BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/RM/2022-23/18767-18786]

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 RULE 4(1) OF THE SECURITIES CONTRACTS (REGULATIONS) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005

In respect of –

1. **Rashilaben Kishorbhai Kadvani (PAN: ACKPK8261D)** having address at 801, Tulip Apartment, Opp. St. Mary School, Kalawad Road, Rajkot, Gujarat - 360005
2. **Girishkumar Lakhabhai Kadvani (PAN: ADKPK1848F)** having address at 902, Skyhill Apartment, Janki Marg, Jalaram 2, University Road, Rajkot, Gujarat – 360007
3. **Ishan Kishor Kadvani (PAN: ANOPK0087A)** having address at 801, Tulip Apartment, Opp. St. Mary School, Kalawad Road, Rajkot, Gujarat – 360005
4. **Amee Ashok Kadvani (PAN: AIYPK7209F)** having addresses at
   - (i) B 202, Shanidhya Green Nana Mova Road, Near Speed Party Plot, Rajkot, Gujarat – 360004
   - (ii) C/o Kadvani Forge Ltd., Niraj Apartment, 22, New Jagnath, Rajkot, Gujarat - 360001
5. **Kishorkumar L Patel** having address at 17, Station Plot, Gondal, Gujarat - 360311
6. **Atlanta Infrastructure and Finance Ltd. (PAN: AACCK4042R)** having addresses at
   - (i) Chaitanya Traders, Niraj Appt., 22, New Jagnath Plot, Mahakali Mandir Road, Rajkot, Gujarat – 360001
   - (ii) 822, Star Chambers, Harihar Chowk, Rajkot, Gujarat – 360001

7. **Presilco Impex Ltd. (PAN: AACCP4844L)** having address at 822, Star Chambers, Harihar Chowk, Sadar Bazar, Rajkot, Gujarat – 360001
8. **Pari Stock Trading Pvt. Ltd. (PAN: AACCP5452E)** having addresses at
   (i) 351, PS Bhavan, Stock Exchange Building, Sadar bazar, Rajkot, Gujarat – 360001
   (ii) 822, Star Chambers, Harihar Chowk, Sadar Bazar, Rajkot, Gujarat – 360001
9. **Pavan Anilbhai Gandhi (PAN: AIZPG9121H)** having addresses at
   (i) C/702, Sadguru Vatika 2, Maruti Nagar, Rajkot, Gujarat – 360001
   (ii) 10, Station Plot, Gondal, Dist-Rajkot, Rajkot, Gujarat - 360001
   (iii) Flat No.29, 5th Floor, Hari Niwas C Road, Church Gate, Marine Lines, Mumbai – 400020
   (iv) Flat No.303, Cosmos Park, CHS MG Road, Borivili East, Mumbai - 400066
10. **Krishna Capshares Pvt. Ltd. (PAN: AAACK8925B)** having address at 7, A/B Panchratna Raiya Road, Rajkot, Gujarat – 360001
11. **Atlanta Share Shopee Ltd. (PAN: AAFCA0584K)** having addresses at
   (i) 633, P.J.Tower, Dalal Street, Fort, Mumbai -400001
   (ii) 402, Siddhivinayak Apts., 5/11, New Jagnath Plot, Rajkot, Gujarat - 360001
12. **Ayodhyapati Inv. Pvt. Ltd. (PAN: AABCA6007B)** having addresses at
   (i) 822, Star Chamber, Harihar Chowk, Rajkot, Gujarat – 360002
   (ii) Shree Dutt Niwas, Kapuria Chowk, Gondal, Gujarat - 36031114
13. **Anil Amrutlal Gandhi (PAN: ACIPG8954B)** having addresses at
   (i) Gandhi House, Shantiniketan Soc -1, Kotecha Chowk, Kalawad Road, Rajkot, Gujarat – 360001
   (ii) 10, Station plot, Gondal, Gujarat - 360311
   (iii) C-702, Sadguru Vatika, Airport Road, Rajkot, Gujarat - 360001
14. **Om Education (IT) Pvt. Ltd**. (PAN: AAACO5614R) having address at 617, Star Plaza, Phuchhab Chowk, Rajkot, Gujarat – 360001
15. **Chintamani Shares & Broking Ltd. (PAN: AACCC0441L)** having addresses at

(i) 822, Star Chambers, Harihar Chowk, Rajkot, Gujarat – 360001

(ii) Ground Floor, 'Gandhi House', Kotecha Chowk, Behind Swami Vivekananda Statue, 1 Santi Niketan Soc., Rajkot, Gujarat -360005 17)

16. **Amrutlal Jivandas Gandhi (PAN: AGGPG3301E)** having addresses at

(i) 10, Station plot, Gondal, Gujarat – 360311

(ii) 822, Star Chamber, Harihar Chowk, Rajkot, Gujarat - 360001

17. **Pari Anil Gandhi (PAN: BAHPG7804E)** having address at C-702, Sadguru Vatika, Airport Road, Rajkot, Gujarat – 360001

18. **Shailesh Mulraj Ved (PAN: ABQPV7436E)** having addresses at

(i) Flat No. 17, 2nd Floor, G.K. Bhatia Chawl, 45, Vithaldas Road, Mumbai – 400002

(ii) 45, G K Bhatia Building, Room No. 17, 2nd Floor, Vithaldas Road, Mumbai – 400002

19. **Suresh V Mavani (PAN: AAKPM0160F)** having address at B-6/21, Mira Coop. Hsg. Ltd., Behind Hotel Amamr Palace, Mira Road E, Mumbai – 401107

20. **Manish Kanakshi Ashar (PAN: AEGPA1359E)** having address at 193, 1st Floor, Room No. 19, Lalji Dayal Bhatia Bldg., V P Road, Girgaon, Mumbai - 400004

In the matter of Atlanta Infrastructure and Finance Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as 'SEB**I**') initiated adjudication proceedings in the matter of Atlanta Infrastructure and Finance Ltd. (hereinafter referred to as "Atlanta/Scrip/Company") :

   i. Under Section 15A(b) of SEBI Act 1992 (hereinafter referred to as "SEBI Act") against Rashilaben Kishorbhai Kadvani (**Noticee-1),** Girishkumar Lakhabhai Kadvani **(Noticee-2),** Ishan kishor Kadvani **(Noticee-3),** Amee Ashok Kadvani **(Noticee-4),** Kishorkumar L Patel **(Noticee-5)** for the alleged violations of Regulation 13(4A) read with Regulation 13(5) of SEBI (Prohibition of Insider Trading) Regulations 1992 (hereinafter referred to as "**PIT Regulations,**

1992") read with Regulation 12 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as **"PIT Regulations, 2015"**).

ii. Under Section 15HA of SEBI Act and Section 23E of SCRA against Atlanta Infrastructure and Finance Ltd. **(Noticee-6)** for the alleged violations of Section 21 of Securities Contracts (Regulations) Act, 1956 (hereinafter referred to as **'SC(R)A'**) read with clause 35 of Listing Agreement, Section 12A(a),(b),(c) of the SEBI Act read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations")**,

iii. Under Section 15HA of SEBI Act against Presilco Impex Ltd. **(Noticee-7),** Pari Stock Trading Pvt. Ltd. **(Noticee-8),** Pavan Anilbhai Gandhi **(Noticee-9),** Krishna Capshares Pvt. Ltd. **(Noticee-10),** Atlanta Share Shopee Ltd. **(Noticee 11),** Ayodhyapati Inv. Pvt. Ltd. **(Noticee-12),** Anil Amrutlal Gandhi **(Noticee-13),** Om Education (IT) Pvt. Ltd. **(Noticee-14),** Chintamani Shares & Broking Ltd. **(Noticee-15),** Amrutlal Jivandas Gandhi **(Noticee-16),** Pari Anil Gandhi **(Noticee-17),** Shailesh Mulraj Ved **(Noticee-18),** Suresh V Mavani **(Noticee-19),** and Manish Kanakshi Ashar **(Noticee-20)** for the alleged violations of Section 12A(a),(b),(c) of the SEBI Act, read with Regulation 3(a),(b),(c),(d) & 4(1) of the PFUTP Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer *vide* Order dated March 18, 2021 to inquire into and adjudge under Sections 15A(b), 15HA, 15HB of SEBI Act and 23E of SC(R)A the aforesaid alleged violations against the Noticees. The appointment of the AO was communicated *vide* order dated March 24, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD5/MC/ST/16080/2021 dated July 22, 2021 (hereinafter be referred to as, the "**SCN**") was served upon the Noticees under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ('Adjudication Rules') and Rule 4(1) of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, ('SCR Adjudication Rules') read with Section 15I of the SEBI Act and Section 23-I of the SCRA to show cause as to why an inquiry should not be held and penalty not be imposed against Noticees under Sections 15A(b), 15HA and 15HB of SEBI Act as applicable upon Noticees for the aforesaid alleged violations.

4. The allegations levelled against the Noticees in the SCN are summarized as below:

5. Atlanta was formerly known as Kadvani Securities Ltd. and was an authorised Non-Banking Financial Services Company (NBFC). The Company changed its name to Atlanta Infrastructure and Finance Ltd. w.e.f. August 3, 2013. The main business activity of the Company is infrastructure and development of land. The company was incorporated in 1992 and listed on BSE w.e.f June 07, 1995. The registered office address of the company is 822, Star Chambers, Harihar Chowk, Rajkot, Gujarat-360001.

