MD of BFL Asset Finvest Limited is the Karta) was having 11% shareholding in Elect Agencies Pvt Ltd. Therefore... Elect Agencies Pvt Ltd was observed to be part of promoter group of BFL-2.”*
- d) “Further, by virtue of being part of the promoter group of BFL-2 and by holding 47.83% shareholding in Skyview as one of its promoters, in terms of Regulation 2(1)(zb)(iv)(B) of ICDR Regulations, Skyview was observed to be part of promoter group of BFL-2.”*
- e) “...it was observed... that BFL-2 had classified and had disclosed Skyview Tie Up Pvt Ltd under “public shareholder category... Therefore, it is alleged that Noticee 1 has committed a fraud on its shareholders as defined in Regulation 2(1)(c) of PFUTP Regulations and thereby violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act and Regulation 73(1)(e) of ICDR Regulations.”*

C. ALLEGED VIOLATION OF REGULATION 31(1), REGULATION 31A(3)(a) AND REGULATION 31A(8) OF LODR REGULATIONS

- a) “...Noticee 1 had classified Futuristic Prime Developers Pvt Ltd, which was allegedly a part of the promoter group of BFL-2, as a public shareholder holding more than 1% shareholding in BFL-2, which is in contravention of Regulation 2(1)(zb)(iv)(A) of ICDR Regulations. Therefore, it is alleged that Noticee 1 violated the provisions of Regulation 31(1) of LODR Regulations.”*

- b) *“...Noticee 1 classified Skyview Tie Up Pvt Ltd as part of public shareholders holding more than 1% shareholding of Noticee 1 which is in contravention of Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations. Therefore, it is alleged that Noticee 1 has violated provisions of Regulation 31(1) of LODR Regulations.”*
- c) *“... Noticee 1 had classified Pragati Dreamland Developers Pvt Ltd as a public shareholder holding more than 1% shareholding in BFL which is in contravention of Regulation 2(1)(zb)(iv)(A) of ICDR Regulations. Therefore, it is alleged that Noticee 1 has violated provisions of Regulation 31(1) of LODR Regulations.”*
- d) *“...Noticee 1 has classified Mahapragya Land Developers Pvt Ltd as a public shareholder holding more than 1% shareholding in BFL-2, which is in contravention of Regulation 2(1) (zb)(iv)(A) of ICDR Regulations. Therefore, it is alleged that Noticee 1 has violated provisions of Regulation 31(1) of LODR Regulations.”*
- e) *“...Noticee 1 has classified Niranjana Space Pvt Ltd as a public shareholder holding more than 1% shareholding in BFL-2 which is in contravention of Regulation 2(1)(zb)(iv)(A) of ICDR Regulations. Therefore, it is alleged that Noticee 1 has violated the provisions of Regulation 31(1) of LODR Regulations.”*
- f) *“... Noticee 1 has classified Jaisukh Developers Pvt Ltd as part of public shareholders holding more than 1% shareholding of Noticee 1 which is in contravention of Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations. Therefore, it is alleged that Noticee 1 has violated the provisions of Regulation 31(1) of LODR Regulations”*
- g) *... it was observed that as per the quarter-wise shareholding pattern of the promoter/promoter group and public shareholders of Noticee 1... that Noticee 1 had reclassified Tradeswift Broking Pvt. Ltd, a promoter group entity, to “public shareholder category”... as per the list of corporate announcements made by Noticee 1 to BSE during the investigation period, no announcement was made by Noticee 1 for re-classification of Tradeswift Broking Pvt Ltd from “promoter category” to “public shareholder category”*

h) It is therefore alleged that by reclassifying a promoter group entity as public shareholder without obtaining prior approval of BSE, and without duly complying with the stipulations made for seeking such approval, and by failing to disclose such reclassification within 24 hours of the happening of the event to BSE, Noticee 1 has violated the provisions of Regulation 31(1), Regulation 31A(3)(a) and Regulation 31A (8) of LODR Regulations read with Section 21 of SCRA by Noticee 1.

D. ALLEGED VIOLATION OF REGULATION 29(1) AND REGULATION 29(3) OF SAST REGULATIONS

a) It was observed during investigation that Dream Finhold Private Limited acquired 439300 shares accounting for 8.61% of total share capital of Noticee 1 and Skyview Tie Up Private Limited acquired 920000 shares accounting for 18.03% of total share capital of Noticee 1 by subscribing to the preferential issue of Noticee 1 on July 30, 2016.

b) However, BSE in its emails to SEBI dated 01.04.2021 and 18.06.2020 (Annexure 16) confirmed that Noticee 3 and Skyview Tie Up Private Limited (subsequently amalgamated with Noticee 2 in terms of clause 7(a) of Scheme of Amalgamation and Arrangement vide NCLT order dated 21.08.2019) did not file necessary disclosures as required under Regulation 29(1) and Regulation 29(3) of SAST Regulations as on date of the respective emails from BSE, i.e. 01.04.2021 and 18.06.2020. Therefore, it is alleged that Noticees 2 and 3 have failed to make required disclosures in terms of Regulation 29(1) and Regulation 29(3) of SAST Regulations and have violated Regulation 29(1) and Regulation 29(3) of SAST Regulations.

5. SCN was sent to the Noticees through Speed Post Acknowledgement Due (SPAD) and Digitally signed email dated December 06, 2022, and was duly served on Noticees. Noticees were given fifteen (15) days' time to make submissions in respect of the allegations made in the SCN. Noticees, vide emails dated December 22, 2022, December 24, 2022 and December 26, 2022, respectively, requested for additional time of at least two months for submitting their replies to the SCN. Considering their request, vide email dated January 03, 2023, Noticees were granted time of two weeks for furnishing their replies to the SCN and were also granted an opportunity of personal hearing on January 18, 2023, to be conducted online through videoconferencing on the Webex platform. The

Noticees availed the aforesaid opportunity of hearing, being represented by their Authorised Representative ('AR') Mr. Brij Kishore Sharma. During the course of hearing, AR made oral submissions denying the charges in the SCN and requested for one week's time for submitting their replies to SCN. The aforesaid request was acceded to and the Noticees were granted time till January 27, 2023 for submitting their replies to SCN. In this regard, I note that vide their emails dated January 18, 2023, Noticees affirmed that they would submit their respective replies to the SCN on January 27, 2023. Thereafter, Noticee 2, vide its email dated January 30, 2023, stated that it would submit its reply by February 06, 2023. I also note that Noticee 3, vide its email dated January 30, 2023, stated that it would submit its final reply by February 03, 2023. However, I find that Noticees have not submitted any replies to the SCN till the date of this order despite sufficient opportunities being granted to them. Since no replies to the SCN have been filed by Noticees, it can be reasonably presumed that the Noticees have nothing else to submit on merits in the instant matter. Thus, in terms of Rule 4(7) of the Adjudication Rules, the matter can be proceeded on the basis of material available on record.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

6. I have carefully perused the charges levelled against Noticees, and the oral submissions made by Noticees and other documents/evidence available on record. The issues that arise for consideration in the present case are:

- (i) **a)** Whether Noticee 1 has violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act read with Section 67(2) read with Section 24(1) of Chapter III of Companies Act, 2013 and Regulation 73(1)(e) of ICDR Regulations and whether Noticees 2 and 3 have violated Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act?
 - b)** Whether Noticee 1 has violated Regulations 31(1), 31A(3)(a) and 31A(8) of LODR Regulations read with Section 21 of SCRA?
 - c)** Whether Noticees 2 and 3 have violated Regulations 29(1) and 29(3) of SAST Regulations?
- (ii) Do the violations, if any, attract monetary penalty under Sections 15HA and 15H(i) of SEBI Act and Section 23E of SCRA, as specified in para 2 above?

(iii) If the answer to the aforesaid issues is in affirmative, then what should be the quantum of monetary penalty?

7. The relevant provisions of the PFUTP Regulations, LODR Regulations, SAST Regulations, SEBI Act and SCRA which were in force at the time of the alleged violations, are reproduced as under:

Relevant provisions of PFUTP Regulations

“3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

.....

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;”

Relevant provisions of LODR Regulations

“31. Holding of specified securities and shareholding pattern.

(1) The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines -

(a) one day prior to listing of its securities on the stock exchange(s);

(b) on a quarterly basis, within twenty one days from the end of each quarter; and,

(c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital:

Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

31A. Conditions for re-classification of any person as promoter / public

...

(3) Re-classification of status of a promoter/ person belonging to promoter group to public shall be permitted by the stock exchanges only upon satisfaction of the following conditions:

(a) an application for re-classification to the stock exchanges has been made by the listed entity consequent to the following procedures and not later than thirty days from the date of approval by shareholders in general meeting:

(i) the promoter(s) seeking re-classification shall make a request for re-classification to the listed entity which shall include rationale for seeking such re-classification and how the conditions specified in clause (b) below are satisfied;

(ii) the board of directors of the listed entity shall analyze the request and place the same before the shareholders in a general meeting for approval along with the views of the board of directors on the request:

Provided that there shall be a time gap of at least three months but not exceeding six months between the date of board meeting and the shareholder's meeting considering the request of the promoter(s) seeking re-classification.

(iii) the request of the promoter(s) seeking re-classification shall be approved in the general meeting by an ordinary resolution in which the promoter(s) seeking re-classification and persons related to the promoter(s) seeking re-classification shall not vote to approve such re-classification request."

Relevant provisions of SAST Regulations

"29. Disclosure of acquisition and disposal

(1) Any acquirer who acquires shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, aggregating to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified.

...

(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to, —

- (a) every stock exchange where the shares of the target company are listed; and
(b) the target company at its registered office."

Relevant provisions of SEBI Act

"Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly —

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

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

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

Relevant provision of SCRA

“21. Conditions for listing.

Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.”

Issue No. 6(i)(a) – Whether Noticee 1 has violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act read with Section 67(2) read with Section 24(1) of Chapter III of Companies Act, 2013 and Regulation 73(1)(e) of ICDR Regulations and whether Noticees 2 and 3 have violated Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act?

8. It has been alleged in SCN that Noticee 1 had funded the subscription of its preferential allotment of shares by transferring funds to the allottees viz. Skyview Tie Up Pvt Ltd (PAN: AAPCS4848E, hereinafter referred to as “**Skyview**”) and Noticee 3 which were promoter group entities of Noticee 1. It has also been alleged that Noticee 1 routed the transfer of funds through other promoter group entities of Noticee 1 viz. Noticee 2 and Jaisukh Developers Private Limited (PAN: AABCJ7541H, hereinafter referred to as “**Jaisukh**”). Thus, it has been alleged that the Noticees 1-3 were involved in a fraudulent scheme by Noticee 1 to enable the subscription of its preferential allotment using funds of the Company and thereby violated Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act.
9. I have perused the shareholding data of each category of shareholders for the Financial Years (FYs) 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 (year-wise) in BFL Asset Finvest Limited along with the holding of persons holding more than 1% and 2% of shareholding, as provided by the Registrar and Transfer Agent (RTA) to the company, M/s. MCS Share Transfer Agent Limited vide email dated June 08, 2020 to SEBI. I have also perused the details provided by Noticee 1 to SEBI vide letters dated March 26, 2021 and April 05, 2021, w.r.t. individual and non-individual promoters. I have also perused the Directors’ Report of companies having shareholding in BFL-2, as obtained from the website of Ministry of Corporate Affairs (“**MCA website**”) and the list of shareholders of such companies. The details of companies which are part of promoter group of BFL-2 and hold more than 1% shareholding are brought out below:

Promoter Group of BFL-2 (Bodies corporate)						
Sr. no.	Name	Address	Email	Name of Authorized Signatory of the company	Address of Signatory	Designation
1	Baid Leasing and Finance Co Limited	Baid House, IInd Floor , 1, Tara Nagar, Ajmer Road Jaipur 302006	cs@baidgroup.in	Panna Lall Baid	A-27, Vidyalay Marg Tilak Nagar Jaipur 302004	Managing Director
				Monu Jain	G-21, Laxman Path Shyam Nagar Extn Jaipur 302019	Director
				Aman Baid	C-142, Dayanand Marg Tilak Nagar Jaipur 302004	Director
				Mudit Singhi	B-15, Rohit Kunj, Pitampura Delhi 110034	Director
				Alpana Baid	C-142 Dayanand Marg, Tilak Nagar Jaipur 302004	Director
				Anurag Patni	S.B.4, Mahaveer Udhyan Marg, Bajaj Nagar, Jaipur 302015	Director
				Amrata Sajnani	A-620, Malviya Nagar Jaipur 302017	Company Secretary
2	Care well Builders Private Ltd	1, Tara Nagar Ajmer Road Jaipur 302006	carewellbuilders@gmail.com	Mahendra Kumar Baid	C-142, Dayanand Marg Tilak Nagar Jaipur 302004	Director
				Sobhag Devi Baid	A-27, Shanti Path Tilak Nagar Jaipur 302004	Director
3	Ganpati Holdings Private Limited	2881, Hardyian Singh Road,, Karol Bagh New Delhi	-	DIR-12 not filled		
4	Tradeswift Broking Private Limited	1, Tara Nagar Ajmer Road Jaipur 302006	contact@tradeswift.net	Nishant Jain	C-504, Iris Swej Farm, New Sanganer Road, Jaipur 302019	Director
				Mahendra Kumar Baid	C-142, Dayanand Marg Tilak Nagar Jaipur 302004	Director
				Sanjeev Ranka	S/O Sohan Lal Ranka,F-5, Sapphire Anand D-101, Meera Marg, Banipark, Shastri Nag Ar Jaipur 302016	Director
				Sobhag Devi Baid	A-27, Shanti Path Tilak Nagar Jaipur 302004	Director
				Sandeep Kumar Jain	G-21,Laxman Path Shyam Nagar Extension Jaipur 302019	Director
Entities having more than 1% shareholding which are being shown as shareholders under public category (Bodies corporate)						
5	Futuristic Prime Developers Private Limited	C-142,Dayanand Marg, Tilak Nagar, Jaipur 302004	futuristicprime@gmail.com	Suresh Kumar Chauhan	89, Shankar Nagar, Agrasen Nagar, Mount Road, Brahmampuri, Jaipur 302002	Director
				Nakul Singh Shekhawat	Plot No. 149-150, Flat No. S29, Gmr Residency Shiv Nagar 2, Sirsi Link Road, Hathod Jaipur 302012	Director
6	Jaisukh Developers Private Limited	1, Tara Nagar, Ajmer Road Jaipur 302006	jaisukhdevp@gmail.com	Ramesh Chand Pareek	108, Tiwariyon Ka Bas Asalpur, Tehsil : Dudu Jaipur 303331	Director
				Rohit Kumar Nolkha	Bagichi Nand Kishore, Gandhi Nagar Delhi 110031	Director
7	Dream Finhold Private Limited	32, Prabhu Marg Tilak Nagar Jaipur 302004	dream.finhold@gmail.com	Sandeep Kumar Jain	G-21,Laxman Path Shyam Nagar Extension Jaipur 302019	Director
				Navneet Kumar Kothari	C-485, Devi Nagar, New Sanganer Road, Jaipur 302019	Director
8	Dream Prime Developers Private Limited	3, Jaipur Tower M.I.Road Jaipur 302001	dreamprimedev@gmail.com	Panna Lall Baid	A-27, Vidyalay Marg Tilak Nagar Jaipur 302004	Director
				Rakesh Kumar Baid	A-23, Shanti Path, Tilak Nagar, Jaipur 302004	Director
9	Tradeswift Developers Private Limited	1, Tara Nagar Ajmer Road Jaipur 302006	tradeswiftdev@gmail.com	Mahendra Kumar Baid	C-142, Dayanand Marg Tilak Nagar Jaipur 302004	Director
				Panna Lall Baid	A-27, Vidyalay Marg Tilak Nagar Jaipur 302004	Director
				Suresh Kumar Chauhan	89, Shankar Nagar, Agrasen Nagar, Mount Road, Brahmampuri, Jaipur 302002	Director
10	Niranjana Prime			Ramesh Chand Pareek	108, Tiwariyon Ka Bas Asalpur, Tehsil : Dudu Jaipur 303331	Director