6. SEBI conducted an investigation into trading of the scrip of Atlanta for suspected manipulation of the scrip price for the period August 2, 2010 to January 6, 2015 (hereinafter referred to as "**investigation period/ IP"**) and the investigation revealed the following alleged violations:

Disclosure violations w.r.t change in shareholding of promoter/promoter group entities during IP:

7. The following are the transactions of promoters/promoter group in the scrip of Atlanta during the IP which were required to be disclosed under Regulation 13(4A) r/w 13(5) of PIT Regulations 1992:

Sr. No.	Date of transaction (*)	Name of entity (PAN)	Holding before transaction (number of shares and %)	Acquired/ disposal/ pledge (number of shares)	Holding Post Transaction (Number of shares and %)	Notional value for off-mkt/physical transfers as per closing price on BSE on date of transaction(Rs.)	Required Date of Disclosure to the Company and the Exchange	Date of receipt of disclosure by the exchange
1	28/06/2012	Rashilaben Kishorbhai Kadvani (ACKPK8261D)	123700 (1.17%)	123700 (Disposal) (1.17%)	0 (0.00%)	2913135	02/07/2012	Not disclosed
2	28/06/2012	Girishkumar Lakhabhai Kadvani (ADKPK1848F)	146600 (1.39%)	146600 (Disposal) (1.39%)	0 (0.00%)	3452430	02/07/2012	Not disclosed
3	28/06/2012	Ishan Kishor Kadvani (ANOPK0087A)	110800 (1.05%)	110800 (Disposal) (1.05%)	0 (0.00%)	2609340	02/07/2012	Not disclosed
4	28/06/2012	Amee Ashok Kadvani (AIYPK7209F)	110800 (1.05%)	110800 (Disposal) (1.05%)	0 (0.00%)	2609340	02/07/2012	Not disclosed
5	19/02/2014	Kishorkumar L Patel	10000 (0.09%)	10000 (0.09%)	0 (0.00%)	765000**	21/02/2014	Not disclosed
6	19/02/2014	Kishor L Kadvani	10000 (0.09%)	10000 (0.09%)	0 (0.00%)	765000**	21/02/2014	Not disclosed

**Date of transaction for physical transfers is taken as provided by RTA, for off-market demat transfers as provided by the depositories (CDSL/NSDL).*

***Consideration as per share transfer form was Rs. 225000. As per closing price of Rs. 76.5 on the day of transaction (19/02/2014)(BSE price volume data), the notional value of shares was Rs. 765000(greater than Rs. 500000).*

8. As seen from the above table, Noticees-1 to 5, and Kishor L Kadvani were required to make disclosures of their change in shareholding of the Company within two working days of the transactions to the Company and the stock exchange as per Regulation 13(4A) read with 13(5) of PIT Regulations, 1992. However, from the disclosures, as submitted by BSE vide email dated June 09, 2020 (provided as Annexure-3 to the SCN), no such disclosure(s) was made. Kishor L Kadvani had passed away on June 27, 2012 as per death certificate from Rajkot Municipal Corporation submitted by Ishan Kishor Kadvani (Son of Kishor L Kadvani).

9. In view thereof, Noticees-1 to 5, by failing to make required disclosures, were alleged to have violated Regulation 13(4A) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

10. The shareholding pattern of the company during the investigation period (as obtained from BSE) is as follows:

Particular	Quarter ended June 2010			Quarter ended Sep 2010			Quarter ended Dec 2010		
	No. of shareholders	No. Of shares	%	No. of shareholders	No. Of shares	%	No. of shareholders	No. Of shares	%
Promoter and promoter group Holding	11	514700	17.07	11	514700	17.07*	11	514200	4.87
Non Promoter Holding	1601	2499700	82.93	1583	2499700*	82.93*	1629	10050200	95.13
Total share capital	1612	3014400	100.00	1594	3014400*	100.00	1640	10564400	100.00

Particular	Quarter ended Sep 2012			Quarter ended Dec 2012			Quarter ended Mar 2013		
	No. of shareholders	No. Of shares	%	No. of shareholders	No. Of shares	%	No. of shareholders	No. Of shares	%
Promoter and promoter group Holding	7	22300	0.21	7	22300	0.21	7	22300	0.20
Non Promoter Holding	1568	10542100	99.79	1555	10542100**	99.79	1480	11077700	99.80
Total share capital	1575	10564400	100.00	1562	10564400**	100.00	1487	11100000	100.00
Total share capital	1496	11100000	100.00	1486	11100000	100.00	1481	11550000	100.00

Particular	Quarter ended Mar 2014			Quarter ended June 2014			Quarter ended Sep 2014		
	No. of shareholders	No. Of shares	%	No. of shareholders	No. Of shares	%	No. of shareholders	No. Of shares	%
Promoter and promoter group Holding	7	223000***	0.19***	0	0	0.00	0	0	0.00
Non Promoter Holding	1487	115277000	99.81	1510	115500000	100.00	1531	115500000	100.00
Total share capital	1494	115500000	100.00	1510	115500000	100.00	1531	115500000	100.00

11. As per the corporate announcement made by the company to BSE, the company had allotted 75,50,000 equity shares of Rs. 10/- each at par on preferential allotment basis to entities other than promoters on August 2, 2010. The total public shareholding of the Company for the quarter ended September 2010 should have been 1,00,49,700 shares(=24,99,700+75,50,000) and total shareholding of the Company should be 1,05,64,400(=30,14,400+75,50,000) shares, whereas it was disclosed as 24,99,700 and 30,14,400 respectively. Noticee-6 had submitted to BSE a wrong shareholding pattern for the quarter ended September 2010.

12. Further, the company had allotted 5,35,600 equity shares to non-promoter entities on a preferential basis on October 03, 2012. The total public shareholding of the company for the quarter ending December 2012 should have been 1,10,77,700(=1,05,42,100+5,35,600) shares and total shareholding of the Company should be 1,11,00,000(=1,05,64,400+5,53,600) shares whereas it was disclosed as 1,05,42,100 and 1,05,64,400. Noticee-6 had submitted to BSE a wrong shareholding pattern for the quarter ended December 2012.

13. The promoters/promoter group had all disposed-of their shares on February 19, 2014 as per information provided by RTA of the company. The total promoter/promoter group shareholding of Noticee-6 for the quarter ended March 2014 should have been zero. Noticee-6 had submitted to BSE a wrong shareholding pattern. Noticee-6 had submitted 2,23,000 shares as promoter shareholding to BSE for the quarter ended March 2014.

14. Noticee-6 is, therefore, was alleged to have violated Section 21 of SC(R)A read with clause 35 of the Listing Agreement.

15. Further**,** the company had issued shares on a preferential basis to non-promoter entities on August 2, 2010, October 3, 2012 and December 20, 2013. Upon

analysis of the bank account statements, MCA website, KYC details and replies from banks/entities, the following were observed:

i. Preferential allotment dated August 2, 2010:

16. It was observed from the documents provided by BSE that Noticee-6 had designated the bank account - M/S KADVANI SECURITIES LTD.A/C PRE in Union Bank of India where all the allottees transferred the proceeds of the preferential allotment dated August 02, 2010. This bank account is the "Designated bank account" of Noticee-6. Further from the designated bank account statement, it was observed that out of total issue proceeds of Rs. 7.55 Crores, Noticee-6 transferred Rs. 7.55 Crores to its another bank account – Atlanta Infrastructure and Finance Ltd. In Union Bank on 03/08/2010. It then transferred Rs. 4.29 Crores to Noticee-11, Client A/c , Rs. 0.60 Crores to Noticee-15, NSE F&O Client A/c and Rs. 2.5 Crores to another account of Noticee-6, Kadvani Securities Ltd. In Union Bank through various transactions in the month of August 2010. Rs. 2.50 Crores was transferred from the account viz., Kadvani Securities Ltd. to the bank account - Atlanta Infrastructure and Finance Ltd.(on 28/09/2010 as closure proceeds. From the bank account of Atlanta Infrastructure and Finance Ltd., Rs. 2.13 Crores was transferred to Noticee-11, Client A/c on 28/09/2010.