	Developers Private Limited	C-142, Dayanand Marg, Tilak Nagar, Jaipur 302004	niranjanaprim e@gmail.com	Nakul Singh Shekhawat	Plot No. 149-150, Flat No. S29, Gmr Residency Shiv Nagar 2, Sirsi Link Road, Hathod Jaipur 302012	Director
11	Skyview Tie Up Private Limited	1, Tara Nagar, Ajmer Road Jaipur 302006	skyviewtieup@gmail.com	Manoj Kumar Jain	11/715, Malviya Nagar Jaipur 302017	Director
				Sanjeev Kumar Kothari	C-485, Devi Nagar, Kothari Circle, N.S. Road, Sodala Jaipur 302019	Director
12	Mahapragya Land Developers Private Limited	3, Jaipur Tower M.I.Road Jaipur 302001	mahapragyala nd2016@gmail.com	Ramesh Chand Pareek	108, Tiwariyon Ka Bas Asalpur, Tehsil : Dudu Jaipur 303331	Director
				Rohit Kumar Nolkha	Bagichi Nand Kishore, Gandhi Nagar Delhi	Director
13	Pragati Dreamland Developers Private Limited	3, Jaipur Tower M.I.Road Jaipur 302001	pragatidreamland@gmail.com	Suresh Kumar Chauhan	89, Shankar Nagar, Agrasen Nagar, Mount Road, Brahampuri, Jaipur 302002	Director
				Nakul Singh Shekhawat	Plot No. 149-150, Flat No. S29, Gmr Residency Shiv Nagar 2, Sirsi Link Road, Hathod Jaipur 302012	Director
14	Niranjana Space Private Limited	3, Jaipur Tower M.I.Road Jaipur 302001	niranjanaspac e@gmail.com	Aditya Baid	C-142, Dayanand Marg Tilak Nagar Jaipur 302004	Director
				Alpana Baid	C-142 Dayanand Marg, Tilak Nagar Jaipur 302004	Director
15	Niranjana Properties Private Limited	C-142, Dayanand Marg, Tilak Nagar, Jaipur 302004	niranjanaprop erties@gmail.com	Suresh Kumar Chauhan	89, Shankar Nagar, Agrasen Nagar, Mount Road, Brahampuri, Jaipur 302002	Director
				Nakul Singh Shekhawat	Plot No. 149-150, Flat No. S29, Gmr Residency Shiv Nagar 2, Sirsi Link Road, Hathod Jaipur 302012	Director
16	Jaipur Infragold Private Limited	Baid House, IInd Floor , 1, Tara Nagar, Ajmer Road Jaipur 302006	jaipurinfragold@gmail.com	Rohit Kumar Nolkha	Bagichi Nand Kishore, Gandhi Nagar Delhi 110031	Director
				Prem Kumar Sharma	A-23, Shanti Path, Tilak Nagar, Jaipur 302004	Director

10. From the above table, I observe as under:

- Entities Sr. no. 1 to Sr.no. 4 are a part of promoter group of Noticee 1.
- Promoter group entity Baid Leasing and Finance Co. Limited (Sr. no. 1) & more than 1% shareholder Jaipur Infragold Private Limited (Sr. no.16) have a common address viz. Baid House, IInd Floor, 1, Tara Nagar, Ajmer Road, Jaipur 302006.
- Promoter group entities Carewell Builders Private Ltd (Sr. no. 2), Tradeswift Broking Private Limited (Sr.no.4) and public shareholder entities Jaisukh (Sr. no. 6), Tradeswift Developers Private Limited (Sr. no. 9), Skyview (Sr. no. 11) and Noticee 1 share a common address viz. 1, Tara Nagar, Ajmer Road Jaipur-302006.
- Promoter Group entity Baid Leasing and Finance Co. Limited (Sr. no.1) and two public shareholders Dream Prime Developers Private Limited (Sr.no. 8), Tradeswift Developers Private Limited (Sr. no. 9) have a common director Panna Lall Baid.
- Entities Dream Prime Developers Private Limited (Sr. no. 8), Mahapragya Land Developers Private Limited (Sr. no. 12), Pragati Dreamland Developers Private Limited (Sr. no. 13) & Niranjana Space Private Limited (Sr. no. 14) have a common address viz. 3, Jaipur Tower, M.I. Road, Jaipur-302001.

- f) Entities Futuristic Prime Developers Private Limited (Sr. no. 5), Niranjana Prime Developers Private Limited (Sr. no. 10) & Niranjana Properties Private Limited (Sr. no. 15) have a common address C-142, Dayanand Marg, Tilak Nagar, Jaipur-302004.
- g) Entity Futuristic Prime Developers Private Limited (Sr. no. 5), Tradeswift Developers Private Limited (Sr. no. 9), Pragati Dreamland Developers Private Limited (Sr. no. 13) & Niranjana Properties Private Limited (Sr. no. 15) have a common director Suresh Kumar Chauhan.
- h) Promoter group entity Tradeswift Broking Private Limited (Sr. no. 4) and public shareholder Dream Finhold Private Limited (Sr. no. 7) have a common director Sandeep Kumar Jain.

11. I note from the details provided by Noticee 1 to SEBI vide letters dated March 26, 2021 and April 05, 2021 w.r.t. individual and non-individual promoters, that Mahendra Kumar Baid was a promoter of Noticee 1. I observe from the records that Skyview is one of 12 non-individual entities classified under public shareholder category of BFL-2 and had 18.03% shareholding in BFL-2 during the IP. I also observe that Elect Agencies Pvt Ltd ("**Elect Agencies**") is one of the promoters of Skyview holding 47.83% shareholding in Skyview. As per the MCA website, the promoters and top ten shareholders of Skyview are as under:

Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity
Skyview Tie Up Pvt Ltd	Elect Agencies	47.83%	BFL Developers	4.34%	Elect Agencies 47.83%	Elect Agencies	47.83 %	BFL Developers	4.34%	Elect Agencies 47.83%
	Tuberoose Distributors	47.83%				Tuberoose Distributors	47.83 %			
	Ramesh Chand Pareek	-				Ramesh Chand Pareek	-			
	Rohit Kumar Nolkha	-				Rohit Kumar Nolkha	-			
						Manoj Kumar Jain	-			
						Sanjay Kumar Kothari	-			

12. As per MCA Website, promoters and public shareholders of Elect Agencies are as under:

Name of Entity	FY 2015-16 & FY 2016-17				FY 2017-18			
	Promoter of Entity	% shareholding	Top ten shareholders of the entity	% shareholding	Promoter of entity	% shareholding	Top ten shareholders of the entity	% shareholding
Elect Agencies	Aditya Baid	-	Baid Leasing & Finance Co. Ltd.	19.50%	Aditya Baid	-	Baid Leasing & Finance Co. Ltd.	19.50%
	Mahendra Kumar Baid	-			Mahendra Kumar Baid	-		

	Mahendra Baid HUF	11%	BFL Developers (now BFL Asset Finvest Ltd)*	19.50%	Mahendra Baid HUF	11%	BFL Developers (now BFL Asset Finvest Ltd)*	19.50%
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13. I further note that Mahendra Kumar Baid HUF in which Mahendra Kumar Baid was a Karta, owned 11% shareholding in Elect Agencies. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Mahendra Baid HUF in Elect Agencies and shareholding of Elect Agencies in Skyview.

14. At this juncture, I find it pertinent to refer to the definition of promoter group as laid down under Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations. The definition of “promoter group” as stated in Regulations 2(1)(zb)(iv)(A) and 2(1)(zb)(iv)(B) of ICDR Regulations is reproduced as under:

“2(1)(zb) “promoter group” includes:

...

(iv) in case the promoter is an individual:

(A) any body corporate in which ten per cent. or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;

(B) any body corporate in which a body corporate as provided in (A) above holds ten per cent. or more, of the equity share capital;”

15. I note that the aforesaid definition of promoter group under Regulation 2(1)(zb)(iv)(A) of ICDR Regulations includes within its ambit any company in which a promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family of such promoter, owns shareholding of ten per cent or more. I also note that under Regulation 2(1)(zb)(iv)(B) of ICDR Regulations, a company shall be deemed to be a promoter group entity if ten per cent or more of its shareholding is owned by a company which qualifies as a promoter group entity under Regulation 2(1)(zb)(iv)(A). Thus, the aforesaid definition of promoter group is inclusive in nature and group entities are included within the ambit of promoter group entities on the basis of shareholding of a promoter or promoter group entity

16. Therefore, I find that by virtue of the shareholding of Mahendra Kumar Baid HUF in Elect Agencies which exceeded the threshold of 10% shareholding as laid down under Regulation 2(1)(zb)(iv)(A) of ICDR Regulations, Elect Agencies was part of the promoter group of BFL-2. I also find that by virtue of the shareholding of Elect Agencies in Skyview which also exceeded the threshold of 10% shareholding as laid down under Regulation

2(1)(zb)(iv)(B) of ICDR Regulations, Skyview was a promoter group entity of BFL-2 in terms of the aforesaid regulations.

17. I also observe from records that Jaisukh was one of 12 non-individual entities classified under public shareholder category of BFL Asset Finvest Ltd during the period of investigation and held 5.49% shareholding in BFL-2 during that period. As per the MCA website, the promoters and top ten shareholders of Jaisukh are as under:

Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% share holding	Top ten public shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the company	Promoter of entity	% share holding	Top ten public shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the company
Jaisukh Developers	Ramesh Paresh	0.01%	BFL Developers (now BFL Asset Finvest Ltd)*	19.52%	Baid Housing Finance (Total 19.19% shareholding)	Ramesh Paresh	0.00%	BFL Developers	19.52%	Baid Housing Finance (Total 19.19% shareholding)
			Elegant Prime Dev (now Baid Housing Finance)*	19.19%				Baid Housing Finance	19.19%	
			Carewell Builders	12.91%				Carewell Builders	12.91%	
			Ganpati Holdings	6.97%				Ganpati Holdings	6.97%	
	Rohit Kumar Nolkha	-	Baid Leasing & Finance	4.61%		Rohit Kumar Nolkha	-	Baid Leasing & Finance	4.61%	
			Tradeswift Developers	4.36%				Tradeswift Developers	4.36%	
			Dream Prime Dev	3.33%				Dream Prime Dev	3.33%	
			Dream Realmart	3.30%				Nandankanan Barter P Ltd	16.55%	
			Monika Dugar	3.57%				Monika Dugar	3.57%	
			Vivek Dugar	3.46%				Vivek Dugar	3.46%	

18. I note that Baid Housing Finance Pvt Ltd (formerly known as Elegant Prime Developers Ltd; hereinafter referred to as “**Baid Housing Finance/by name**”) held 19.19% shareholding of Jaisukh during the period of investigation. As per the MCA website, the promoters and top ten shareholders of Baid Housing Finance are as under:

Name of Entity	FY 2015-16 & FY 2016-17				FY 2017-18			
	Promoters of entity	Share holding %	Top ten shareholders of entity	Shareholding %	Promoters of entity	Shareholding %	Top ten shareholders of entity	Shareholding %
Baid Housing Finance Pvt Ltd	Panna Lal Baid	9.59%	Kherapati Vintrade	4.57%	Panna Lal Baid	0.81%	Kherapati Vintrade	0.38%
			Surendra Singh	4.57%	Rakesh Kumar Baid	0.38%	Surendra Singh	0.38%
	Rakesh Kumar Baid	4.57%	Sandeep Jain	4.57%	Mahendra Kumar Baid	27.77%	Sandeep Jain	0.38%
			Girish Agarwal	4.57%			Girish Agarwal	0.38%

	Mahendra Kumar Baid	18.27 %	Sanjeev Agarwal	4.57%	Aditya Baid	23.28%	Sanjeev Agarwal	0.38%
			Arun Singh	4.57%			Arun Singh	0.38%
	Aditya Baid	19.27 %	Ridhisidhi Financial Advisory	3.65%	Aman Baid	0.77%	Ridhisidhi Financial Advisory	0.31%
			Pankaj Jain	1.83%			Sunil Jain	0.35%
	Aman Baid	9.13%	Saraswati Telecom	1.82%	Baid Motors	5.24%	Jaisukh Developers	19.24%
			Jaisukh Developers	0.09%			Skyview	19.24%
	Baid Motors	0.09%	Skyview	0.09%	Mahendra Baid HUF	0%		
			Niranjana Properties	0.09%				

19. I note from the aforesaid table that Mahendra Kumar Baid, promoter of BFL-2, owned 18.27% shareholding as promoter in Baid Housing Finance in Financial Years (FY) 2015-2016 & FY 2016-17 and held 27.77% shareholding as promoter in Baid Housing Finance in FY 2017-18.

20. Referring to the definition of promoter group as laid down under Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations, I observe that Mahendra Kumar Baid, who was a promoter of BFL-2, had 18.27% shareholding in Baid Housing Finance Pvt Ltd in FY 2015-16 and FY 2016-17 and had 27.77% shareholding in the said company in FY 2017-18, which exceeded the threshold of 10% shareholding as laid down under Regulation 2(1)(zb)(iv)(A). Therefore, in terms of the aforesaid regulations, I find that Baid Housing Finance was part of the promoter group of BFL-2. I also observe that Baid Housing Finance owned shareholding of 19.19% in Jaisukh which exceeded the threshold of 10% shareholding as laid down under Regulation 2(1)(zb)(iv)(B) of ICDR Regulations. Therefore, in terms of the aforesaid regulations, I find that Jaisukh was a promoter group entity of BFL-2.

21. From the documents placed on record, I note that vide the Special Resolution dated July 07, 2016 passed at the 21st Annual General Meeting (“**AGM**”) of BFL-2 held on the said date, the shareholders of BFL-2 approved reissuance of 13,59,300 forfeited shares of BFL-2. Thereafter, vide the resolution passed at the meeting of the Board of Directors of the company (“**BoD**”) held on July 30, 2016 (hereinafter the said special resolution and resolution of Board of Directors is referred to as “**Allotment Resolutions**”), Noticee 1 reissued 13,59,300 equity shares of Rs.10/- each at par, by way of preferential allotment to Skyview and Noticee 3 (hereinafter referred to as “**allottees**”/“**preferential allottees**”). As stated in the allotment resolutions, Skyview was allotted 9,20,000 shares and Noticee 3 was allotted 4,39,300 shares of BFL-2. I also note that Noticee 1 received Rs. 92,00,000/- from Skyview on July 29, 2016 and Rs. 43,93,000/- from Noticee 3 on July 28, 2016 as subscription money towards the said preferential allotment. From perusal of the

company's letter dated July 14, 2020 to SEBI, I find that the valuation of the aforesaid shares was subsequently re-computed based on queries raised by BSE in its letters to the company dated August 26, 2016 and October 06, 2016 in which BSE required the company to undertake valuation of its shares in compliance with Chapter VII of ICDR Regulations. Based on such re-computation of share value in accordance with valuation reports dated September 03, 2016 and October 07, 2016 in terms of Chapter VII of ICDR Regulations, the aforesaid shares were revalued at Rs. 13.51 per share and thereafter at Rs. 19.25 per share, and the aforesaid re-valuation by Noticee 1 was approved vide BSE's letters to the company dated October 27, 2016 and December 19, 2016. In light of such re-computation of the value of the aforesaid shares, an additional amount of Rs. 1,25,73,525/- was paid by the allottees to Noticee 1, i.e., an additional payment of Rs. 85,10,000/- was made by Skyview in two tranches on September 07, 2016 and October 10, 2016 and an additional payment of Rs. 40,63,525/- was made by Noticee 3 in two tranches on September 07, 2016 and October 10, 2016, towards the aforesaid preferential allotment of shares by Noticee 1. I note that Noticee 1 had, *inter alia*, produced the aforesaid Allotment Resolutions alongwith the bank account statements and valuation reports concerning the aforesaid preferential allotment, as enclosures to the aforesaid letter dated July 14, 2020 to SEBI. As per the bank account statements pertaining to the account no. 00540340012147 held by BFL-2 in HDFC Bank, Noticee 1 received a total allotment money of Rs. 2,61,66,525/- in three tranches from each of the allottees i.e., Rs. 1,77,10,000/- on July 29, 2016, September 07, 2016 and October 10, 2016 from Skyview and Rs. 84,56,525/- on July 28, 2016, September 07, 2016 and October 10, 2016 from Noticee 3. I break-up of the subscription money received by Noticee 1 from Skyview and Noticee 3 are as detailed hereunder:

Name of the allottee	Date of payment of allotment money	Amount paid to Noticee 1	Type of payment instrument (Cheque, DD, NEFT, RTGS etc.)	Name of the Bank of the allottee	Bank A/c No. of the allottee	Date of allotment of shares	Total
Dream Finhold Pvt Ltd	28.07.2016	Rs. 43,93,000/-	NEFT	Kotak Bank	02712000008636	30-Jul-16	Rs. 84,56,525
	07.09.2016	Rs. 15,41,943/-	RTGS	Kotak Bank	02712000008636		
	10.10.2016	Rs. 25,21,582/-	RTGS	Kotak Bank	02712000008636		
Skyview Tie Up Pvt Ltd	29.07.2016	Rs. 92,00,000/-	Cheque	HDFC Bank	00540340012181	30-Jul-16	Rs.1,77,10,000
	07.09.2016	Rs. 32,29,000/-	Cheque	HDFC Bank	00540340012181		
	10.10.2016	Rs. 52,81,000/-	Cheque	HDFC Bank	00540340012181		
						Total	Rs. 2,61,66,525

22. I have perused the bank account statements of the allottees and have also examined the trail of funds and source of funds of the allottees on the basis of the pre-allotment transactions which took place in the bank accounts of both allottees. I observe from the

aforesaid bank account statements that both the aforesaid allottees were funded by two other promoter group entities of Noticee 1, i.e., Noticee 2 which had transferred funds to Skyview and Jaisukh which had transferred funds to Noticee 3, on July 28, 2016, September 07, 2016 and October 10, 2016 respectively. I note that the quantum of funds transferred to the allottees and the subscription paid by allottees to Noticee 1 towards the preferential allotment was nearly the same. The details of the aforesaid transfer of funds from Noticee 2 to Skyview and from Jaisukh to Noticee 3 and thereafter from Skyview and Noticee 3 to Noticee 1 as payment towards the preferential allotment is as under:

Name of funding entity	Type of funding entity	Bank a/c particulars of funding entity	Date of funding	Amount funded (in Rs.)	Name of the fund recipient (Pref. share allottee) entity	Bank a/c of recipient entity in which funds received	Date of payment of allotment money	Amount paid to the Noticee 1
Jaisukh Developers	Promoter Group	02712000011034 Kotak Mahindra Bank	28-07-16	44,00,000.00	Dream Finhold Pvt Ltd (Bank	A/c. No. 02712000008 636 Kotak Mahindra Bank	28.07.2016	Rs. 43,93,000/-
			07-09-16	15,50,000.00			07.09.2016	Rs. 15,41,943/-
			10-10-16	25,50,000.00			10.10.2016	Rs. 25,21,582/-
Baid Leasing & Finance Co. Ltd.	Promoter Group	A/c. No. 2105051000 0076, UCO Bank	28-07-16	92,00,000.00	Skyview Tie Up Pvt Ltd	A/c. No. 00540340012 181, HDFC Bank	29.07.2016	Rs. 92,00,000/-
			07-09-16	32,50,000.00			07.09.2016	Rs. 32,29,000/-
			10-10-16	53,00,000.00			10.10.2016	Rs. 52,81,000/-

23. The above details show that Noticee 3 received Rs. 44,00,000/- from Jaisukh, a promoter group entity of Noticee 1, on July 28, 2016, i.e. two days prior to the meeting of the Board of Directors of the company, held on July 30, 2016, in which the preferential allotment was concluded by the Board of directors of Noticee 1. I also note that thereafter, Noticee 3 transferred Rs. 43,93,000/- to Noticee 1 as payment towards preferential allotment on July 28, 2016, i.e. on the same day when it received Rs. 44,00,000/- from Jaisukh. Similarly, I note that Skyview transferred Rs. 92,00,000 on July 29, 2016 to Noticee 1 as payment towards the preferential allotment, one day after it received Rs. 92,00,000 from Noticee 2. W.r.t. the additional two tranches of payment to Noticee 1 towards the preferential allotment by the allottees, i.e., on September 07, 2016 and October 10, 2016, I note that on September 07, 2016, Skyview received Rs. 32,50,000/- from Noticee 2 and paid Rs. 32,29,000/- to Noticee 1 as payment towards the preferential allotment on the same day. Similarly, Noticee 3 received Rs. 15,50,000/- from Jaisukh on September 07, 2016 and paid Rs. 15,41,943/- to Noticee 1 on the same day towards the preferential allotment. I further note that on October 10, 2016, Skyview received Rs. 53,00,000/- from Noticee 2 and paid Rs. 52,81,000/- to Noticee 1 on the same day towards the preferential allotment. Similarly, on October 10, 2016, Noticee 3 received Rs. 25,50,000/- from Jaisukh and paid Rs. 25,21,582/- to Noticee 1 on the same day towards the preferential allotment of shares of BFL-2.

24. From examination of the bank account statements of Noticee 3 (Bank A/c. No. 02712000008636, Kotak Mahindra Bank) and Skyview (Bank A/c. No. 00540340012181, HDFC Bank), I observe that the allottees had insignificant balance in their respective bank accounts as on July 27, 2016, September 06, 2016 and October 09, 2016 i.e. just before the payments were made towards the preferential allotment. Thus, I note that Noticee 3 and Skyview did not have sufficient balance in their bank accounts to be able to subscribe to the preferential allotment of shares of Noticee 1. I note that Noticee 3 had a balance of only Rs. 25,783/- in its account and Skyview had a balance of only Rs. 11,769/-, in their respective bank accounts, as on July 27, 2016. After Noticee 3 received Rs 44,00,000/- from Jaisukh and Skyview received Rs. 92,00,000/- from Noticee 2 on July 28, 2016, the bank balance of Noticee 3 increased to Rs. 44,25,782/- and the bank balance of Skyview increased to Rs. 92,11,769/- and only then, the aforesaid allottees could make the respective payments, i.e., Rs. 43,93,000/- by Noticee 3 and Rs. 92,00,000/- by Skyview, to Noticee 1 towards the preferential allotment of shares of BFL-2 on July 28, 2016 and July 29, 2016 respectively. Similarly, as on September 06, 2016, I note that Noticee 3 and Skyview had minuscule balance of Rs 32,783/- and Rs. 11,769/- in their respective bank accounts. After Noticee 3 received Rs. 15,50,000 /- from Jaisukh and Skyview received Rs. 32,50,000 /- from Noticee 2 on September 07, 2016, the bank balances of Noticee 3 and Skyview increased to Rs. 15,82,783/- and Rs. 32,61,769/- respectively and the aforesaid allottees could make the payment of Rs. 15,41,943/- (Noticee 3) and Rs. 32,29,000/- (Skyview) to Noticee 1 towards the preferential allotment on September 07, 2016. Similarly, I note that as on October 09, 2016, i.e., prior to infusion of funds from Jaisukh and Noticee 2, Noticee 3 had a balance of Rs 1,16,785/- and Skyview had a balance of Rs. 32,769/- in their respective bank accounts. Thereafter, as a result of receipt of Rs. 25,50,000/- by Noticee 3 from Jaisukh and Rs. 53,00,000/- as a result of the aforesaid receipt of funds the bank balance of Noticee 3 increased to Rs. 26,16,785/- and the bank balance of Skyview increased to Rs. 53,32,769/- and the respective allottees could make the payment of Rs. 25,21,582/- (Noticee 3) and Rs. 52,81,000/- (Skyview) to Noticee 1 respectively towards the preferential allotment on October 10, 2016 from Noticee 2 by Skyview, the bank balances of Noticee 3 increased to Rs. 26,16,785/- and Skyview increased to Rs. 53,32,769/-, which enabled the aforesaid allottees to make the payment, towards the preferential allotment to Noticee 1 on October 10, 2016.

25. Therefore, I observe that the payment of subscription money by the allottees to Noticee 1 was in tandem with the receipt of funds by the allottees from Noticee 2 and Jaisukh. I also observe that the amount of funds transferred to the allottees and the amount paid by

allottees to Noticee 1 towards the preferential allotment was nearly the same. Thus, I find that Noticee 3 and Skyview were able to subscribe to the preferential allotment of shares by BFL-2 only after receiving funds from Jaisukh and Noticee 2, respectively. The details of bank balances of the aforesaid allottees prior to and after the receipt of funds from Noticee 2 & Jaisukh, and further payments to Noticee 1 (in 3 tranches) towards the preferential allotment are reproduced below:

TRANCHE 1

Dream Finhold Pvt Ltd (Bank A/c. No. 02712000008636, Kotak Mahindra Bank)					Skyview Tie Up Pvt Ltd (Bank A/c. No. 00540340012181, HDFC Bank)				
Trn Date	Particulars	Dr Amt (Rs.)	Cr Amt (Rs.)	Balance (Rs.)	Trn Date	Particulars	Dr Amt (Rs.)	Cr Amt (Rs.)	Balance (Rs.)
17-06-2016	Cash withdrawal by self @0271	2,00,000.00	-	25,782.71	01-07-2016	Ft-00540340010577-tradeswift broking p	3,00,000.00	-	11,769.00
28-07-2016	Trf from jaisukh developers#1279@0271	-	44,00,000.00	44,25,782.71	28-07-2016	Neft cr-ucba0002105-baid leasing and fi	-	92,00,000.00	92.11,769.00
28-07-2016	NEFT-KKBKH16210717200-BFL Developers Ltd	43,93,000.00	-	32,782.71	29-07-2016	Ft-00540340012147-bfl developers limit	92,00,000.00	-	11,769.00

TRANCHE 2

Dream Finhold Pvt Ltd (Bank A/c. No. 02712000008636, Kotak Mahindra Bank)					Skyview Tie Up Pvt Ltd (Bank A/c. No. 00540340012181, HDFC Bank)				
Trn Date	Particulars	Dr Amt (Rs.)	Cr Amt (Rs.)	Balance (Rs.)	Trn Date	Particulars	Dr Amt (Rs.)	Cr Amt (Rs.)	Balance (Rs.)
05-08-2016	Trf to jaisukh developers pvt ltd @0271	1,00,000.00	-	32,782.71	29-07-2016	Ft-00540340012147-Bfl Developers Limit	9,200,000.00	-	11,769.00
07-09-2016	Trf from jaisukh developers pvt ltd chq 1299@0271	-	15,50,000.00	15,82,782.71	07-09-2016	Rtgs Cr-Ucba0002105-Baid Leasing And Finance Company L-Skyview Tie Up Pvt Ltd-Ucbar52016090700009674	-	3,250,000.00	3,261,769.00
07-09-2016	Rtgs-kbbkr52016090700763337-bfl developers lt	15,41,943.00	-	40,839.71	07-09-2016	Ft - Dr - 00540340012147 - Bfl Developers Limited	3,229,000.00	-	32,769.00

TRANCHE 3

Dream Finhold Pvt Ltd (Bank A/c. No. 02712000008636, Kotak Mahindra Bank)					Skyview Tie Up Pvt Ltd (Bank A/c. No. 00540340012181, HDFC Bank)				
Trn Date	Particulars	Dr Amt (Rs.)	Cr Amt (Rs.)	Balance (Rs.)	Trn Date	Particulars	Dr Amt (Rs.)	Cr Amt (Rs.)	Balance (Rs.)
28-09-2016	Ecsicr-aaccd906	-	1,01,060.00	1,16,784.71	30-09-2016	Ft-0054034001	1,000,000.00	-	32,769.00

	0c-ay2016-17nc-sbi					0577-tradeswift broking p			
10-10-2016	Trf from jaisukh developers private ltd chq 1327	-	25,50,000.00	26,16,784.71	10-10-2016	Rtgs cr-ucba0002105-baid leasing and finance company l-skyview tie up pvt ltd-ucbar52016101000047970	-	53,00,000.00	53,32,769.00
10-10-2016	Rtgs-kbbkr52016101000714218-bfl developers lt	25,21,582.00	-	95,202.71	10-10-2016	Ft - dr - 00540340012147 - bfl developers limited	52,81,000.00	-	51,769.00

26. I also note that prior to the transfer of funds by Jaisukh to Noticee 3, Jaisukh had received an equivalent amount of funds from Noticee 2. The details of the bank balance maintained by Jaisukh prior to the receipt of funds from Noticee 2 and the details of funds transferred by Jaisukh to Noticee 3 and further transfer of funds by Noticee 3 to Noticee 1 are as under:

Particulars of fund Transfer from Baid Leasing & Finance Co Ltd (Noticee 2) to Jaisukh Developers Pvt Ltd		Particulars of in turn transfer of funds from Jaisukh Developers Pvt Ltd to Dream Finhold Pvt Ltd (Noticee 3)			Particulars of in turn payment by Dream Finhold Pvt Ltd (Noticee 3) to Company for subscription	
Date of Tfr	Amt Tfd	Date of Tfr	Amt Tfd	a/c bal. of Jaisukh prior to fund receipt	Date of Tfr	Amt Tfd
28-07-2016	44,00,000.00	28-07-2016	44,00,000.00	1,13,730.22	28-07-2016	43,93,000.00
07-09-2016	15,50,000.00	07-09-2016	15,50,000.00	88,330.22	07-09-2016	15,41,943.00
10-10-2016	25,00,000.00	10-10-2016	25,50,000.00	1,16,911.22	10-10-2016	25,21,582.00

27. I note from the above that on July 28, 2016, Noticee 2 had transferred funds to Jaisukh, which in turn had transferred the said funds on the same day to Noticee 3. Thereafter, Noticee 3 had utilised the funds for subscription to shares of Noticee 1 by transferring the said funds on the same day to Noticee 1. I also observe that Jaisukh had transferred the funds received from Noticee 2 to Noticee 3 for paying the subscription money towards the preferential allotment. Thus, I observe that Noticee 2 had layered the funds through Jaisukh to fund subscription of the preferential allotment by Noticee 3. Therefore, I observe that Noticee 2 had transferred funds via Jaisukh, which acted as a conduit, to Noticee 3 and such funds were utilised by Noticee 3 to subscribe to the preferential allotment of shares of Noticee 1.