<u>Details of funding analysis are as follows-</u>

a) <u>Noticee-7:</u> Noticee-7 was allotted 5,00,000 shares in the preferential allotment and it had transferred Rs. 50,00,000/- from its A/c in Union Bank to the designated bank account of Atlanta on July 28, 2010. From the Bank statement, it was observed that it had received Rs. 47,52,000/- from Noticee-12 and Rs. 5,00,000/- from Noticee-13 on July 28, 2010. From Bank statement of Noticee-12, it was observed that it had received Rs. 47,50,000/- from Noticee-11, Client A/c on 28/07/2010. Noticee-11 was one of the transferees to whom Noticee-6 had transferred Rs. 6.42 Crores during the month of August-September 2010 after receiving the preferential issue proceeds.

b) From the bank statement of Noticee-13, it was observed that he had received Rs. 3,50,000/- from Noticee-9 and Rs. 1,55,000/- from Priti Anil Gandhi on 28/07/2010. Noticee-9 had received Rs. 3,51,000/- and Priti Anil Gandhi had received Rs. 1,60,000/- from Noticee-11 Client A/c on 28/07/2010.

c) Considering that funds were transferred back to Noticee-11 after receiving the preferential allotment proceeds, it was alleged that Rs. 50,00,000/- of the preferential allotment money was actually routed by Noticee-6 itself through Noticee-9, 11, 12, 13 and Priti Anil Gandhi.

d) <u>Noticee-8:</u> Noticee-8 was allotted 5,00,000 shares in the preferential allotment and it had transferred Rs. 50,00,000/- from its A/c in Union Bank to the designated bank account of Noticee-6 on 28/07/2010. From the Bank statement, it was observed that it had received Rs. 48,00,000/- from Noticee-11, Client A/c and Rs. 2,00,000/- from Noticee-12 on 28/07/2010.

e) From the bank statement of Noticee-11- Client A/c, it was observed that it had received Rs. 1,00,00,000/- from Atlanta Share Shopee Ltd. BSE Settlement A/con 28/07/2010. Further from the bank statement of Noticee-12, it was observed that it had received, Rs. 2,10,000/- from Noticee-7 on 28/07/2010.

f) <u>Noticee-9:</u> Funds aggregating to Rs. 35 lakhs was actually routed by Noticee-6 itself through Noticee-11. Noticee-9 was allotted 3,50,000 shares in the preferential allotment and he had transferred Rs. 35,00,000/- from his the a/c in Union Bank to the designated bank account of Noticee-6 on July 26, 2010. From the analysis of his Bank statement, it was observed that he had received Rs.35,00,000/- from Noticee-11-BSE Client A/c on 26/07/2010.

ii. Preferential allotment dated December 20, 2013:

17. It was observed from the documents provided by BSE, as per copy of board resolution of meeting of board of directors of the Company on December 20, 2013, Noticee-10 had been allotted 4,50,000 equity shares upon conversion of warrants into equity shares. Also, the Company had realized 25% upfront money amounting to Rs. 33,75,000/- at the time of issuance of warrants whereas rest 75% of the subscription amount was also received by the Company for the purpose of said conversion by December 20, 2013. It was observed that an amount equal to the balance amount (Rs. 1,01,25,000/-) was received in the bank account of Atlanta Infrastructure and Finance Ltd. In Union Bank from Noticee-10 on 12/12/2013. The aforesaid bank account is the "Designated bank account" of Atlanta.

Details of funding analysis are as follows-

a) Noticee-10: Noticee-10 was allotted 4,50,000 equity shares upon conversion of same number of warrants and it had transferred Rs. 1,01,25,000/-(75% of the total allotment money) from its a/c in Union Bank of India to the designated bank account of Noticee-6 on 12/12/2013. The total amount of Rs. 1,01,25,000/- was transferred in three tranches as below:

b) Tranche of Rs. 31,00,000: Noticee-10 had transferred Rs. 31,00,000/- from it's a/c to the designated bank account of Noticee-6 on 12/12/2013. From the bank statement, it was observed that it had received Rs. 31,10,000/- from Noticee-9 on 12/12/2013. The balance in the bank account of Noticee-9 after transferring Rs. 31,10,000/- to Noticee-10 was Rs.12,98,816.43 Dr. Also, Noticee-9 had received Rs. 17,90,000/- from Noticee-12 on 12/12/2013 before transferring the funds to Noticee-10. From the bank statement of Noticee-12, it was observed that it had received Rs. 17,95,000/- from Noticee-14 on 12/12/2013. After receipt of Rs. 31,00,000/- from Noticee-10 on 12/12/2013, Noticee-6 had transferred Rs. 18,25,000/- to Noticee-15-NSE CM Client A/c and Rs. 12,75,000/- to Noticee-15-NSE

F&O Client A/c. After receipt of Rs. 18,25,000/-, from Noticee-15-NSE CM Client A/c Rs. 18,30,000/- was transferred to Noticee-15-NSE F&O Client A/c. Further, Rs. 31,00,000/- was transferred from Noticee-15-NSE F&O Client A/c to Noticee-14 on 12/12/2013.

c) Tranche of Rs. 30,00,000: Noticee-10 had transferred Rs. 30,00,000/- from it's a/c in Union Bank of India to the designated bank account of Noticee-6 on 12/12/2013. From the bank statement, it was observed that it had received Rs. 30,00,000/- from Noticee-9 on 12/12/2013. Noticee-9 had received Rs. 17,90,000/- from Noticee-16 and Rs. 31,00,000/- from Noticee-12 on 12/12/2013 before transferring the funds to Noticee-10. From the bank statement of Noticee-12, it was observed that it had received Rs. 31,15,000/- from Noticee-14 on 12/12/2013. Noticee-14 had received Rs. 31,00,000/- from Noticee-15-NSE F&O Client A/c. The money transferred by Noticee-15-NSE F&O Client A/c to Noticee-14 was the same money as received by it during tranche (i). After receipt of Rs. 30,00,000/- from Noticee-10 on 12/12/2013, Noticee- 6 had transferred Rs. 25,50,000/- to Noticee-12 and Rs. 4,50,000/- to Noticee-11-Client A/c. After receipt of Rs. 25,50,000/-, Noticee-12 had transferred Rs. 25,55,000/- to Noticee-16 on 12/12/2013. After receipt of Rs. 4,50,000/-, Noticee-11-Client A/c had transferred Rs. 4,25,000/- to Noticee-17 who in turn transferred Rs. 4,30,000/- to Noticee-16.

d) Tranche of Rs. 40,25,000: Noticee-10 had transferred Rs. 40,25,000/- from it's a/c in Union Bank of India to the designated bank account of Noticee-6 on 12/12/2013. From the bank statement, it was observed that it had received Rs. 40,35,000/- from Noticee-9 on 12/12/2013. Noticee-9 had received Rs. 40,30,000/- from Noticee-16 on 12/12/2013 before transferring the funds to Noticee-10. From the bank statement of Noticee-16, it was observed that he had received Rs. 25,55,000/- from Noticee-12 and Rs. 4,30,000/- from Noticee-17 on 12/12/2013. The money transferred by Noticee-12 and Noticee-17 to Noticee-16 was the same money as received by them during tranche (ii). After receipt of Rs. 40,25,000/- from Noticee-10 on 12/12/2013, Noticee-6 had transferred Rs. 40,20,000/- to Noticee-12 and Noticee-12 had then transferred Rs. 40,30,000/- to Noticee-16 on 12/12/2013.

18. Considering the fact that the same money that was received by Noticee-6 in the first tranche was routed again in the second and third tranches on the same day, it was inferred that tranche (ii) and (iii) of the aforesaid allotment was not genuine and Noticee-6 had provided assistance for the same by acting as a conduit. Noticees 7 -17 acted as a conduit for transfer of money. Also, it was observed that the other Noticees who were involved were closely related to each other as given in the below table:

S. no.	**Name**	**Nature of relationship/connection**
1	Om Education(IT) Pvt. Ltd.	• Common director – Suresh V Mavani (DIN:01556518) with Atlanta Infrastructure and Finance Ltd. during 2007-08.
2	Ayodhyapati Inv. Pvt. Ltd.	• Manoj Shashikant Gandhi(DIN:01667446) was also director of Pari Stock Trading Pvt. Ltd. Pari Stock Trading Pvt. Ltd. was one of preferential allottees of Atlanta during August 2010. • During 2010, Anil Amrutlal Gandhi(DIN:00101151) was the director of Ayodhyapati Inv. Pvt. Ltd. and Presilco Impex Ltd. Manish Kanakshi Ashar(DIN:02406252) – director of Atlanta Infrastructure and Finance Ltd. was also the director of Presilco Impex Ltd.
3	Pavan Anilbhai Gandhi (DIN:02007735)	• Was the director of Chintamani Shares & Broking Ltd. with Bhavna Manish Ashar(DIN:02258407). Bhavna Manish Ashar was the wife of Manish Kanakshi Ashar(Director of Atlanta Infrastructure and Finance Ltd.) and had the same address as Manish Kanakshi Ashar.
4	Krishna Capshares Pvt. Ltd.	• Common director – Shailesh Mulraj Ved(DIN:00797245) with Atlanta Infrastructure and Finance Ltd. from 2008 till June 2013.
5	Chintamani Shares & Broking Ltd.	• Related to Pavan Anilbhai Gandhi as mentioned in S.no.3.
6	Amrutlal Jivandas Gandhi (DIN: 00101241)	• Was common director with Pavan Anilbhai Gandhi(S. no.3) in Atlanta Procon Pvt. Ltd. • Paternal grandfather of Pavan Anilbhai Gandhi
7	Atlanta Share Shopee Ltd.	• Pavan Anilbhai Gandhi(S.no. 3) was director
8	Pari Anil Gandhi	• She was the sister of Pavan Anilbhai Gandhi(S.no. 3)

S. no.	Name	Nature of relationship/connection
	(DIN:08016615)	• Same address with Pavan Anilbhai Gandhi– C 702, Sadguru Vatika,2 , Maruti Nagar, Airport Road, Rajkot

19. On the transfer of funds, the replies received from Noticee 9 are given in the table below. No reply was received from other Noticees:

Name of entity	Reply received	Reply
Pavan Anilbhai Gandhi	Email dated 18/12/2020	• Received Rs. 17,90,000/- and Rs. 31,00,000/- from Ayodhyapati Investment Pvt. Ltd. on 12/12/2013 as return of loan. • Paid Rs. 31,10,000/-, 30,00,000/- and 40,35,000/- to Krishna Capshares Pvt. Ltd. Ltd. on 12/12/2013 as return of loan. • Received Rs. 17,90,000/- and Rs. 40,30,000/- from Amrutlal Jivandas Gandhi as short term loan. • No supporting documents were submitted w.r.t the aforesaid transactions.