28. Therefore, I observe that Noticee 2 and Jaisukh were the source of funds for the said two allottees to be able to subscribe to the preferential allotment and without such funds being

provided to them by Noticee 2 and Jaisukh, Noticee 3 and Skyview would not have succeeded in subscribing to the preferential allotment.

29. I note from the bank statements of Noticee 1, Jaisukh and Noticee 2 that subsequent to the receipt of Rs. 2,61,66,525/- from the allottees towards preferential allotment, in three tranches, i.e., on July 29, 2016, September 07, 2016 and October 10, 2016 from Skyview and on July 28, 2016, September 07, 2016 and October 10, 2016 from Noticee 3, Noticee 1 had transferred an equivalent amount of money, to the tune of Rs. 2,61,50,000/-, to Jaisukh on July 30, 2016, September 07, 2016 and October 10, 2016. I further note that on July 30, 2016, September 07, 2016 and October 10, 2016, Jaisukh further transferred Rs. 2,58,50,000 to Noticee 2. The details of transactions between Noticee 1, Jaisukh and Noticee 2 are depicted below:

Particulars of receipt of subscription money from two allottees by BFL			Particulars of transfer of subscription money by BFL to Jaisukh			Particulars of in turn transfer of subscription money by Jaisukh to Baid Leasing and Finance	
Name of allottee	Date of Receipt by Noticee 1	Total Amt recd by Noticee 1 (in Rs.)	Date of Tfr by Noticee 1 to Jaisukh	Amt Tfd (in Rs.) by Noticee 1 to Jaisukh	A/c bal. of Jaisukh prior to fund receipt (in Rs.)	Date of Tfr by Jaisukh to Noticee 2	Amt Tfd (in Rs.) by Jaisukh to Noticee 2
Dream Finhold Pvt Ltd	28.07.2016	43,93,000/-	30.07.2016	1,36,00,000	1,13,730.22	30.07.2016	1,36,00,000
Skyview Tie Up Pvt Ltd	29.07.2016	92,00,000/-					
Total		1,35,93,000					
Dream Finhold Pvt Ltd	07.09.2016	15,41,943/-	07.09.2016	47,50,000	88,330.22	07.09.2016	47,50,000
Skyview Tie Up Pvt Ltd	07.09.2016	32,29,000/-					
Total		47,70,943					
Dream Finhold Pvt Ltd	10.10.2016	25,21,582/-	10.10.2016	78,00,000	1,16,911.22	10.10.2016	75,00,000
Skyview Tie Up Pvt Ltd	10.10.2016	52,81,000/-					
Total		78,02,582		2,61,50,000			2,58,50,000

30. Therefore, in view of the foregoing observations, I find that Noticee 2 and Jaisukh transferred Rs. 2,62,50,000/- to the allottees and out of the aforesaid funds, Rs. 2,61,66,625/- was utilised by the allottees to subscribe to the preferential allotment of shares of Noticee 1. I also find that after the subscription to the preferential allotment by the allottees, Noticee 1 transferred Rs. 2,61,50,000/- to Jaisukh which in turn transferred Rs. 2,58,50,000/- to Noticee 2. The aforesaid sequence of transactions and fund flow show that Noticee 2 and Jaisukh had transferred funds to the allottees at the behest of Noticee 1 in pursuance of a common scheme to facilitate the subscription of shares of Noticee 1 by the allottees. Subsequently, the amount received by the allottees was transferred to Noticee 1 on the same day or the next day. Further, the quantum of funds transferred by Noticee 2 and Jaisukh to the allottees, nearly matched with the subscription amounts

deposited by the allottees towards the preferential allotment of shares by the Company. Thereafter, Noticee 1 returned the subscription money so received from the allottees, by transferring equivalent amount of funds to Noticee 2 through Jaisukh. Therefore, I find that Noticee 1 had indirectly funded the subscription amount for the preferential allotment of shares to the allottees, duly aided and assisted by its promoter group entities viz. Noticee 2 and Jaisukh, and shares of the Company were issued to the allottees without any payment of consideration on their part, which created a misleading impression that genuine capital infusion was being brought into the Company when in fact there was no real infusion of funds into Noticee 1 after the preferential allotment.

31. Here, I find it pertinent to refer to the definitions of “dealing in securities” and “fraud” as provided under Regulation 2(1)(b)(iii) and Regulation 2(1)(c) of PFUTP Regulations:

“2. (1) In these regulations, unless the context otherwise requires,—

...

(b) “dealing in securities” includes:

- (i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act;*
- (ii) such acts which may be knowingly designed to influence the decision of investors in securities; and*
- (iii) any act of providing assistance to carry out the aforementioned acts.*

(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;*
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;*
- (4) a promise made without any intention of performing it;*
- (5) a representation made in a reckless and careless manner whether it be true or false;*
- (6) any such act or omission as any other law specifically declares to be fraudulent,*
- (7) deceptive behaviour by a person depriving another of informed consent or full participation,*
- (8) a false statement made without reasonable ground for believing it to be true.*

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And “fraudulent” shall be construed accordingly;”

32. Considering the aforesaid provisions, I find that Noticees 1-3, Skyview and Jaisukh had executed elaborately routed transactions in pursuance of a common scheme of facilitating the subscription of the shares of Noticee 1 by the allottees viz. Skyview and Noticee 3 without any payment of consideration. Thus, I find that Noticee 1, with the assistance of promoter group entities of BFL-2, namely, Noticee 2 and Jaisukh, created a misleading impression that genuine capital infusion was being brought into the company when in fact there was no real infusion of funds into the Company as Noticee 1 had indirectly funded the preferential allotment. Therefore, I find that Noticees 1-3 had perpetrated a scheme of funding of preferential allotment of shares of the company using the company’s own funds which amounted to an act of fraud as defined in Regulation 2(1)(c) of PFUTP Regulations.
33. From the material placed on records, I find that Skyview and Jaisukh had subsequently amalgamated with Noticee 2 in terms of clause 7(a) of Scheme of Amalgamation and Arrangement approved vide order dated August 21, 2019 passed by National Company Law Tribunal, Jaipur Bench (“NCLT”). I further note that by virtue of clause 7(a) of Scheme of Amalgamation and Arrangement approved vide the aforesaid NCLT Order, Noticee 2 is liable to be proceeded against for the role played by Jaisukh and Skyview in the fraudulent scheme of the Noticees and the allottees.
34. In this regard, I also find it pertinent to refer to Section 67(2) and Section 24 (1) of Chapter III of Companies Act, 2013:

“Section 67. Restrictions on purchase by company or giving of loans by it for purchase of its shares.

(2) No public company shall give, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with, a purchase or subscription made or to be made, by any person of or for any shares in the company or in its holding company.”

Section 24. Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.

(1) The provisions contained in this Chapter, Chapter IV and in section 127 shall,—

(a) in so far as they relate to —

(i) issue and transfer of securities; and

(ii) non-payment of dividend,

by listed companies or those companies which intend to get their securities listed on any recognised stock exchange in India, except as provided under this Act, be administered by the Securities and Exchange Board by making regulations in this behalf;

(b) in any other case, be administered by the Central Government.

Explanation.— For the removal of doubts, it is hereby declared that all powers relating to all other matters relating to prospectus , return of allotment, redemption of preference shares and any other matter specifically provided in this Act, shall be exercised by the Central Government, the Tribunal or the Registrar, as the case may be.”

35. I note that under Section 67(2) read with Section 24(1) of Companies Act, 2013, a listed company is prohibited from providing funds for the subscription of its own shares by any person.

36. At this juncture, I draw reference to the order dated April 07, 2021 passed by Hon'ble Securities Appellate Tribunal ("**Hon'ble SAT**") in the matter of Shri Bakul Ramniklal Parekh vs. SEBI (Appeal No. 527 of 2019) in which Hon'ble SAT had held the issuer company and the preferential allottees liable for fraud for perpetrating a scheme of funding the preferential allotment of the company. I find that in the said order, Hon'ble SAT had held as under:

"...we find that the Company had transferred its funds to the preferential allottees to enable them to subscribe to the Company's shares. This fact has not been disputed and, the only contention raised was that it was an advance. Some of the appellants contended that it was a loan and according to appellant no. 7 it was an advance towards professional fees to be adjusted in future... We are of the opinion that when a Company raises its capital, issuance of shares is considered as capital infusion and an ordinary investors perceives it as a capital infusion which is essential for strengthening the Company's financial fundamentals. When a preferential allotment is made by a listed Company it gives an impression that genuine capital infusion is being brought into the Company. When the Company uses its own funds and distributes it to the allottees for the purpose of subscribing to the shares, it deceives the genuine investors and in fact falsely leads them to invest in the shares of the Company. Thus, we are of the opinion that the Company along with the management and allottees receiving such funds from the Company were perpetuating a fraud on the ordinary investing public who were deceived to invest in the securities of the Company... The action on the part of the Company, its management and the allottees including the appellants in particular have made fraudulent acts which is an unfair device, to deceive the investors. Such acts, omissions and concealment is prohibited under Section 12A of the SEBI Act read with Regulation 3 and 4 of the PFUTP Regulations."

37. In view of the foregoing observations and placing reliance upon the aforesaid judgement of Hon'ble SAT, I find that Noticees 1-3 along with the entities, Jaisukh and Skyview, had

perpetrated a common scheme to facilitate the subscription of preferential allotment of shares of Noticee 1, wherein Noticee 1 indirectly funded the allottees, Noticee 3 and Skyview, with the help of its promoter group entities viz. Noticee 2 and Jaisukh. I find that the aforesaid act of Noticees 1-3 created a misleading impression that genuine capital infusion was being brought into the company when in fact there was no real infusion of funds into the company which amounted to an act of fraud as defined in Regulation 2(1)(c) of PFUTP Regulations. Thus, I find that the allegation that Noticee 1 violated the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) of PFUTP Regulations, read with Sections 12A(a), (b) and (c) of SEBI Act read with Section 67(2) and Section 24 (1) of Chapter III of Companies Act, 2013, stands established.

38. I also find that by participating in a common scheme to provide funds to the allottees for subscribing to the shares of Noticee 1, Noticee 2 and Jaisukh (subsequently amalgamated with Noticee 2 in terms of clause 7(a) of Scheme of Amalgamation and Arrangement vide NCLT order dated 21.08.2019) committed an act of fraud as defined in Regulation 2(1)(c) of PFUTP Regulations. Therefore, I find that the allegation that Noticee 2 violated the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act, stands established. I also find that Skyview and Noticee 3 were also a part of the fraudulent scheme of Noticee 1 by having subscribed to the preferential allotment through the funds indirectly provided by Noticee 1. Therefore, I find that the allegation that Noticee 3 violated the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act, stands established.

39. It has also been alleged in the SCN that Noticee 1 made a false disclosure to its shareholders while seeking their approval for allotment of shares on preferential basis to Skyview in the Annual General Meeting (“AGM”) held on July 07, 2016 and thereby violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act read with Regulation 2(1)(c) of PFUTP Regulations and Regulation 73(1)(e) of ICDR Regulations.

40. I note that in terms of Regulation 73(1)(e) of ICDR Regulations, while seeking approval from the shareholders for making a preferential issue, certain mandatory disclosures are required to be made by a listed entity to its shareholders, which include details regarding the ultimate beneficial owner of a non-individual allottee, i.e., if the proposed allottee is a body corporate, and details regarding whether the proposed allottee is part of the promoter group and whether any of the promoters are interested in such allotment etc.

41. I observe from the records pertaining to the preferential allotment that while making the requisite disclosures to the shareholders in the Explanatory statement of the Notice of AGM ("**AGM Notice**") of shareholders of BFL-2 dated May 14, 2016 (for the AGM held on July 07, 2016), Noticee 1 had categorized Skyview under "public shareholder" category, not as part of the promoter group of BFL-2 and had also shown Mr. Ramesh Chand Pareek as the beneficial owner of Skyview.
42. I have perused the quarter-wise shareholding pattern of the promoter/promoter group and public shareholders of Noticee 1 from the quarter ended December 2016 upto the quarter ended December 2019, as obtained from RTA to Noticee 1, M/s. MCS Share Transfer Agent Limited. I find that as per the RTA's email to SEBI dated June 08, 2020, BFL-2 had classified and disclosed Skyview under "public shareholder category". However, as already established in the earlier part of the order, Skyview was a part of promoter group of BFL-2 in terms of Regulation 2(1)(zb)(iv)(B) of ICDR Regulations. Thus, I observe that the aforesaid classification of Skyview as a "public shareholder" by Noticee 1 in the aforesaid AGM Notice was incorrect and amounted to a deliberate misrepresentation of facts by Noticee 1 since Skyview was actually a promoter group entity of BFL-2.
43. I further observe from Explanatory statement of the said Notice of AGM of shareholders of BFL-2 that Noticee 1 had identified Ramesh Chand Pareek as the ultimate beneficial owner of Skyview. However, on perusal of Annual Reports of Skyview for FY 2015-16, FY 2016-17 and FY 2017-18, I observe that the entity, Ramesh Chand Pareek, had nil shareholding in Skyview. I further note that the entity Ramesh Chand Pareek, vide his letter dated March 16, 2021 to SEBI also confirmed that his shareholding in Skyview during FY 2015-16 was 0.005% (i.e. 1000 shares) and he had transferred the said shares on September 26, 2016 which reduced his shareholding to 'nil'. I also note from the records that Elect Agencies had 47.83% shareholding in Skyview and Ramesh Chand Pareek was neither a promoter nor owned any shareholding in Elect Agencies. Therefore, on the basis of the foregoing observations, I find that Ramesh Chand Pareek cannot be considered as the ultimate beneficial owner of Skyview. Thus, I find that Noticee 1 had made a false disclosure to its shareholders that Ramesh Chand Pareek was the ultimate beneficial owner of Skyview while seeking their approval for allotment of shares on preferential basis to Skyview and thereby deprived the shareholders of an opportunity of making an informed decision regarding the approval of aforesaid preferential allotment.
44. At this juncture, I find it pertinent to discuss the scope and ambit of PFUTP Regulations. I note that Regulations 3(a)–(d) of the PFUTP Regulations, *inter alia*, prohibit employment of any manipulative/deceptive device, scheme, or artifice to defraud in connection with

dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Regulation 4(1) of the PFUTP Regulations provides for prohibition on indulging in fraudulent or unfair trade practices in securities. Regulation 4(2)(f) prohibits publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities.

45. In this regard, I find it pertinent to refer to the order dated April 12, 2012 passed by Hon'ble SAT in the matter of Shivam Investments vs. SEBI (Appeal No. 23 of 2012) wherein it was held as under:

"In this respect it is necessary to refer to the definition of fraud as appearing in Regulation 2(1)(c) of FUTP Regulations. It reads as under:

"fraud includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include:..."