20. There was no loan document/evidence submitted by Noticees for the loan taken.

21. In view thereof, Noticees-6 to 17 were alleged to have violated Section 12A(a),(b),(c) of SEBI Act, read with Regulation 3(a),(b),(c),(d) & 4(1) of PFUTP Regulations.

Role of directors of Atlanta Infrastructure and Finance Ltd. in the preferential allotment funding process

22. Preferential allotment dated August 02, 2010:

As per documents provided by BSE, the resolution for preferential allotment dated August 02, 2010 was passed by the shareholders of the Company at the Annual General Meeting of the Company held on July 21, 2010. It was observed from the annual report of the Company that the following were the directors of the Company during 2010-11:

DIN	Name	Designation	Appointment Date	End Date
02406252	Manish Kanakshi Ashar	Independent, non-executive director	02/12/2008	-
01556518	Suresh V Mavani	Independent, non-executive director	30/09/2008	-
00797245	Shailesh Mulraj Ved	Whole time director	30/09/2008	27/03/2019

DIN	Name	Designation	Appointment Date	End Date
NA	Ramesh L Patel*	Independent, non-executive director	-	-
NA	Hirabhai B Makadia*	Independent, non-executive director	-	-

**As per BSE corporate announcement dated 17/10/2011, resignation of Ramesh L Patel and Hirabhai B Makadia was passed in the AGM of the Company held on 30/09/2011.*

i. Noticee-18 was the whole time director of Atlanta during the year 2010-11 and hence, responsible for the management of the affairs of the Company. He was actively involved in the activities of the Company.

ii. Noticee-18 signed resolution dated July 21, 2010 passed by the shareholders of the Company to issue and allot 75,50,000 equity shares on a preferential basis.

iii. Noticee-18 was authorized signatory in the designated bank account of Atlanta where the preferential allotment money was credited in Union Bank A/c FY 2010-11.

iv. Noticee-18 signed the balance sheet, profit and loss account, cash flow statement and director's report in the annual report of Atlanta for the FY 2010-11. The annual report of Atlanta for FY 2010-11 had mentioned that the Company during the financial year 2010-11 had issued capital by way of preferential allotment of Rs. 75.50 million divided into 7.55 million equity shares of Rs. 10 each fully paid up.

v. Noticee-18 signed the annual return filed with MCA for FY 2010-11.

23. Noticee-19 was an independent director of Atlanta during FY 2010-11. However, he was actively involved in the activities of the Company during 2010-11 as listed below:

i. Noticee-19 was member of Audit Committee and Chairman of shareholders/investor grievance committee of the Company for FY 2010-11 and attended all 8 board meetings, all 7 audit committee meetings and the only shareholders/investors grievance committee meeting during the year 2010-11.

ii. As per copy of resolution passed at the meeting of the board of directors of Atlanta held on August 02, 2010 for allotment of 75,50,000 shares on a preferential basis, Noticee-19 along with Noticee-19 were authorized by the board of directors of the Company to file application to BSE for permission to enlist the issue of 75,50,000 equity shares for dealing on the Bombay Stock Exchange.

24. Noticee-2 was an independent director of Atlanta during FY 2010-11. However, he was actively involved in the activities of the Company during 2010-11 in the Company as listed below:

    i. Noticee-20 was authorized signatory in the designated bank account of Atlanta where the preferential allotment money was credited in Union Bank A/c for FY 2010-11.

    ii. Noticee-20 signed the balance sheet, profit and loss account, cash flow statement and director's report in the annual report of Atlanta for the FY 2010-11. The annual report of Atlanta for FY 2010-11 had mentioned that the Company during the financial year 2010-11 had issued capital by way of preferential allotment of Rs. 75.50 million divided into 7.55 million equity shares of Rs. 10 each fully paid up.

    iii. Noticee-20 signed the annual return filed with MCA for FY 2010-11.

    iv. Noticee-20 was Chairman of Audit Committee and member of shareholders/investor grievance committee of the Company for FY 2010-11 and attended all 8 board meetings, all 7 audit committee meetings and the only shareholders/investors grievance committee meeting during the year 2010-11.

25. Other two independent directors – Ramesh L Patel and Hirabhai B Makadia, had attended the seven board meetings out of the eight held during the year 2010-11.

26. <u>Preferential allotment dated December 20, 2013</u>

As per documents provided by BSE, the resolution for conversion of warrants into equity shares by the warrant holder–Noticee-10, was passed by the board of the directors of the Company on December 20, 2013. It was observed from the annual report of the Company, that the following were the directors of the Company during 2013-14:

DIN	Name	Designation	Appointment Date	End Date
02406252	Manish Kanakshi Ashar	Independent, non-executive director	02/12/2008	-
01556518	Suresh V Mavani	Independent, non-executive director	30/09/2008	-
00797245	Shailesh Mulraj Ved	Managing director	30/09/2008	27/03/2019

27. Noticee-18 was the Managing director of Atlanta during the year 2013-14 and hence, responsible for the management of the affairs of the Company. He was actively involved in the activities of the Company as listed below:

i. As per resolution passed by the board of directors of the Company held on December 20, 2013 for conversion of warrants into equity shares, Noticee-19 was authorized by the board to take, perform, execute further steps, acts, deeds and matters as may be necessary to give effect to the resolution.

ii. Noticee-18 was authorized signatory in the designated bank account of Atlanta where the preferential allotment money was credited in Union Bank for FY 2013-14.

iii. Noticee-18 certified the financial statements of the Company in the annual report of Atlanta for the FY 2013-14. The Director's report in the annual report of Atlanta for FY 2013-14 had mentioned that equity shares resulted out of conversion of 4,50,000 warrants. The Director's report was certified by Noticee-19.

iv. Noticee-18 signed the annual return filed with MCA for FY 2013-14.

v. As per scanned copies of cheques provided by Union Bank, Noticee-18 had signed the cheques for the transactions of the Company on 12/12/2013.

vi. Noticee-18 was member of Audit Committee of the Company for FY 2013-14 and attended all 5 board meetings, all 4 audit committee meetings during the year 2013-14.

28. Noticee-19 was an independent director of Atlanta during FY 2013-14. However, he was actively involved in the activities of the Company during 2013-14 as listed below:

    i. Noticee-19 was Chairman of Audit Committee, remuneration committee and shareholder's committee of the Company for FY 2013-14 and attended all 5 board meetings, all 4 audit committee meetings during the year 2013-14.
    ii. Noticee-19 was authorized signatory in the designated bank account of Atlanta where the preferential allotment money was credited in Union Bank for FY 2013-14.
    iii. Noticee-19 signed the annual return filed with MCA for FY 2013-14.

29. Noticee-20 was an independent director of Atlanta during FY 2013-14. However, he was actively involved in the activities of the Company during 2013-14 in the Company as listed below:

    i. Noticee-20 was member of Audit Committee, shareholders/investor grievance committee of the Company for FY 2013-14 and attended all 5 board meetings, all 4 audit committee meetings during the year 2013-14.

30. As per annual reports, it was also noted that during 2010-11, Noticee-18 was the Compliance Officer. There was no designated Company Secretary/Compliance Officer of the Company during 2013-14 which indicates that the legal and regulatory compliances of the Company were being handled by the directors themselves.

31. In view of the above, **Noticees-18 to 20 are alleged to have violated Section 12A(a),(b),(c) of SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of PFUTP Regulations 2003.**

32. The aforesaid regulations are reproduced as under;

<u>*PIT Regulations, 1992*</u>

Disclosure of interest or holding by directors and officers and substantial shareholders in a listed companies - Initial Disclosure.

13(4)*- Any person who is a director or officer of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the company) from the last disclosure made under sub-regulation (2) or under this subregulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.*

(5) *The disclosure mentioned in sub-regulations (3) and (4) shall be made within two working days of :*

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be.

<u>*PIT Regulations, 2015*</u>

Repeal and Savings.

12. (1) *The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.*

(2) *Notwithstanding such repeal,—*

(a) *the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and*

(b) *anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;*

(3) *After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations*

<u>SCRA-</u>

Conditions for listing.

21. *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.*

<u>Listing Agreement:</u>

35 *– "The company agrees to file with the exchange the following details, separately for each class of equity shares/security in the formats specified in this clause, in compliance with the following timelines, namely :-*

a. One day prior to listing of its securities on the stock exchanges.

b. On a quarterly basis, within 21 days from the end of each quarter.

c. Within 10 days of any capital restructuring of the company resulting in a change exceeding +/-2% of the total paid-up share capital"

(I)(a) Statement showing Shareholding Pattern

<u>SEBI Act-</u>

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 recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

<u>PFUTP Regulations-</u>

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 manipulative, fraudulent or an unfair trade practice in securities markets.*

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

33. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Section 15HA and 15HB of the SEBI Act and 23H of SCR(A).