The scope of the term 'fraud' as defined above is wide enough to take in its sweep any act which disturbs the equilibrium of the market. It is not necessary that the fraudulent act should result in price manipulation. There are other several wrong doings envisaged in the definition of fraud as mentioned above."

46. I also find it pertinent to refer to the judgement of the Hon'ble Supreme Court in the matter of SEBI vs. Shri Kanaiyalal Baldevbhai Patel (Civil Appeal No. 2595 of 2013; Decided on September 20, 2017) wherein, in respect of the wide ambit of the definition of fraud under Regulation 2(1)(c) of PFUTP Regulations, it was held that,

"27. ...It includes many situations which may not be a "fraud" under the Contract Act or the 1995 regulation, but nevertheless amounts to a "fraud" under the 2003 regulation...

49. If Regulation 2(c) of the 2003 was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression,

omission or concealment has/had the effect of inducing another person to deal in securities.

52. A person can be said to have induced another person to act in a particular way or not to act in a particular way if on the basis of facts and statements made by the first person the second person commits an act or omits to perform any particular act. The test to determine whether the second person had been induced to act in the manner he did or not to act in the manner that he proposed, is whether but for the representation of the facts made by the first person, the latter would not have acted in the manner he did. This is also how the word inducement is understood in criminal law. The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required.”

47. I find that in the instant case, Noticee 1 made an incorrect disclosure in the AGM Notice that Skyview was not part of promoter group of Noticee 1 and that the beneficial owner of Skyview was only Mr. Ramesh Chand Pareek. This shows the intention on the part of Noticee 1 to conceal from its shareholders that it was proposing to allot a significant percentage of its shares to a promoter group entity viz. Skyview by way of preferential allotment. Placing reliance upon the definition of fraud under Regulation 2(1)(c) of PFUTP Regulations and the aforesaid judgements of Hon'ble Supreme Court and Hon'ble SAT, I find that such concealment of information by Noticee 1 was a deceptive act on the part of Noticee 1 which deprived the shareholders of Noticee 1 of correct information while participating in the AGM held on July 07, 2016 in respect of the proposed preferential allotment in favour of Skyview and Noticee 3 and thus, the said act amounted to fraud in terms of Regulation 2(1)(c)(7) of PFUTP Regulations.

48. As established earlier, Noticee 1 had also classified the said promoter group entity, i.e., Skyview, as a public shareholder in its disclosures to the exchanges instead of disclosing that it was a promoter group entity. Hence, I find that Noticee 1 deliberately deprived its shareholders of true information pertaining to Skyview which was an allottee in the preferential allotment of shares by wilfully providing incorrect information in its AGM Notice that Skyview was a public shareholder. Thus, I am inclined to the view that the

aforesaid deceptive act of Noticee 1, which created a misleading impression that the proposed preferential allotment was to be made to a non-promoter entity and that genuine capital infusion would take place in the company by way of the proposed preferential allotment, induced the shareholders to approve the preferential allotment. Therefore, the aforesaid false statement made in the AGM Notice constituted a manipulative or deceptive device or contrivance in contravention of the provisions of LODR Regulations and ICDR Regulations which deprived the shareholders of an opportunity of making an informed decision while approving of aforesaid preferential allotment. Therefore, I find that the allegation that Noticee 1 had violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act read with Regulation 2(1)(c) of PFUTP Regulations and Regulation 73(1)(e) of ICDR Regulations, stands established.

Issue No. 6(i)(b) – Whether Noticee 1 has violated Regulations 31(1), 31A(3)(a) and 31A(8) of LODR Regulations read with Section 21 of SCRA?

49. It has been alleged in the SCN that Noticee 1 had classified certain entities as “public shareholder” when in fact these entities formed part of the promoter group in terms of Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations and thereby violated Regulation 31(1), 31A(3)(a) and 31A(8) of LODR Regulations read with Section 21 of SCRA.

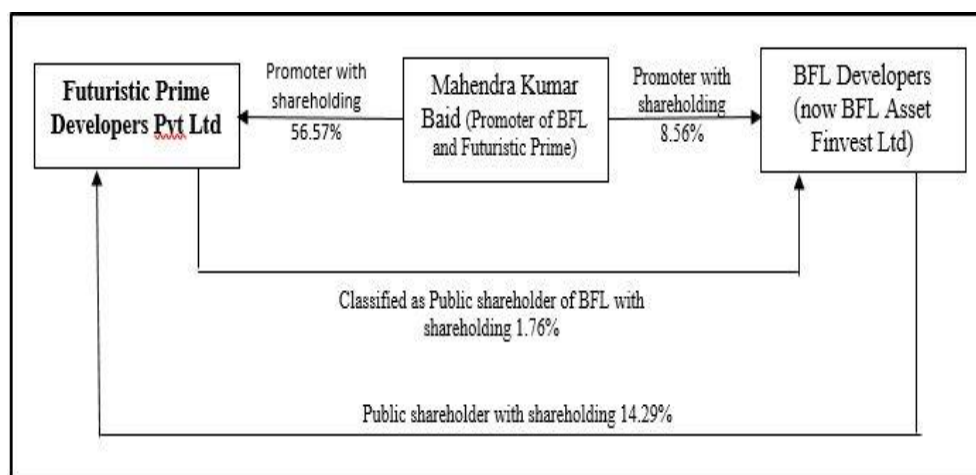
50. I note that Noticee 1 is a listed company and was under an obligation in terms of Section 21 of SCRA to comply with the conditions of Listing Agreement with the stock exchanges. I also note that Regulation 31(1) of the LODR Regulations and provisions of Listing Agreement mandate the listed companies to file, *inter alia*, its shareholding pattern including the shareholding of its promoters, with the stock exchanges on a quarterly basis.

51. I observe from the shareholding data placed on record that Futuristic Prime Developers Limited was one of 12 non-individual entities classified under public shareholder category of BFL-2 during the IP and held 1.76% shareholding in BFL-2 during the IP. On analysis of details available at the MCA website in respect of Futuristic Prime Developers, I observe that the promoters and top ten shareholders of the entity were as under:

Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter

					group of BFL-2					group of BFL in the entity
Futuristic Prime Developers	Mahendra Kumar Baid	56.57%	Jaipur Infragold P Ltd	14.29%	Mahendra Kumar Baid (Total 56.57% shareholding)	Mahendra Kumar Baid	56.57%	Jaipur Infragold P Ltd	14.29%	Mahendra Kumar Baid (Total 56.57% shareholding)
	Suresh Kumar Chauhan	-	BFL Developers (now BFL Asset Finvest)	14.29%		Suresh Kumar Chauhan	-	BFL Developers	14.29%	
	Shahrukh Mansuri	-	Balaji Finstock P Ltd	14.29%		Shahrukh Mansuri	-	Balaji Finstock P Ltd	14.29%	
			Puneet Kumar Gupta	0.56%		Nakul Singh Shekhawat		Puneet Kumar Gupta	0.56%	

52. From the above table, I note that the promoter and Managing Director of BFL-2 namely, Mahendra Kumar Baid was also the promoter of Futuristic Prime Developers Pvt Ltd, holding a majority shareholding of 56.57% in Futuristic Prime Developers Pvt Ltd. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Mahendra Kumar Baid in Futuristic Prime Developers Pvt Ltd. The flowchart showing connection of Mahendra Kumar Baid, promoter of BFL-2, with Futuristic Prime Developers Private Limited is given below:



53. I note that in terms of Regulation 2(1)(zb)(iv)(A) of ICDR Regulations, in case the promoter is an individual, promoter group includes any body corporate in which ten per cent or more of the equity share capital is held by the individual promoter or an immediate relative of such promoter or a firm or Hindu Undivided Family in which such promoter or any of his immediate relatives is a member. I also note that under Regulation 2(1)(zb)(iv)(B) of ICDR Regulations, a company shall be deemed to be a promoter group entity if ten per cent or more of its shareholding is owned by a company which qualifies as a promoter group entity under Regulation 2(1)(zb)(iv)(A) of ICDR Regulations.

54. I note from the shareholding data placed on records that Mahendra Kumar Baid was the promoter of BFL-2 and was also holding 56.57% of total shareholding in Futuristic Prime Developers Pvt Ltd. Thus, I find that Futuristic Prime Developers Pvt Ltd was a part of the promoter group of BFL-2, in terms of 2(1)(zb)(iv)(A) of ICDR Regulations.

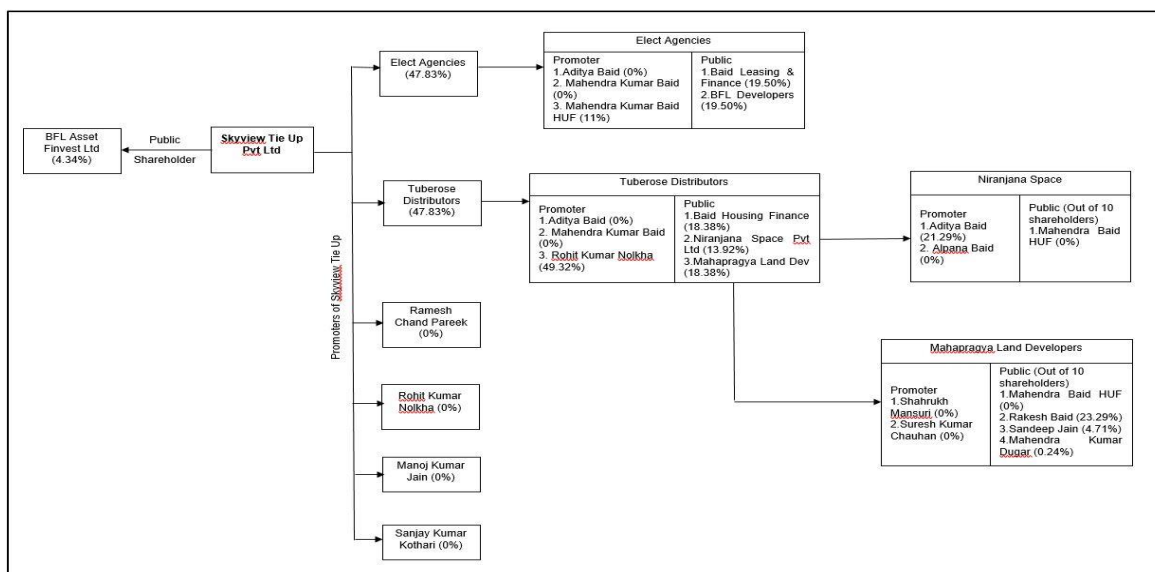
55. I also observe from the shareholding data that Skyview was one of 12 non-individual entities classified under public shareholder category of BFL-2 and had 18.03% shareholding in BFL-2 during the IP. I also observe that Elect Agencies was one of the promoters of Skyview holding 47.83% shareholding in Skyview. As per the MCA website, the promoters and top ten shareholders of Skyview were as under:

Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity
Skyview Tie Up Pvt Ltd	Elect Agencies	47.83%	BFL Developers	4.34%	Elect Agencies 47.83%	Elect Agencies	47.83%	BFL Developers	4.34%	Elect Agencies 47.83%
	Tuberose Distributors	47.83%				Tuberose Distributors	47.83%			
	Ramesh Chand Pareek	-				Ramesh Chand Pareek	-			
	Rohit Kumar Nolkha	-				Rohit Kumar Nolkha	-			
						Manoj Kumar Jain	-			
						Sanjay Kumar Kothari	-			

56. As per MCA Website, promoters and public shareholders of Elect Agencies are as under:

Name of Entity	FY 2015-16 & FY 2016-17				FY 2017-18			
	Promoter of Entity	% share holding	Top ten shareholders of the entity	% share holding	Promoter of entity	% share holding	Top ten shareholders of the entity	% share holding
Elect Agencies	Aditya Baid	-	Baid Leasing & Finance Co. Ltd.	19.50%	Aditya Baid	-	Baid Leasing & Finance Co. Ltd.	19.50%
	Mahendra Kumar Baid	-			Mahendra Kumar Baid	-		
	Mahendra Baid HUF	11%	BFL Developers (now BFL Asset Finvest Ltd)*	19.50%	Mahendra Baid HUF	11%	BFL Developers (now BFL Asset Finvest Ltd)*	19.50%

57. The flowchart showing connection of promoter and promoter group of BFL-2 with Skyview is given below:



58. I observe from the above that Mahendra Kumar Baid HUF, in which Mahendra Kumar Baid was a Karta, owned 11% shareholding in Elect Agencies. I further note that Noticee 3 owned 19.5% shareholding in Elect Agencies. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Mahendra Baid HUF in Elect Agencies and shareholding of Elect Agencies in Skyview. Therefore, by virtue of the shareholding of Mahendra Kumar Baid HUF and Noticee 3 in Elect Agencies which in turn was a promoter group in Skyview, I find that Skyview was a part of promoter group of BFL-2, in terms of Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations

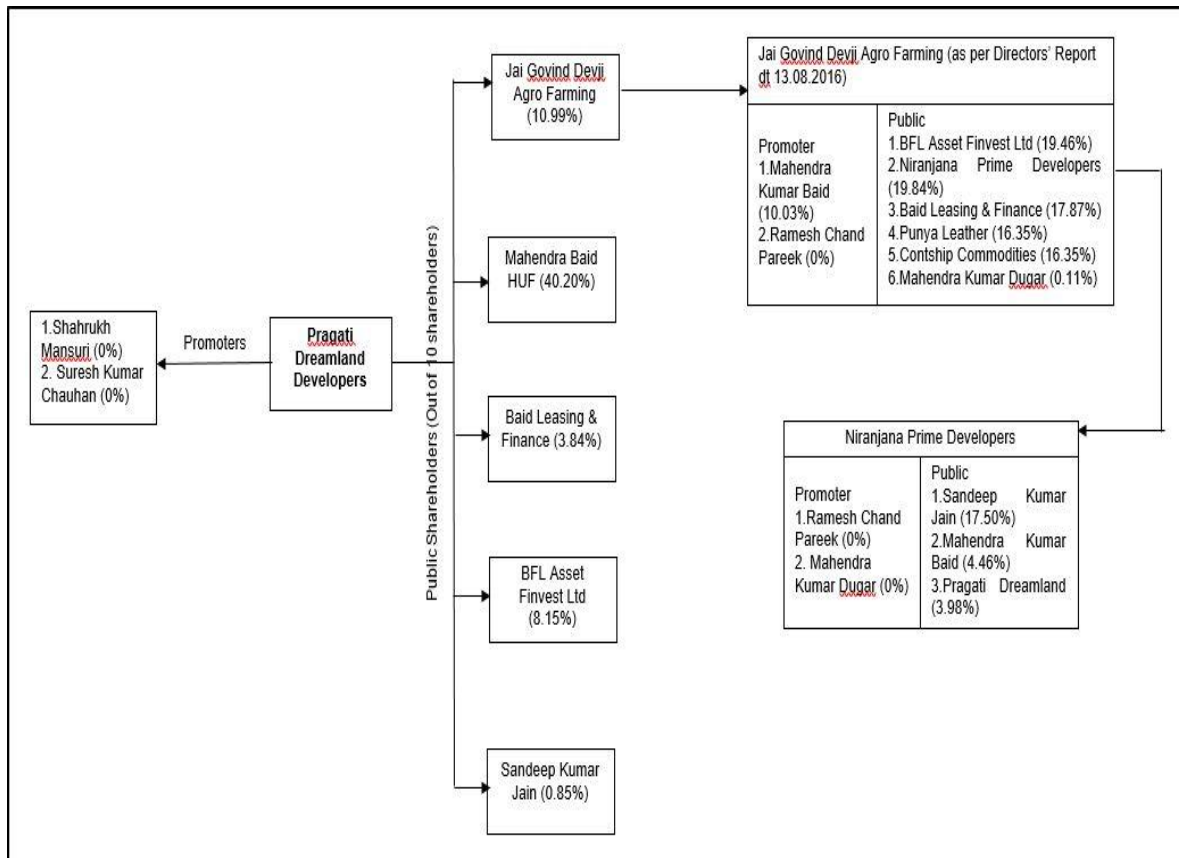
59. Similarly, I observe from the shareholding data that Pragati Dreamland Developers Private Limited was one of 12 non-individual entities classified under 'public shareholder' category of BFL-2 during the period of investigation. Pragati Dreamland Developers Pvt Ltd had 7.1% shareholding in BFL-2 during the period of investigation. On analysis of details of Pragati Dreamland Developers Pvt Ltd, as obtained from MCA website, I observe that the promoters and top ten shareholders of Pragati Dreamland Developers Pvt were as under:

Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL in the entity
Pragati Dreamland Developers	Shahrukh Mansuri	-	Mahendra Baid HUF	40.20%	Mahendra Baid HUF; (total 40.20%)	Shahrukh Mansuri	-	Mahendra Baid HUF	40.20%	Mahendra Baid HUF; (total 40.20%)
			BFL Developers Ltd	8.15%				BFL Developers Ltd	8.15%	

			Baid Leasing and Finance	3.84%	shareholdin g)			Baid Leasing and Finance	3.84%	shareholdin g)
			Sandeep Kumar Jain	0.85%				Sandeep Kumar Jain	0.85%	
	Suresh Kumar Chauhan	-	Jaigovind Devji Agro Farming*	10.99%			Suresh Kumar Chauhan	Jaigovind Devji Agro Farming*	10.99%	
			N R Vincom	10.76%				N R Vincom	10.76%	
			Jailaxmi Vincom	9.99%				Jailaxmi Vincom	9.99%	
			Dhansakti Commosale	7.69%				Dhansakti Commosale	7.69%	
			Modern Forge	7.38%				Modern Forge	7.38%	
			Manmohan Goyanka	0.15%				Manmohan Goyanka	0.15%	

60. I observe from the above table that Mahendra Baid HUF, in which Mahendra Kumar Baid is a member, had a shareholding of 40.20% under 'public category' in Pragati Dreamland Developers Private Limited. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Mahendra Baid HUF in Pragati Dreamland Developers Pvt Ltd.

61. The flowchart showing connection of promoter and promoter group of BFL-2 with Pragati Dreamland Developers Limited is given below:



62. I, therefore, find that Mahendra Baid HUF (wherein Mahendra Kumar Baid is the Karta) owned shareholding of 40.20% in Pragati Dreamland Developers Pvt Ltd and Mahendra Kumar Baid was also the promoter of BFL-2. Thus, I find that in terms of 2(1)(zb)(iv)(A) of ICDR Regulations, Pragati Dreamland Developers Pvt Ltd was a part of the promoter group of BFL-2.

63. I note from records that Mahapragya Land Developers Private Limited was one of 12 non-individual entities classified under 'public shareholder' category of BFL-2 during the period of investigation. Mahapragya Land Developers Pvt Ltd had a shareholding of 3.53% in BFL-2 during the period of investigation. On analysis of details of Mahapragya Land Developers Pvt Ltd, as obtained from MCA website, I observe that the promoters and top ten shareholders of Mahapragya Land Developers Pvt Ltd were as under:

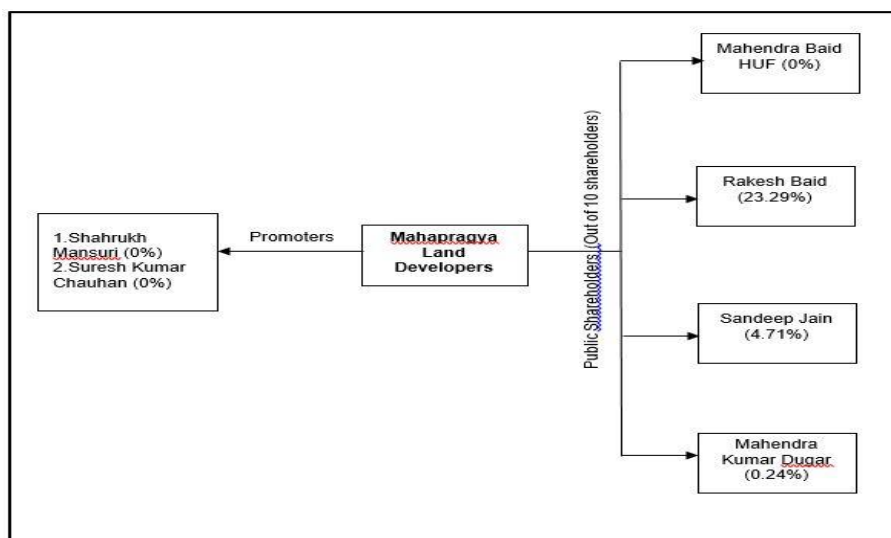
Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity
Mahapragya Land Developers	Shahrukh Mansuri	-	Rakesh Baid	23.29%	Rakesh Baid (Total 23.29% shareholding)	Shahrukh Mansuri	-	Rakesh Baid	23.29%	Rakesh Baid (Total 23.29% shareholding)
			Sandeep Jain	4.71%				Sandeep Jain	4.71%	
			Mahendra Baid HUF	0%				Mahendra Baid HUF	0%	
			Trammel Trading	18.82%				Trammel Trading	18.82%	
	Suresh Kumar Chauhan	-	Shri Laxmi Mercantile	17.65%		Suresh Kumar Chauhan	-	Shri Laxmi Mercantile	17.65%	
			Punya Leather	17.65%				Punya Leather	17.65%	
			Badal Commotrade	11.76%				Badal Commotrade	11.76%	
			Surendra Singhi	4.71%				Surendra Singhi	4.71%	
			Girish Agarwal	1.18%				Girish Agarwal	1.18%	
			Mahendra Kumar Dugar	0.24%				Mahendra Kumar Dugar	0.24%	

64. I observe from the above table that Rakesh Baid, part of public shareholders of Mahapragya Land Developers Private Limited, was having a shareholding of 23.29% in Mahapragya Land Developers Private Limited. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Rakesh Baid in Mahapragya Land Developers Private Limited.

65. I also observe from Know Your Clients (KYC) documents obtained from trading member, Hindustan Tradecom Pvt Ltd, vide email dated 04.11.2020 and email from Tradeswift

Broking Pvt Ltd dated 12.10.2020, that Rakesh Baid is the brother of Mahendra Kumar Baid who is the promoter of BFL-2.

66. The flowchart showing connection of promoter Mahendra Kumar Baid and Rakesh Baid with Mahapragya Land Developers Limited is given below:



67. I note that ICDR Regulations does not define the term relative. However, Regulation 2(2) of ICDR Regulations states that “All other words and expressions used but not defined in these regulations, but defined in the Act or the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be”. I further note that the term ‘relative’ is defined under Section 6 of Companies Act, 1956 which states that “A person shall be deemed to be a relative of another, if, and only if,

- (a) they are members of a Hindu undivided family; or
- (b) they are husband and wife; or
- (c) the one is related to the other in the manner indicated in Schedule IA”..

.....

68. I also note that Schedule IA of Companies Act, 1956 includes brother under the list of relatives. Hence, I observe that Rakesh Baid, who is the brother of Mahendra Kumar Baid, was a relative of promoter of BFL-2 namely, Mahendra Kumar Baid. I further observe that Rakesh Baid owned 23.29% shareholding in Mahapragya Land Developers Pvt Ltd during the FY 2015-16, FY 2016-17 and FY 2017-18.

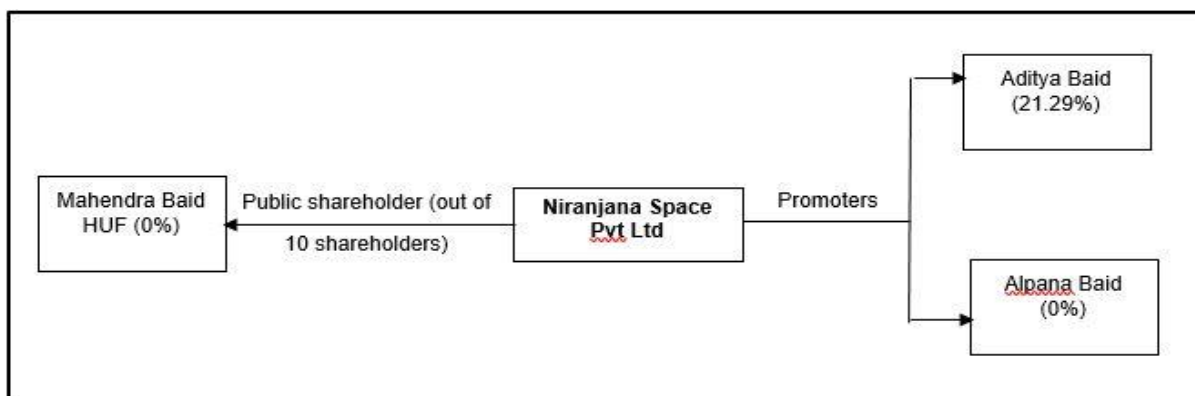
69. In view of the foregoing observations, I find that Rakesh Baid, a relative of Mahendra Kumar Baid, a promoter of BFL-2, owned 23.29% shareholding in Mahapragya Land Developers Pvt Ltd. Thus, in terms of 2(1)(zb)(iv)(A) of ICDR Regulations read with Schedule IA of Companies Act, 1956, I find that Mahapragya Land Developers Pvt Ltd was part of the promoter group of BFL-2.

70. Similarly, I observe from records that Niranjana Space Private Limited was one of 12 non-individual entities classified under 'public shareholder' category of BFL-2 during the period of investigation. Niranjana Space Private Limited had 3.24% shareholding in BFL-2 during the period of investigation. On analysis of details of Niranjana Space Pvt Ltd, as obtained from MCA website, I observe that the promoters and top ten shareholders of Niranjana Space Pvt Ltd are as under:

Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity
Niranjana Space Pvt Ltd	Aditya Baid	21.29%	Mahendra Baid HUF	0%	Aditya Baid 21.29%	Aditya Baid	21.29%	Mahendra Baid HUF	0%	Aditya Baid 21.29%
			Dhansakti Commosale	19.78%				Dhansakti Commosale	19.78%	
			Mubarak Lubricant	19.78%				Mubarak Lubricant	19.78%	
			Trammel Trading	19.35%				Trammel Trading	19.35%	
			Anuj Madana	4.30%				Anuj Madana	4.30%	
	Alpana Baid	-	Deepak Mathur	4.30%		Alpana Baid	-	Deepak Mathur	4.30%	
			Manoj Jain	4.30%				Manoj Jain	4.30%	
			Vikas Agarwal	3.23%				Vikas Agarwal	3.23%	
			Manoj Kumar Jain	1.93%				Manoj Kumar Jain	1.93%	
			Shahrukh Mansuri	1.72%				Shahrukh Mansuri	1.72%	

71. From the above table, I observe that a promoter group entity of BFL-2, namely, Aditya Baid is the promoter of Niranjana Space Private Limited having shareholding of 21.29% in Niranjana Space Private Limited. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Aditya Baid in Niranjana Space Private Limited. From email dated 12.10.2020 from Tradeswift Broking Pvt Ltd, I observe that Aditya Baid is the son of Mahendra Kumar Baid who is the promoter of BFL-2.

72. The flowchart showing connection of Mahendra Kumar Baid and Aditya Baid with Niranjana Space Pvt Limited is given below:



73. Therefore, I observe that in terms of Regulation 2(2) of ICDR Regulations read with Section 6 of Companies Act, 1956 and Schedule IA therein, “son” is also included as a relative. Therefore, Aditya Baid who is the son of Mahendra Kumar Baid would be considered to be relative of Mahendra Kumar Baid in terms of the aforesaid provisions. Thus, I find that since Aditya Baid, a relative of Mahendra Kumar Baid, a promoter group entity of BFL-2, owned shareholding of 21.29% in Niranjana Space Pvt Ltd, Niranjana Space Pvt Ltd would be part of the promoter group of BFL-2 in terms of Regulation 2(1)(zb)(iv)(A) of ICDR Regulations.

74. I observe from the shareholding data that Niranjana Properties Private Limited was one of 12 non-individual entities classified under public shareholder category of BFL Asset Finvest Ltd during the period of investigation. Niranjana Properties Private Limited had a shareholding of 3.48% in BFL-2 during the period of investigation. On analysis of details of Niranjana Properties Pvt Ltd, as obtained from MCA website, I observe that the promoters and top ten shareholders of Niranjana Properties Pvt Ltd were as under:

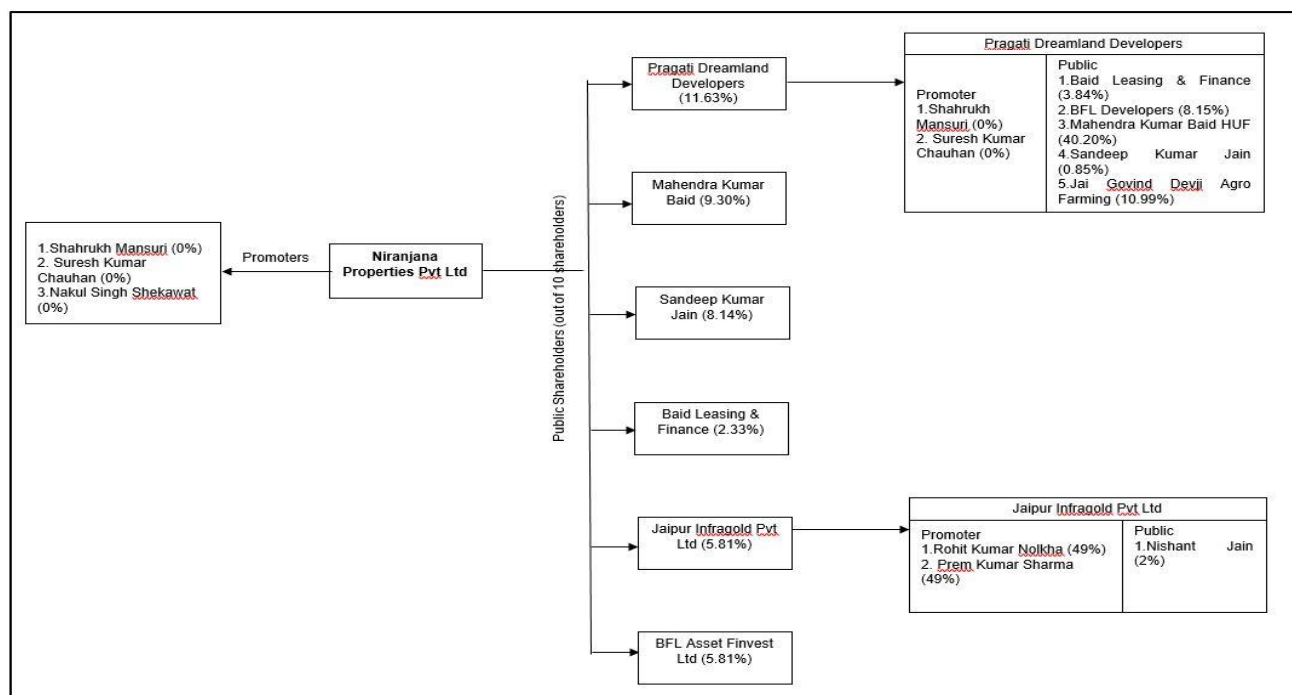
Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity	Promoter of entity	% shareholding	Top ten shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the entity
Niranjana Properties Pvt Ltd	Shahrukh Mansuri	-	Pragati Dreamland	11.63%	Pragati Deamland Developers Pvt Ltd (11.63%)	Shahrukh Mansuri	-	Pragati Dreamland	11.63%	Pragati Deamland Developers Pvt Ltd (11.63%)
			Mahendra kumar Baid	9.30%				Mahendra kumar Baid	9.30%	
			Sandeep Kumar Jain	8.14%		Suresh Kumar Chauhan		Sandeep Kumar Jain	8.14%	
			BFL Dev	5.81%				BFL Dev	5.81%	
	Suresh Kumar Chauhan	-	Jaipur Infragold	5.81%		Nakul Singh Shekhawat	-	Jaipur Infragold	5.81%	
			Baid Leasing & Finance	2.33%				Baid Leasing & Finance	2.33%	
			Contship Commodities	17.44%				Contship Commodities	17.44%	

			Mubarak Lubricants	17.44%				Mubarak Lubricants	17.44%	
			Trammel Trading	16.28%				Trammel Trading	16.28%	
			Balaji Finstock	5.81%				Balaji Finstock	5.81%	

75. From the above table I note that Pragati Dreamland Developers Pvt Ltd owned a shareholding of 11.63% in Niranjana Properties Pvt Ltd. Noticee 1, vide its letter dated April 05, 2021 to SEBI, also confirmed the aforesaid shareholding of Pragati Dreamland Developers Pvt Ltd in Niranjana Properties Pvt Ltd.