34. In response to SCN dated December 15, 2021 Noticees filed their reply, inspected documents and attended personal hearing before undersigned as follows:

Noticee No.	**Filed reply vide letter dated**	**Personal Hearing Date**	**Represented by**
1	17.05.2022	19.05.2022	Mr. Ishan Kadvani
2	19.09.2021	14.09.2021	Not attended
3	29.04.2022	19.05.2022	Mr. Ishan Kadvani
4	02.09.2021, 16.05.2022	19.05.2022	Not attended
5	No reply	19.05.2022	Not attended
6	27.06.2022, 08.06.2022	20.06.2022	Mr. J J Bhatt, Advocate, Ms. Hetal Joshi, Advocate
7	07.07.2022, 08.06.2022	20.06.2022	Mr. Shailesh Kumar, Advocate
8	02.08.2021	14.09.2021	Not attended
9	30.07.2021, 12.08.2021, 23.11.2021	22.10.2021	Mr. Shailesh Kumar, Advocate
10	08.06.2022, 07.07.2022	20.06.2022	Mr. Shailesh Kumar, Advocate

11	27.06.2022, 15.06.2022	20.06.2022	Mr. J J Bhatt, Advocate, Ms. Hetal Joshi, Advocate
12	15.06.2022, 07.07.2022	20.06.2022	Mr. Shailesh Kumar, Advocate
13	18.05.2022, 02.08.2021	19.05.2022	Not attended
14	17.05.2022, 08.06.2022, 07.07.2022	20.06.2022	Mr. Shailesh Kumar, Advocate
15	08.06.2022, 05.07.2022	20.06.2022	Mr. Shailesh Kumar, Advocate
16	--	--	Died on 01.04.2021
17	17.05.2022, 31.07.2021	19.05.2022	Not attended
18	15.06.2022	20.06.2022	Mr. J J Bhatt, Advocate, Ms. Hetal Joshi, Advocate
19	15.06.2022	20.06.2022	Mr. J J Bhatt, Advocate, Ms. Hetal Joshi, Advocate
20	14.06.2022	20.06.2022	Mr. J J Bhatt, Advocate, Ms. Hetal Joshi, Advocate

35. Further, the Noticees were also provided with relevant excerpts of Investigation report in the matter vide email dated April 07, 2022.

36. The submissions of the Noticees are summarized as below:

Common submissions of Noticee 1, 2 and 3

37. Noticee was not involved in the day-to-day routine of the company, and was not aware of any transactions, as Mr. Kishor L Kadvani was handling all the affairs of business who died on 27/06/2012. Therefore Noticee has very limited records available in this regard.

38. Noticee was not a Director in Kadvani Securities (now called Atlanta Infrastructure and Finance Ltd.).

39. It was very difficult for Noticee to gather any information regarding this notice as the time period of notice is very old, still Noticee tried to collect possible information regarding this and came to know that Noticee was not even a promoter in the company.

40. Noticee sold the shares of the company in 2010. The ledger account of Shares of Kadvani Securities Ltd. or Noticee's ITR is placed on records, in which it is stated that Noticee had sold shares before Investigation period which starts from 02/08/2010.

41. Noticee do not fall into either of the definition of Insider, Director, Officer or promoter as per Companies Act, 1956 as well as SEBI (PIT) Regulation, 1992.

42. Noticee did not violate Regulation 13 (4A) as it was inserted by the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2011 w.e.f. 16/08/2011, and by that time Noticee was not promoter.

Noticee 4

43. Noticee was not involved in the day-to-day routine of the company, and was not aware of any transactions, as Mr. Kishor L Kadvani was handling all the affairs of business who died on 27/06/2012. Therefore Noticee has very limited records available in this regard.

44. Noticee got Married in 2005 and then settled in USA with her husband there for 13 years. Noticee was housewife and raising two kids, and was not involved in any business. Noticee was not a Director in Kadvani Securities (now called Atlanta Infrastructure and Finance Ltd.).

45. It was very difficult for Noticee to gather any information regarding this notice as the time period of notice is very old, still Noticee tried to collect possible information regarding this and came to know that Noticee was not even a promoter in the company.

46. Noticee sold the shares of the company in 2010. The ledger account of Shares of Kadvani Securities Ltd. or Noticee's ITR is placed on records, in which it is

stated that Noticee had sold shares before Investigation period which starts from 02/08/2010.

47. Noticee do not fall into either of the definition of Insider, Director, Officer or promoter as per Companies Act, 1956 as well as SEBI (PIT) Regulation, 1992.

48. Noticee did not violate Regulation 13 (4A) as it was inserted by the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2011 w.e.f. 16/08/2011, and by that time Noticee was not promoters.

Noticee 5

49. Noticee was served the SCN and HN vide publication dated 15 May 2022 through one English daily newspaper, one Hindi daily newspaper and two Guajarati newspaper having wide circulation in the region where the Noticee was last known to have resided or carried on business or personally worked for gain. However, the Noticee has not responded to the Notices and nor appeared for personal hearing.

Common Submission of Noticees 6, 7, 10, 11, 12, 14, 15, 18, 19, 20

50. The Noticees submitted that the alleged cause of action i.e. alleged irregularities in preferential issues made by the company were of 2010 and 2013, and the SCN is issued after about 12 years and 09 years. There are substantial changes in the circumstances and status of the company in as much as the company has already become defunct and dormant. Further, BSE has already suspended trading in the company's shares w.e.f. 06.05.2015. Thus, SCN proceedings suffer from unexplained inordinate delay, and thus are against the rules of natural justice, causing prejudice to the Noticees and their stakeholders.

Noticee 6

51. Atlanta Share Shopee Ltd. (NFL) is a BSE broker, Membership No. INBOI 1270130, and Chintamani Shares & Broking Ltd. is a NSE broker, Membership

NO. INE231477531. Noticee had trading account with Atlanta Share Shopee Ltd. and Chintamani Shares & Broking Ltd. Noticee had bought shares through Atlanta Share Shopee Ltd. and done trading in through Chintamani Shares & Broking Ltd., NSE Broker.

52. Copy of ledger account in the books of Atlanta Share Shopee Ltd. for the period 01.04.2010-31.03.2011 and Chintamani Shares & Broking Ltd. for period 1.4.2010-31.03.2011 and Annual Report for 2010-2011, 2011-2012, 2012-2013 and 2013-2014 is placed on records.

53. Shareholding pattern- Disclosure to BSE by the Company - Allotment on Preferential basis :

Shares	BSE Notice dated	Listed w.e.f.	In shareholding pattern for quarter ended	Date of Allotment
75,50,000	02.11.2010	03.11.2010	Dec' 2010	02.08.2010
5,35,600	09.05.2013	10.05.2013	March 2013	03.10.2012
4,50,000	21.02.2014	24.02.2014	Dec' 2013	20.12.2013

54. All the fund from the share allottees was received by the company in its separate & designated bank account fully, & then the entire fund to be used / utilized was with & after the approval of BSE.

55. Use of funds preferential of issue of Rs. 7.55 crs.

Date	Amount in crore (Rs)	Paid By	Paid to
August 2010	4.29	AIFL (Noticee 6)	Atlanta Share Shopee Ltd.— Client A/c (broker)
	0.60	AIFL (Noticee 6)	Chintamani Shares & Broking Ltd. (broker) - NSE Client A/c
	2.50	AIFL (Noticee 6)	Atlanta — Kadvani

			Securities Ltd. — another account (broker) (as closure proceeds)
Total	7.39		

56. AIFL used to do trading in its name and code through brokers Atlanta Share Shopee Ltd. and Chintamani Share and Broking Ltd. Therefore, it paid monies to these brokers from time to time.

57. AIFL did some trading activities in segment of NSE and suffered a loss of Rs. 2.65 Crores which is duly reflected in the Annual Report 2010-11. AIFL had bought shares for about Rs. 2.98 Crores through Atlanta Share Shopee Ltd., Rs.89 lakhs were used towards margin money paid to broker Chintamani Shares and Broking Ltd. (F&O) and Rs. 1.03 Crores were used for loans and advances.

58. A wrong correlation is shown between preferential issue funds received by AIFL and funds received/ paid by Atlanta Share Shopee Ltd. and Chintamani Shares and Broking td. to their clients. These two brokers' privities with their clients were Separate and independent and our privity/ transactions with allottees of shares was separate. The trail/link of monies payment is snapped at several stages. Money is fungible. Therefore, payments received/made for different privities cannot be clubbed and co-related without examining each transaction and intention and factual aspects reflected in the evidences. Each entry has to be examined separately with relevant underlying documents/ material. This has however not been done.

59. Preferential Allotment dated 20.12.2013 - issue and conversion Of warrants TRANCHE II - Rs.30,00,000 were paid by Krishna Capshares Pvt. Ltd. (Noticee 10) on 12.12.2013 to AIFL. AIFL paid/ used funds as under:

Date	Amount (Rs.)	Paid by	Paid to
12.12.2013	25,50,000	AIFL	Ayodhyapati Inv. Pvt. Ltd. (for land purchase)

	4,50,000	AIFL	Atlanta Share Shopee

60. Chintamani Shares and Brokers Ltd. is a NSE broker and Atlanta Share Shopee Ltd. is a BSE broker. These brokers have clients such as AIFL, 0m Education etc. These brokers receive/ pay monies to their clients on the basis of debits/ credits balances in their client ledger accounts. Their clients' accounts contain pay-in and pay-out of settlement monies, entries of their trading bills etc.