76. I find that it has already been established earlier in the order that Pragati Dreamland Developers Pvt Ltd was a part of promoter group of BFL-2 in terms of Regulation 2(1)(zb)(iv)(A) of ICDR Regulations.

77. The flowchart showing connection of promoter and promoter group of BFL-2 with Niranjana Properties Pvt Limited is given below:



78. Therefore, I find that since Pragati Dreamland Developers Pvt Ltd was a part of the promoter group of BFL-2 and owned 11.63% shareholding in Niranjana Properties Pvt Ltd, Niranjana Properties Pvt Ltd was a part of the promoter group of BFL-2 in terms of Regulation 2(1)(zb)(iv)(B) of ICDR Regulations.

79. I also observe from the shareholding data examined earlier that Jaisukh was one of 12 non-individual entities classified under 'public shareholder' category of BFL Asset Finvest Ltd during the period of investigation. Jaisukh held 5.49% shareholding in BFL-2 during the period of investigation. As per the MCA website, the promoters and top ten shareholders of Jaisukh are as under:

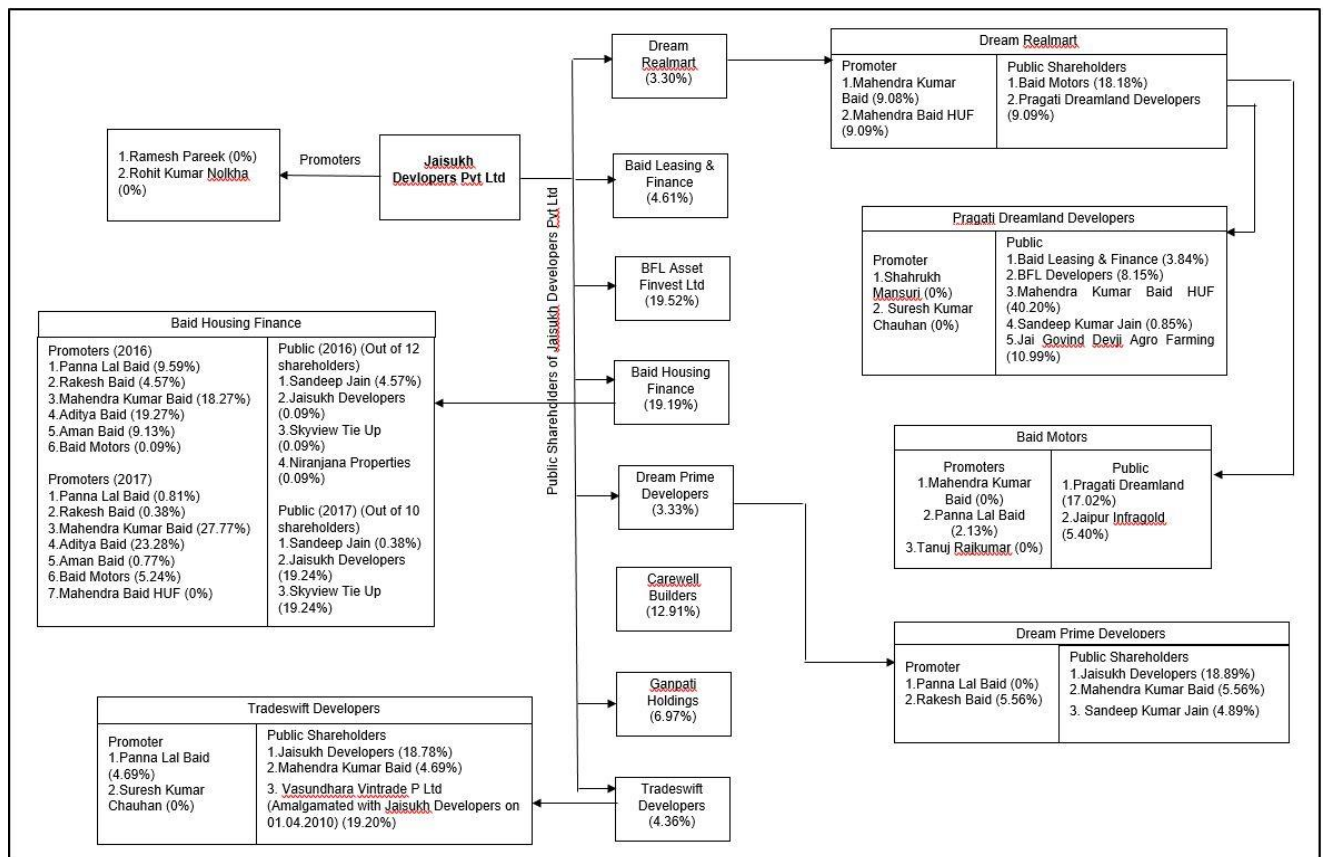
Name of entity with more than 1% shareholding in BFL	FY 2015-16 & FY 2016-17					FY 2017-18				
	Promoter of entity	% shareholding	Top ten public shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the company	Promoter of entity	% shareholding	Top ten public shareholders of entity	% shareholding	%shareholding by promoter/promoter group of BFL-2 in the company
Jaisukh Developers	Ramesh Paresh	0.01%	BFL Developers (now BFL Asset Finvest Ltd)*	19.52%	Baid Housing Finance (Total 19.19% shareholding)	Ramesh Paresh	0.00%	BFL Developers	19.52%	Baid Housing Finance (Total 19.19% shareholding)
			Elegant Prime Dev (now Baid Housing Finance)*	19.19%				Baid Housing Finance	19.19%	
			Carewell Builders	12.91%				Carewell Builders	12.91%	
			Ganpati Holdings	6.97%				Ganpati Holdings	6.97%	
	Rohit Kumar Nolkha	-	Baid Leasing & Finance	4.61%		Rohit Kumar Nolkha	-	Baid Leasing & Finance	4.61%	
			Tradeswift Developers	4.36%				Tradeswift Developers	4.36%	
			Dream Prime Dev	3.33%				Dream Prime Dev	3.33%	
			Dream Realmart	3.30%				Nandankan Barter P Ltd	16.55%	
			Monika Dugar	3.57%				Monika Dugar	3.57%	
			Vivek Dugar	3.46%				Vivek Dugar	3.46%	

80. I note that Baid Housing Finance held 19.19% shareholding of Jaisukh during the period of investigation. As per the MCA website, the promoters and top ten shareholders of Baid Housing Finance are as under:

Name of Entity	FY 2015-16 & FY 2016-17				FY 2017-18			
	Promoters of entity	Shareholding %	Top ten shareholders of entity	Shareholding %	Promoters of entity	Shareholding %	Top ten shareholders of entity	Shareholding %
Baid Housing Finance Pvt Ltd	Panna Lal Baid	9.59%	Kherapati Vintrade	4.57%	Panna Lal Baid	0.81%	Kherapati Vintrade	0.38%
			Surendra Singh	4.57%	Rakesh Kumar Baid	0.38%	Surendra Singh	0.38%
	Rakesh Kumar Baid	4.57%	Sandeep Jain	4.57%	Mahendra Kumar Baid	27.77%	Sandeep Jain	0.38%
			Girish Agarwal	4.57%			Girish Agarwal	0.38%
	Mahendra Kumar Baid	18.27%	Sanjeev Agarwal	4.57%	Aditya Baid	23.28%	Sanjeev Agarwal	0.38%
			Arun Singh	4.57%			Arun Singh	0.38%
	Aditya Baid	19.27%	Ridhisidhi Financial Advisory	3.65%	Aman Baid	0.77%	Ridhisidhi Financial Advisory	0.31%

			Pankaj Jain	1.83%			Sunil Jain	0.35%
	Aman Baid	9.13%	Saraswati Telecom	1.82%	Baid Motors	5.24%	Jaisukh Developers	19.24%
			Jaisukh Developers	0.09%			Skyview	19.24%
	Baid Motors	0.09%	Skyview	0.09%	Mahendra Baid HUF	0%		
			Niranjana Properties	0.09%				

81. The flowchart showing the cross-holdings of the promoters of BFL-2 in Jaisukh is given below:



82. As established earlier in para 20 above, I find that Jaisukh was a part of promoter group of BFL-2 in terms of Regulation 2(1)(zb)(iv)(A) and Regulation 2(1)(zb)(iv)(B) of ICDR Regulations.

83. Therefore, on the basis of the foregoing, I find that 7 entities out of the 12 entities viz. Niranjana Properties Pvt Ltd, Niranjana Space Pvt Ltd, Mahapragya Land Developers Pvt Ltd, Pragati Dreamland Developers Pvt Ltd, Futuristic Prime Developers Pvt Ltd, Jaisukh, and Skyview, were part of the promoter group of BFL-2 by virtue of the direct shareholdings

and cross holdings of the aforesaid promoters/promoter group entities. The summary of such direct shareholdings and cross holdings of promoters and promoter group entities in the aforesaid 7 entities which were shareholders of BFL-2, are provided as under:-

Sl. No	Name of entities with more than 1% shareholding (A)	Total % shareholding held by promoter & Promoter group of BFL-2 & their immediate relatives		
		FY 2015-2016	FY 2016-2017	FY 2017-18
1.	Futuristic Prime Developers Pvt Ltd (1.76%)	Mahendra Kumar Baid (56.57%)	Mahendra Kumar Baid (56.57%)	Mahendra Kumar Baid (56.57%)
2.	Skyview Tie Up Pvt Ltd (18.03%)	Elect Agencies, (one of the promoters of Skyview with 47.83% of its total shareholding) in which Mahendra Baid HUF holds 11% shareholding	Elect Agencies, (one of the promoters of Skyview with 47.83% of its total shareholding) in which Mahendra Baid HUF holds 11% shareholding	Elect Agencies, (one of the promoters of Skyview with 47.83% of its total shareholding) in which Mahendra Baid HUF holds 11% shareholding
3.	Pragati Dreamland Developers Pvt Ltd (7.10%)	Mahendra Baid HUF (40.20%)	Mahendra Baid HUF (40.20%)	Mahendra Baid HUF (40.20%)
4.	Mahapragya Land Developers Pvt Ltd (3.53%)	Rakesh Baid (23.29%)	Rakesh Baid (23.29%)	Rakesh Baid (23.29%)
5.	Niranjana Space Pvt Ltd (3.24%)	Aditya Baid (21.29%)	Aditya Baid (21.29%)	Aditya Baid (21.29%)
6.	Jaisukh Developers Pvt Ltd (5.49%)	Baid Housing Finance (having 19.19% shareholding in Jaisukh Developers) in which Mahendra Kumar Baid holds 18.26% shareholding	Baid Housing Finance (having 19.19% shareholding in Jaisukh Developers) in which Mahendra Kumar Baid holds 27.77% shareholding	Baid Housing Finance (having 19.19% shareholding in Jaisukh Developers) in which Mahendra Kumar Baid holds 27.77% shareholding
7.	Niranjana Properties Pvt Ltd (3.48%)	Pragati Dreamland Developers Pvt Ltd (11.63%) in which Mahendra Baid HUF holds 40.20% shareholding	Pragati Dreamland Developers Pvt Ltd (11.63%) in which Mahendra Baid HUF holds 40.20% shareholding	Pragati Dreamland Developers Pvt Ltd (11.63%) in which Mahendra Baid HUF holds 40.20% shareholding
8.	Dream Finhold Pvt Ltd (8.61%)	Aman Baid (8.33%)	Aman Baid (7.50%)	Aman Baid (7.50%)
9.	Dream Prime Developers Pvt Ltd (3.62%)	Rakesh Baid (5.56%) Mahendra Kumar Baid (5.55%)	Rakesh Baid (5.56%) Mahendra Kumar Baid (5.55%)	Rakesh Baid (5.56%) Mahendra Kumar Baid (5.55%)
10.	Tradeswift Developers Pvt Ltd (2.35%)	Panna Lal Baid (4.69%) Mahendra Kumar Baid (4.69%)	Panna Lal Baid (4.69%) Mahendra Kumar Baid (4.69%) Mahendra Baid HUF (0.01%)	Panna Lal Baid (4.69%) Mahendra Kumar Baid (4.69%) Mahendra Baid HUF (0.01%)
11.	Niranjana Prime Developers Pvt Ltd (1.76%)	Mahendra Kumar Baid (4.46%)	Mahendra Kumar Baid (4.46%)	Mahendra Kumar Baid (4.46%)
12.	Jaipur Infragold Pvt Ltd (2.76% in FY 2016-17 & 2.73% in FY 2017-18)	Nil	Nil	Nil

84. However, as per the quarter-wise shareholding pattern of the promoter/promoter group and public shareholders of Noticee 1 from quarter ended December 2016 upto the quarter ended December 2019, as obtained from RTA to Noticee 1, M/s. MCS Share Transfer Agent Limited, vide its email dated June 08, 2020 to SEBI, I find that Noticee 1 had classified the aforesaid 7 entities as part of “public shareholders” holding more than 1% shareholding of Noticee 1, which was a deliberate misrepresentation on its part.

85. From the foregoing observations, I find that Noticee 1 wrongly disclosed 7 entities as public shareholders having more than 1% shareholding in Noticee 1, though, on account of aforementioned direct/indirect shareholding and cross-holdings, the said 7 entities were part of the promoter group in terms of Regulation 2(1)(zb)(iv)(A)/Regulation 2(1)(zb)(iv)(B)

of ICDR Regulations and should have been disclosed as such by Noticee 1. Therefore, I find that Noticee 1 misclassified the shareholders which were part of the promoter group and provided wrong shareholding details to BSE as regards its promoter group shareholding. Thus, I find that the allegation that Noticee 1 violated provisions of Regulation 31(1) of the LODR Regulations read with Section 21 of SCRA Act, 1956, stands established.

86. I observe from the records that as per the quarter-wise shareholding pattern of the promoter/promoter group and public shareholders of Noticee 1 from quarter ended December 2016 upto the quarter ended December 2019, as furnished by RTA to Noticee 1, M/s. MCS Share Transfer Agent Limited, vide its email dated June 08, 2020 to SEBI, Noticee 1 had reclassified Tradeswift Broking Pvt. Ltd, a promoter group entity of BFL-2, to "public shareholder" category from the quarter ended January 2017. As per email dated June 08, 2020 of M/s. MCS Share Transfer Agent Limited to SEBI as well as noted from the website of BSE till the quarter ended December 2016, Tradeswift Broking Pvt. Ltd was one of the promoter group entities of BFL-2 holding 0.93% of the total shareholding of BFL-2.

87. In this regard, the matter and manner of reclassification of any of the promoter / promoter group shareholders of listed company is governed by the provisions of Regulation 31A (3) (a) of LODR Regulations which stipulates as follows:

"31A. Conditions for re-classification of any person as promoter / public

...

(3) Re-classification of status of a promoter/ person belonging to promoter group to public shall be permitted by the stock exchanges only upon satisfaction of the following conditions:

(a) an application for re-classification to the stock exchanges has been made by the listed entity consequent to the following procedures and not later than thirty days from the date of approval by shareholders in general meeting:

(i) the promoter(s) seeking re-classification shall make a request for re-classification to the listed entity which shall include rationale for seeking such re-classification and how the conditions specified in clause (b) below are satisfied;

(ii) the board of directors of the listed entity shall analyze the request and place the same before the shareholders in a general meeting for approval along with the views of the board of directors on the request:

Provided that there shall be a time gap of at least three months but not exceeding six months between the date of board meeting and the shareholder's meeting considering the request of the promoter(s) seeking re-classification.

(iii) the request of the promoter(s) seeking re-classification shall be approved in the general meeting by an ordinary resolution in which the promoter(s) seeking re-classification and persons related to the promoter(s) seeking re-classification shall not vote to approve such re-classification request."

88. I further note that Regulation 31A(8) of LODR Regulations states as follows:

"...

(8) The following events shall deemed to be material events and shall be disclosed by the listed entity to the stock exchanges as soon as reasonably possible and not later than twenty four hours from the occurrence of the event:

(a) receipt of request for re-classification by the listed entity from the promoter(s) seeking re-classification;

(b) minutes of the board meeting considering such request which would include the views of the board on the request;

(c) submission of application for re-classification of status as promoter/public by the listed entity to the stock exchanges;

(d) decision of the stock exchanges on such application as communicated to the listed entity;"

89. I observe that as per the list of corporate announcements made by Noticee 1 to BSE during the investigation period, no disclosure in the form of corporate announcements was made by Noticee 1 for re-classification of Tradeswift Broking Pvt Ltd from "promoter category" to "public shareholder" category and thus the requirements under Regulation 31A (8) of LODR Regulations had not been fulfilled by Noticee 1 prior to reclassifying Tradeswift Broking Pvt Ltd under the 'public shareholder' category.

90. I further observe from BSE's email dated July 02, 2020, to SEBI that BSE had not received any application/request in due compliance with the requirements stated above seeking permission for reclassification of Tradeswift Broking Pvt Ltd from "promoter category" to "public shareholder category" in terms of Regulation 31A(3)(a) of LODR Regulations, nor did Noticee 1 provide any disclosure for the same as a material event under Regulation 31A(8) of LODR Regulations. Therefore, I find that the requirements under Regulation 31A(8) as well as Regulation 31A(3)(a) of LODR Regulations had not been fulfilled by Noticee 1 prior to reclassifying Tradeswift Broking Pvt Ltd as a public shareholder.

91. Therefore, I find that Noticee 1 had reclassified a promoter group entity as public shareholder without obtaining prior approval of BSE in compliance with the stipulations made under Regulation 31A(3)(a) of LODR Regulations for seeking such approval and without disclosing such reclassification within 24 hours of the happening of the event to BSE in terms of Regulation 31A(8) of LODR Regulations. Thus, I find that the allegation that Noticee 1 has violated the provisions of Regulation 31(1), Regulation 31A(3)(a) and Regulation 31A (8) of LODR Regulations read with Section 21 of SCRA stands established.

Issue No. 6(i)(c) – Whether Noticees 2 and 3 have violated Regulations 29(1) and 29(3) of SAST Regulations?

92. It is also alleged in the SCN that Noticees 2 and 3 failed to make the requisite disclosures under Regulation 29(1) read with Regulation 29(3) of SAST Regulations in respect of the acquisition of shares in BFL-2 by subscribing to the preferential allotment of shares by the company. Regulation 29(1) of SAST Regulations states that *“Any acquirer who acquires shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, aggregating to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified.”* I also note that Regulation 29(3) of SAST Regulations states that *“The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to,* —
(a) every stock exchange where the shares of the target company are listed; and
(b) the target company at its registered office”

93. As established earlier, pursuant to the preferential allotment, Noticee 3 acquired 4,39,300 shares accounting for 8.61% of total share capital of Noticee 1 and Skyview acquired 9,20,000 shares accounting for 18.03% of total share capital of Noticee 1. The said acquisition of shares by Noticee 3 and Skyview had breached the threshold limits specified under Regulation 29(1) of SAST Regulations as stated above. Therefore, the said acquisition of shares was required to be disclosed by Noticee 3 and Skyview to BFL-2 and BSE in terms of Regulation 29(1) read with Regulation 29(3) of SAST Regulations. I note that Skyview had amalgamated with Noticee 2 in terms of the Scheme of Amalgamation and Arrangement approved vide NCLT order dated August 21, 2019.

94. In this regard, I note that Noticee 1, vide its email dated March 17, 2021 to SEBI, admitted that the aforesaid entities have acquired the aforesaid shareholding in Noticee 1 and stated that Skyview and 3 had made the requisite disclosures in relation to the aforesaid acquisition of shares. However, BSE in its emails dated June 18, 2020 and April 01, 2021 to SEBI, confirmed that Noticee 3 and Skyview did not file necessary disclosures as required under Regulation 29(1) read with Regulation 29(3) of SAST Regulations for the aforesaid acquisition of shares by them. I also note that no reply has been furnished nor any evidence placed on record by Noticees 2 and 3 to show that requisite disclosures under Regulation 29(1) read with Regulation 29(3) of SAST Regulations had been made by them for the aforesaid acquisition of shares. Therefore, I find that Noticee 3 and Skyview have failed to make required disclosures in terms of Regulation 29(1) read with Regulation 29(3) of SAST Regulations. I further note that by virtue of amalgamation of Skyview with Noticee 2 vide NCLT order dated August 21, 2019 and by virtue of clause 7(a) of Scheme of Amalgamation and Arrangement approved vide the aforesaid NCLT Order, Noticee 2 is liable to be proceeded against for the violation of Regulation 29(1) read with Regulation 29(3) of SAST Regulations committed by Skyview. Therefore, I find that Noticees 2 and 3 have failed to make required disclosures in terms of Regulation 29(1) read with Regulation 29(3) of SAST Regulations for the aforesaid acquisition of shares. Thus, the allegation that Noticees 2 and 3 have violated Regulation 29(1) read with Regulation 29(3) of SAST Regulations stands established.
95. In view of the foregoing findings and placing reliance upon the aforesaid judgements, I find that it stands established that:
- a) Noticee 1 has violated Regulations 3(a), (b), (c), (d) and Regulations 4(1) and 4(2)(f) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act read with Section 67(2) read with Section 24(1) of Chapter III of Companies Act, 2013 and Regulation 73(1)(e) of ICDR Regulations and Regulation 31(1), Regulation 31A(3)(a) and Regulation 31A(8) of LODR Regulations read with Section 21 of SCRA.
 - b) Noticees 2 to 3 have violated Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act.
 - c) Noticees 2 and 3 have violated Regulation 29(1) read with Regulation 29(3) of SAST Regulations by Noticee 2.

Issue No. 6(ii)- Do the violations, if any, attract monetary penalty under Sections 15HA and 15H(i) of SEBI Act and Section 23E of SCRA, as applicable?

96. It has been established in the foregoing paragraphs that the Noticees 1-3 have committed the following violations:
- a) Noticee 1 has violated Regulations 3(a), (b), (c), (d) and Regulations 4(1) and 4(2)(f) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act read with Section 67(2) read with Section 24(1) of Chapter III of Companies Act, 2013 and Regulation 73(1)(e) of ICDR Regulations and Regulation 31(1), Regulation 31A(3)(a) and Regulation 31A(8) of LODR Regulations read with Section 21 of SCRA.
 - b) Noticees 2 to 3 have violated Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act.
 - c) Noticees 2 and 3 have violated Regulation 29(1) read with Regulation 29(3) of SAST Regulations.
97. In context of the above, I refer to the observations of Hon'ble Supreme Court in the matter of Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361} wherein the Hon'ble Court had held that: *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established....."*
98. Therefore, in view of the findings and placing reliance on the above judgment of Hon'ble Supreme Court, I find that w.r.t. the aforesaid violations stated at para 96(a) & (b) as established against Noticees 1, 2 and 3, monetary penalty is attracted under Section 15HA of the SEBI Act for violation of Regulations 3(a), (b), (c), (d) and Regulations 4(1) and 4(2)(f) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act by them. The provisions of Section 15HA of the SEBI Act and Section 23E of the SCRA are as follows:

"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.*

SCRA

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

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

99. I note that Section 23E of SCRA has been invoked as a charging provision for violation of Regulation 31(1), Regulation 31A(3)(a) and Regulation 31A(8) of LODR Regulations read with Section 21 of SCRA by Noticee 1. It has been established, *inter alia*, that Noticee 1 misclassified promoters as public shareholders with reference to quarterly disclosures of shareholding pattern to the stock exchanges and thereby violated Regulation 31(1) of LODR Regulations. I note that the aforesaid act of misclassification amounted to furnishing incorrect information by Noticee 1. It has also been established that Noticee 1 had not fulfilled the requirements under Regulation 31A(3)(a) and Regulation 31A(8) of LODR Regulations in respect of re-classification of a promoter group entity as it failed to make application to BSE for re-classification of promoter entity within 30 days from approval by shareholders as required under 31A(3)(a) and also failed to make disclosure of the application for reclassification of promoter entity within 24 hours of making such application to BSE as required under Regulation 31A(8) of LODR Regulations. I note that the aforesaid non-fulfilment of requirements under Regulation 31A(3)(a) and Regulation 31A(8) of LODR Regulations amounted to a failure to furnish information within the time specified therefor in terms of regulations framed by SEBI.
100. I further note that penalty provision in a case of furnishing incorrect information and failure to furnish information within the time specified therefor in terms of regulations framed by SEBI, is squarely covered by Section 23A of SCRA read with Section 21 of SCRA. The provision of Section 23A of SCRA is reproduced as follows:

SCRA

"Penalty for failure to furnish information, return, etc.

23A. *Any person, who is required under this Act or any rules made thereunder,—*

(a) to furnish any information, document, books, returns or report to the recognised stock exchange or to the Board, fails to furnish the same within the time specified therefor in the listing agreement or conditions or bye-laws of the recognised stock exchange or the

Act or rules made thereunder, or who furnishes false, incorrect or incomplete information, document, books, return or report, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees for each such failure;

(b) to maintain books of account or records, as per the listing agreement or conditions, or bye-laws of a recognised stock exchange, fails to maintain the same, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.”

101. Thus, w.r.t. the aforesaid violations, I am of the view that the applicable provision for penalty is Section 23A of SCRA and that Section 23E of SCRA may not be the appropriate charging provision. Therefore, I am reluctantly inclined to the view that despite the violations as established, no penalty is attracted upon Noticees 2 and 3 in terms of Section 23E of SCRA.

102. I note that the Noticees 2 and 3 have been charged under Section 15H(i) of SEBI Act for the violations mentioned at para 96(c). In this regard, I find that Section 15H(i) of SEBI Act provides for penalty for failure to disclose the shareholding in a company prior to the acquisition of shares in such company. Thus, Section 15H(i) is applicable to failure to make pre-acquisition disclosure of shareholding in a company. The provision of Section 15H(i) of SEBI Act is reproduced as follows:

“15H. If any person, who is required under this Act or any rules or regulations made thereunder, fails to,—

- i. disclose the aggregate of his shareholding in the body corporate before he acquires any shares of that body corporate;”*

103. I note that the violations of Regulation 29(1) read with Regulation 29(3) of SAST Regulations established in the instant case pertain to the failure to make post-acquisition disclosures of shareholding in terms of the said regulations. Thus, I find that Section 15H(i) of SEBI Act is not applicable in reference to the aforesaid violations of Regulation 29(1) read with Regulation 29(3) of SAST Regulations by Noticees 2 and 3. Therefore, I am reluctantly inclined to the view that despite the violations as established, no penalty is attracted upon Noticees 2 and 3 in terms of Section 15H(i) of SEBI Act for the violations of Regulation 29(1) read with Regulation 29(3) of SAST Regulations by them.

Issue No. 6(iii) - What should be the quantum of monetary penalty?

104. While determining the quantum of penalty under Section 15HA of the SEBI Act, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, which reads as under:-

“SEBI Act

Factors to be taken into account by the adjudicating officer.

Section 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.*

105. I note that even though there is no material on record to establish repetitive default or quantify the unfair advantage or disproportionate gain made by the Noticees or loss caused to investors on account of such defaults, the company had the most solemn and onerous obligation to have an upright conduct as a listed entity, and comply with all applicable regulations and laws. I note that any fraudulent conduct as established above would adversely affect the integrity of securities market and interest of investors. I note that the aforesaid Noticees had perpetrated a fraudulent scheme of funding of preferential allotment of a company using the company's own funds and thereby created a misleading impression that genuine capital infusion was being brought into the Company. Therefore, I am inclined to take a stern view with regard to such fraudulent practices. Thus, I find that the aforesaid violations were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid regulatory violations in order to serve as a deterrent example against such violations.

ORDER

106. Having considered all the facts and circumstances of the case, the material available on record and also the factors mentioned in Section 15J of the SEBI Act, as enumerated

above, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of Rs. 25,00,000/- (Rupees Twenty Five Lakhs only), jointly and severally, under Section 15HA of SEBI Act, on the Noticees 1-3, for the violations as established in this order.

107. Noticees 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 website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, said Noticees may contact the support at portalhelp@sebi.gov.in.
108. The Noticees shall forward said Demand Draft or the said confirmation of e-payment made in the format as given in table below which should be sent to "The Division Chief, EFD – DRA – 5, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

109. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticees.
110. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticees and also to SEBI.

Place: Mumbai

Date: February 27, 2023

SOMA MAJUMDER

ADJUDICATING OFFICER