61. Different privities between different parties cannot be put under a single umbrella. Unless parties explain their dealings and transactions, supported by ledger accounts, underlying transactions, documents and evidences no credible inference can be drawn from cryptic, skeleton material. In order to draw cogent inference, foundational facts have to be crystal clear and established. In this case, conclusions drawn are not from full facts and evidences but are from cryptic and incomplete data, information and documents. Therefore, presumptions are made without establishing foundational facts. Noticee deny having funded to allottees namely Presilco Impex Ltd. and Pari Stock trading Pvt. Ltd. Noticee deny having funded Pavan Gandhi through Atlanta Share Shopee Ltd.

62. It is submitted that connections shown on the basis of tranches and funds movement between different parties is erroneous. AIFL paid monies to Atlanta Share Shopee Ltd. and Chintamani Shares and Broking Ltd. for its stock market transactions. Hence, it cannot be said that the company provided assistance by acting as a conduit.

63. Atlanta Share Shopee Ltd. and Chintamani Shares and Broking Ltd. paid/ received monies from their clients for their separate transactions. It is pertinent to mention that our privity with the allottees was in context of issue of shares on preferential basis. While clients of Atlanta Share Shopee Ltd, and Chintamani Shares and Broking Ltd. had privity in the context of client -broker relationship.

64. Further, there are favourable findings in the Investigation Report in respect of Noticee,:

    a) Page. 32- para 1 (Inv. Report)

       "In view thereof it is concluded there was no fund flow from Atlanta to Anil Amrutlal Gandhi (HUF) for subscribing the aforesaid preferential allotment. Hence, no adverse inference has been drawn

    b) Pg. 32- para 2 (Inv. report)

       "In view thereof, it is concluded there was no fund flow from Atlanta to Krishna Capshares Pvt. Ltd. for subscribing the aforesaid preferential allotment by paying 25% of the allotment money. Hence, no adverse inference has been drawn"

65. Noticee deny that the tranche (ii) and (iii) of the preferential allotment monies was not genuine. It did not provide assistance for the same by acting as a conduit as alleged or otherwise. The money received by Noticee in tranche (i) was not trickled down in tranche (ii) and (iii) as alleged in the SCN. Each amount is received by the company was independent and separately received. The company was not concerned with the transactions of different nature between different parties. The company was concerned with the allottee of shares (i.e. Krishna Capshares Pvt. Ltd. (Noticee 10) who was allotted shares). It is not SEBI's case that no inflow of money in the company took place. The company did receive subscription monies and then only shares were allotted, which were subject to lock-in.

66. With respect to the connections between certain parties/allottees of shares issued on a preferential basis. The connection shown has no relevance as the transactions/dealings were separate and standalone of each party.

67. The company was not concerned in the transactions between parties shown in the SCN. No role, involvement and participation of company is shown in the payments made between the parties. The company has acted independently

68. In the commercial world, funds are not kept idle in the bank account even for a day. The inference that the allotment of preferential issue was not genuine is not correct. It is denied that the company provided assistance for the same by acting as a conduit'. The company has used funds received in the preferential issues.

69. It is true that Amrutlal Jivandas Gandhi is paternal grandfather of Pavan Gandhi. Anil Gandhi is son of Amrutlal Jivandas Gandhi. Pavan Gandhi has filed his reply dated 18.12.2020 and clarified that Pavan Gandhi had received sums of monies from his grandfather and father as short-term loans and on account of close family relationship, no agreement was executed.

70. As Shailesh Mulraj Ved was a common director (of Krishna Capshares Pvt. Ltd. and Atlanta Infrastructure finance Ltd. no MoU was prepared. Both parties knew the terms and circumstances under which payments were made. Ayodhyapati Inv. Pvt. Ltd. had returned Rs. 17,90,000 and Rs. 31,00,000 on 12.12.2013 which sums of monies it had taken as loan earlier. This cannot be objected as outstanding loan transaction was settled by Ayodhyapati lnv. Pvt. Ltd. by making repayments.

Noticee 7

71. The alleged cause of action i.e. alleged irregularities in preferential issues made by the company were of 2010 and 2013 and the SCN is dated 22.07.2021 i.e., about 12 years and about 9 years. There is substantial change in the circumstances and status of the company in as much as the company has already become defunct and dormant. Further, BSE has already suspended trading in the company's shares w.e.f. 06.05.2015. Thus, SCN proceedings suffer from inordinate delay and are against the rules of natural justice.

72. Noticee has been considered as violator of section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a), (b), (c), (d) & 4 (1) of PFUTP Regulations based on details of funding analysis in SCN. It is alleged in the SCN that Noticee received an amount of Rs.47,52,000/- from Ayodhyapati Inv. Pvt. Ltd. and had received

an amount of Rs.5,00,000/- from Mr. Anil Amrutlal Gandhi. SEBI considered the transactions of Noticee with Ayodhyapati Inv. Pvt. Ltd. and Mr. Anil Gandhi as part of Routing of Money by the Noticee no. 6.

73. The alleged transactions are the stand alone transactions of Noticee along with the person/entities in the regular course of business. Noticee had received the aforesaid amounts towards the repayment of the loan from the aforesaid persons.

74. Noticee was to receive a total amount of Rs. 2,07,59,830/- from Ayodhyapati Inv, Pvt. Ltd. The said fact is duly recorded in the Audited balance sheet of Noticee which has been submitted to the Income Tax Department along with Income tax return for the concerned period. The Balance Sheet has been duly audited by the Chartered Accountant and has been submitted to the Income Tax Department. In fact there were several other transaction between Noticee and Ayodhyapati Inv. Pvt. Ltd during the financial year 2010 — 2011. The extract of the Ledger showing all the transactions with Ayodhyapati Inv- Pvt. Ltd., concerned bank statement and the relevant portion of the Balance sheet is placed on record.

75. Noticee was to receive a total amount or Rs. 1,37,80,000/- from Mr. Anil Amrutlal Gandhi. The said fact is duly recorded in the Audited balance sheet of Noticee which has been submitted to the lncome Tax Department along with Income tax return for the concerned period. The Balance Sheet has been duly audited by the Chartered Accountant and has been submitted to the Income Tax Department. In fact there were several other transactions between Noticee and Anil Arnrutlal Gandhi during the financial year 2010-2011. The extract of The Ledger of Noticee showing all the transactions with Anil Amrutlal Gandhi, concerned bank statement and the relevant portion of the Balance sheet is placed on record.

76. Noticee was not aware and is not required to be aware the source of money to their respective parties. The source of money to the parties are always their confidential issues and hence Noticee did not enquire about the same as Noticee had received due amounts.

77. The acquaintance with Ayodhyapati Inv. Pvt. Ltd. and Mr. Anil Gandhi is purely due to their regular business relationship which has got nothing to do with the share transaction of the Noticee no.6. It is also a matter of record that SEBI has picked only one payment made by the aforesaid entities to Noticee and has leveled the allegations. There are several other transactions of Noticee with the aforesaid entities and still only one transaction was picked for making allegation which amounts to the suppression of facts which is deprecated by the courts of India, time and again.

78. The Noticee is not related to other Noticees and there is no evidence to showcase the connection, and in absence or any legally admissible, reliable/ cogent evidence on record, proving beyond any reasonable doubt or even providing a circumstantial evidence in support of the charge that Noticee was a part of the Group which has otherwise allegedly indulged in routing of money in the preferential allotment of the shares of Noticee no. 6 the entire foundation for issuing a SCN against Noticee falls.

Noticee 8

79. Noticee amalgamated by the NCLT order dated 10.01.2018 to Heritage Khirsara Palace Hotel Pvt. Ltd. Noticee received Rs.48,00,000/- from its stock broker ASSL by sale of shares in the BSE Bolt terminal and Rs.2,00,000/- from Ayodhyapati as part of payment of loan returned by them.

Noticee 9

80. Noticee is grandson of late Amrutlal Gandhi, who died on 01.04.2021, son of Anil Amrutlal Gandhi, and biological brother of Pari Anil Gandhi.

81. The transactions of the Noticee has already been adjudicated and declared non objectionable vide SEBI WTM order dated 27.11.2020 and SEBI AO order dated 15.02.2021.

82. There was actual delivery and transfer of shares and there was no creation of artificial volume and misleading appearance in trading of scrip of Atlanta. Further, the volume of alleged artificial volume is not furnished.

83. Noticee 11 is stock broker of Noticee, and Notice 12 transferred Rs.35 lakhs to Noticee, since Noticee had a credit balance with the broker.

84. There was no meeting of mind of Noticee with other Noticees, and there was only change of beneficial ownership once. SEBI has considered partial picture of the matter and Noticee has not made any ill-gotten gains.

Noticee 10

85. Noticee has been considered as violator of section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a), (b), (c), (d) & 4 (1) of PFUTP Regulations based on details of funding analysis in SCN. It is alleged in the SCN that Noticee received an amount of Rs.31,00,000/-, Rs. 30,00,000-/ and Rs.40,25,000/- on 12.12.2013 from Mr. Pavan Anilbhai Gandhi. SEBI considered the transactions of Noticee with Mr. Pavan Anilbhai Gandhi as part of Routing of Money by the Noticee no. 6.

86. The alleged transactions are the stand alone transactions of Noticee along with the person/entities in the regular course of business. Noticee had received the aforesaid amounts towards the repayment of the loan from the aforesaid persons.

87. Noticee was to receive a total amount of Rs. 2,17,04,000/- from Mr. Pavan Anilbhai Gandhi. The said fact is duly recorded in the Audited balance sheet of Noticee which has been submitted to the Income Tax Department along with Income tax return for the concerned period. The Balance Sheet has been duly audited by the Chartered Accountant and has been submitted to the Income Tax Department. In fact there were several other transaction between Noticee and Ayodhyapati Inv. Pvt. Ltd during the financial year 2010 — 2011. The extract of the Ledger of showing all the transactions with Mr. Pavan Anilbhai Gandhi,

concerned bank statement and the relevant portion of the Balance sheet is placed on record.

88. Noticee was not aware and is not required to be aware the source of money to their respective parties. The source of money to the parties are always their confidential issues and hence Noticee did not enquire about the same as Noticee had received due amounts.

89. The acquaintance with Mr. Pavan Anilbhai Gandhi is purely due to their regular business relationship which has got nothing to do with the share transaction of the Noticee no.6. It is also a matter of record that SEBI has picked only three payments as against total 7 payments made by Mr. Pavan Anilbhai Gandhi to Noticee and has leveled the allegations. There are several other transactions of Noticee with the aforesaid entities and still only one transaction was picked for making allegation which amounts to the suppression of facts which is deprecated by the courts of India, time and again.

90. The Noticee is not related to other Noticees and there is no evidence to showcase the connection, and in absence or any legally admissible, reliable/ cogent evidence on record, proving beyond any reasonable doubt or even providing a circumstantial evidence in support of the charge that Noticee was a part of the Group which has otherwise allegedly indulged in routing of money in the preferential allotment of the shares of Noticee no. 6 the entire foundation for issuing a SCN against Noticee falls.

Noticee 11

91. Atlanta Share Shopee Ltd. (NFL) is a Stock broker, and AIFL was client in the books of Noticee, and AIFL used to trading in its name and code through broker. Noticee transferred or received money from the entities on account on purchase/trading of shares, or as credit receivable. AIFL paid monies to Noticee for investment in shares. These transactions cannot be related to the routing of

monies by AIFL through Noticee and other entities. Further, there were internal transfer of funds within the books of the Noticee.

Date	Amount in Crore (Rs)	Paid By	Paid to
August 2010	4.29	AIFL	Atlanta Share Shopee Ltd.— Client A/C (broker)
	2.50	AIFL	Atlanta — Kadvani Securities Ltd. — another (broker) (as closure proceeds)
	4.5	AIFL	Atlanta Share Shopee

92. Kadvani Securities Ltd., Ayodhyapati Inv, Pvt. Ltd., Om Education Pvt. Ltd., Amrutlal Gandhi, Pari Stock Trading Pvt. Ltd., Pari Anil Gandhi were Noticee's clients. Copies of their Ledger accounts in Noticees's books is placed on records.

93. Noticee being broker receive/pay monies to its clients on the basis of debit/credit balance in their ledger accounts. The clients' accounts contain pay-in and pay-out of settlement monies, entries of their trading bills etc.

94. The link between the fund trails/transfers between Noticees in SCN is snapped at different places. Different privities between different parties cannot be put under a single umbrella. Unless parties explain their dealings and transactions, supported by ledger accounts, underlying transactions, documents and evidences no credible inference can be drawn from cryptic, skeleton material. In order to draw cogent inference, foundational facts have to be crystal clear and established. In this case, conclusions drawn are not from full facts and evidences but are from cryptic and incomplete data, information and documents. Therefore, presumptions are made without establishing foundational facts. Noticee deny having funded any allottees of preferential shares issued by AIFL.

95. With respect to the connections between Noticee and other entities, it is submitted that Pavan Gandhi being director of Noticee by itself cannot be a negative or adverse point against Noticee. Mr. Pavan Gandhi had his personal trading, investments and other transactions in his independent capacity. There is no role, involvement and participation of Noticee in his transactions.

Noticee 12

96. Noticee has been considered as violator of section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a), (b), (c), (d) & 4 (1) of PFUTP Regulations based on details of funding analysis in SCN. It is alleged in the SCN that Noticee had certain transactions with the other Noticees. SEBI considered these transactions of Noticee as part of Routing of Money by the Noticee no. 6. These transactions of Noticee with the person/entities was in the regular course of business, towards repayment of loan, credit receivables, part payment towards land purchase etc. with the respective entities. Further, these transactions have been picked up in isolation, and there are several other transactions carried by the Noticees with these entities, which amounts to the suppression of facts which is deprecated by the courts of India, time and again.

97. All the aforesaid transaction are duly recorded in the Audited balance sheet of Noticee which has been submitted to the Income Tax Department along with Income tax return for the concerned period. The Balance Sheet has been duly audited by the Chartered Accountant and has been submitted to the Income Tax Department.

98. The Noticee is not related to other Noticees and there is no evidence to showcase the connection, and in absence or any legally admissible, reliable/ cogent evidence on record, proving beyond any reasonable doubt or even providing a circumstantial evidence in support of the charge that Noticee was a part of the Group which has otherwise allegedly indulged in routing of money in the preferential allotment of the shares of Noticee no. 6 the entire foundation for issuing a SCN against Noticee falls.

Noticee 13

99. Noticee received loan repayments from Pavan Gandhi (Rs.3.5 lakhs) and Priti Anil Gandhi (Rs. 1.55 lakhs).

100. Noticee had taken loan from Presilco Impex of about Rs.1.38 Crores and was repaid in tranches, which included payment of Rs. 5 lakhs on 28.07.2010.

101. Noticee has been attributed role due to the business transactions and family transactions, which are no way connected to the alleged transaction of money routing with different Noticees. Copy of balance sheet, ledgers etc. are placed on records.

102. Noticee is no manner connected with any transaction of Atlanta or any other Noticees in the alleged routing of money in the matter.

Noticee 14

103. With regard to the common Director Mr. Suresh V. Mavani in Noticee Company as well as in Atlanta Infrastructure & Finance Ltd., during 2007 – 2008, it is submitted that Mr. Mavani resigned on 10-10-2008 from Noticee Company, much earlier than the I. P. Period of 2010 to 2015.

104. Noticee has been considered as violator of section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a), (b), (c), (d) & 4 (1) of PFUTP Regulations based on details of funding analysis in SCN. It is alleged in the SCN that Noticee had certain transactions with the other Noticees. SEBI considered these transactions of Noticee as part of Routing of Money by the Noticee no. 6. These transactions of Noticee with the person/entities was in the regular course of business, towards repayment of loan with Ayodhyapati Inv. Pvt. Ltd., and refund of excess margin money lying with the broker Chintamani Shares & Broking Ltd.

105. Further, these transactions have been picked up in isolation, and there are several other transactions carried by the Noticees with these entities, which amounts to the suppression of facts which is deprecated by the courts of India, time and again.

106. All the aforesaid transaction are duly recorded in the Audited balance sheet of Noticee which has been submitted to the Income Tax Department along with Income tax return for the concerned period. The Balance Sheet has been duly audited by the Chartered Accountant and has been submitted to the Income Tax Department.

107. The Noticee is not related to other Noticees and there is no evidence to showcase the connection, and in absence or any legally admissible, reliable/ cogent evidence on record, proving beyond any reasonable doubt or even providing a circumstantial evidence in support of the charge that Noticee was a part of the Group which has otherwise allegedly indulged in routing of money in the preferential allotment of the shares of Noticee no. 6 the entire foundation for issuing a SCN against Noticee falls.

Noticee 15

108. Noticee is a Stock broker, and AIFL was client in the books of Noticee, and AIFL used to trading in its name and code through broker. AIFL, Ayodhyapati Inv, Pvt. Ltd., Om Education Pvt. Ltd., Amrutlal Gandhi, Pari Stock Trading Pvt. Ltd., Pari Anil Gandhi were Noticee's clients. Copies of their Ledger accounts in Noticees's books is placed on records. Further, the financial transactions alleged in the SCN are done by Noticee purely as a Stock Broker and client transactions. Noticee transferred or received money from time to time from the entities on account on purchase/trading of shares, or towards margin money payment/refund. AIFL did some trading in F&O segment of NSE and suffered a loss of Rs. 2.65 Crores and Rs. 89 lakhs were used towards margin money paid to Noticee.

109. Noticee being broker receive/pay monies to its clients on the basis of debit/credit balance in their ledger accounts. The clients' accounts contain pay-in and pay-out of settlement monies, entries of their trading bills etc.

110. The aforesaid transaction are duly recorded in the Audited balance sheet of Noticee which has been submitted to the Income Tax Department along with

Income tax return for the concerned period. The Balance Sheet has been duly audited by the Chartered Accountant and has been submitted to the Income Tax Department.

111. Different privities between different parties cannot be put under a single umbrella. Unless parties explain their dealings and transactions, supported by ledger accounts, underlying transactions, documents and evidences no credible inference can be drawn from cryptic, skeleton material. In order to draw cogent inference, foundational facts have to be crystal clear and established. In this case, conclusions drawn are not from full facts and evidences but are from cryptic and incomplete data, information and documents.

Noticee 16

112. Mr. Pavan Gandhi submitted that Mr. Amrutlal Gandhi, his grandfather has died on 01.04.2021, and also submitted the death certificate in its support. The Noticee died before the instant adjudication proceedings were initiated.

Noticee 17

113. Noticee was client of Atlanta Share Shopee Ltd. (ASSL) and during investigation period, sold shares in BSE and received credit of Rs.5,04,560/-, out of which received Rs.4,25,000/- on 12.12.2013.

114. These were no way concerned with other transactions of ASSL, and Noticee cannot be held for other transactions of the broker.

115. Noticee's grandfather was in need of funds, so Noticee gave loan of Rs.4,30,000/-, who died on 01.04.2021. Noticee is not related, connected to any other entity or group as alleged in the SCN.

Noticee 18

116. The company followed the procedure namely AGM/ EOGM resolution in respect of preferential issues and disclosures thereof to the shareholders, stock

exchange and ROC filings. The company informed BSE, first level regulator and who granted listing approvals — BSE had issued 7 days prior notice and issued listing notices. Preferential issue shares were subject to lock-in as required.

117. The allotment of shares was to not to promoters but to other than promoters. No complaint regarding these issues was received from BSE, Investor, SEBI, ROC etc. at the relevant time. The preferential issues were in compliance of provisions of applicable laws and regulations and were duly approved and listed by the BSE, first level regulator.

118. The SCN is vague as in as much as no particulars of alleged fraudulent act are furnished and no role, involvement and participation of Noticee in the alleged fraudulent act is pointed out, leave alone established. Further, Noticee is not more a director of the company w.e.f. 27.03.2019 and the SCN is dated 22.07.2021. At no time statutory auditors, ROC, BSE etc. authorities pointed out any lapse or wrong doing on the part of company or its directors in the matter of preferential issues of 2010 and 2013.

119. Noticee was not involved in any fraudulent act as alleged or otherwise. The company had followed the requisite procedure, disclosures in the matter of issues of shares on a preferential basis.

120. Once shares were allotted to the allottees, selling of shares by allottees after the Lock-in period is not in the hands of the company or the directors. There have been drastic changes in the circumstances and status of the company and the company has become defunct and dormant on account of diverse factors.

Common submissions of Noticee 19 and 20

121. The company followed the procedure namely AGM/ EOGM resolution in respect of preferential issues and disclosures thereof to the shareholders, stock exchange and ROC fillings at the relevant time. The company informed BSE, first level regulator and who granted listing approvals — BSE had issued 7 days prior notice and issued listing notices.

122. Preferential issue shares were subject to lock-in as required. The allotment of shares was to not to promoters but to other than promoters. No complaint regarding these issues was received from BSE, Investor, SEBI, ROC etc. at the relevant time.

123. Preferential issues were in compliance of provisions of applicable laws and regulations and were duly approved and listed by the BSE, first level regulator.

124. The SCN is vague as in as much as no particulars of alleged fraudulent act are furnished and no role, involvement and participation of Noticee in the alleged fraudulent act is pointed out, leave alone established. At no time statutory auditors, ROC, BSE etc. authorities pointed out any lapse or wrong doing on the part of company or its directors in the matter of preferential issues of 2010 and 2013.

125. Noticee was not aware of source of funds of Krishna Capshares Pvt. Ltd. who subscribed to preferential issue.

126. Noticee was not involved in any fraudulent act as alleged or otherwise. The company had followed the requisite procedure, disclosures in the matter of issues of shares on a preferential basis.

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

CONSIDERATION OF ISSUES AND FINDINGS

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

Issue No. I Whether (i) Noticees 1 to 5 violated of Regulation 13(4A) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of

PIT Regulations, 2015; (ii) whether Noticee 6 violated of Section 21 of SC(R)A read with clause 35 of Listing Agreement, (iii) whether Noticee 6 violated Section 12A(a),(b),(c) of the SEBI Act read with Regulation 3(a),(b),(c),(d) & 4(1) of the PFUTP Regulations; and whether Noticees 7 to 20 violated Section 12A(a),(b),(c) of the SEBI Act, read with Regulation 3(a),(b),(c),(d) & 4(1) of the PFUTP Regulations.

Issue No. II If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15 A(b) and 15HA of SEBI Act, 1992 and Section 23E of SCRA? And

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of SCR(A)read with Rule 5(2) of the Adjudication Rules and Rule 5(2) of SCR Adjudication Rules?

Issue No. I **(i)Whether Noticees 1 to 5 violated of Regulation 13(4A) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015;**

129. Before proceeding with the consideration of issues, there is need to address the preliminary issue raised by the Noticees regarding delay in initiation of the proceedings. In this regard, I note that SEBI received references from Offices of Principal DIT (Inv), Ahmedabad, Kolkata, Chandigarh vide letter dated February 10, 2015, April 27, 2015 and August 24, 2015 in regard to Noticee 6. BSE was asked to carry out examination in the scrip of AIFL. Subsequently, investigation was carried out by SEBI in the matter, and the investigation was completed in February 2021. Undersigned was appointed as AO in the matter in March, 2021 and SCN was issued on July 22, 2021. I take note of the time elapsed since reference was received and investigation initiated. I also note that no limitation

has been prescribed in SEBI Act for initiating proceedings for violation of securities laws.

130. It is alleged that Noticee 1 to 5 failed to make disclosures of change in shareholding within 2 working days from the transaction date to the company and the Stock Exchange. As per the PIT Regulations, 1992, with effect from 16.08.2011, persons who were promoters or part of promoter group were required to make disclosures in case of any change their shareholding exceeding Rs. 5 lakhs in value or 25,000 shares or 1% of total shareholding or voting rights (whichever is lower). In this regard, I note that Noticees 1 to 5 were part of promoter group as disclosed in the shareholding pattern of the company during 2012. Noticee 1 to 4 had more than 1% shareholding in Noticee 6, whereas after the sales transactions undertaken on 28.06.2012 by them the shareholding of aforesaid Noticees reduced to zero. In case of Noticee 5, the value of change in shareholding by sale transaction dated 19.02.2014 was Rs. 7.64 lakhs. In view of the same, the Noticees 1 to 5 were required to disclose to the Noticee 6 and the BSE, the change in their shareholding. However, it is noted from records that the aforesaid Noticees did not make such disclosure to the company and to BSE.

131. Noticees 1 to 4 have disputed that they were not directors of Noticee 6, hence no such disclosures were required by them. In this regard I note that the Noticees belonged to “Promoter and Promoter group” of Noticee 6 as shown by the disclosures made by the Company on BSE. Hence they were mandated to make required disclosures. Accordingly, the contention of the Noticees are not acceptable.

132. The Noticees 1 to 4 have submitted that fact that they were not involved in the day-to-day routine of the company, and was not aware of any transactions, as Mr. Kishor L Kadvani was handling all the affairs of business who died on 27/06/2012, and the Noticees have very limited records available. Noticees have not disputed the fact that they did not disclose the transactions undertaken by them.

133. In view of the above, it is established that Noticees-1 to 5, by failing to make required disclosures, have violated Regulation 13(4A) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

(ii) Whether Noticee 6 violated of Section 21 of SC(R)A read with clause 35 of Listing Agreement?

134. The Noticee 6 is alleged to have made the following wrong disclosures :

Quarter ending	Disclosure made	Actual status
September 2010	Public Shareholding: 24,99,700 Total Shareholding: 30,14,400	Post preferential allotment dated August 02, 2010 Public Shareholding: 1,00,49,700 Total Shareholding: 1,05,64,400
December 2012	Public Shareholding: 1,05,42,100 Total Shareholding: 1,05,64,400	Post issuance of 4,50,000 Public Shareholding: 1,10,77,700 Total Shareholding: 1,11,00,000
March 2014	Promoter shareholding: 2,23,000	As per RTA's data, promoters/promoters group had zero shareholding.

135. In respect of disclosure for quarter ending Sep 2010, Noticee 6 has contended that the preferentially allotted 75,50,000 shares, were subject to lock-in up to 01.08.2011 and BSE listed these shares in terms of its notice dated 02.11.2010, hence the same were included in the shareholding pattern for the quarter ended December 2010. Similarly for disclosure for quarter ending Dec 2012, Noticee 6 has contended that 4,50,000 shares issued on preferential basis, were subject to lock-in up to 03.10.2014 and BSE listed these shares in terms of its notice dated 09.05.2013, and the same were included in the shareholding pattern for the quarter ended March, 2013.

136. In this regard, I note that the format specified for statement showing shareholding pattern does not classify the public shareholding and total shareholding on the basis of locked-in share or listed. On both the occasions when the Noticee 6 had

allotted shares on preferential allotment basis, there was change in public shareholding and total shareholding of the Noticee 6, accordingly as per clause 35 of the listing agreement the same was required to be reflected suitably in the disclosures.

137. Further, in respect of the non-reflection of disposing of entire shareholding by promoter and promoter group in March 2014 disclosure, Noticee 6 has contended that the disclosure for June, 2014 reflects the promoter and promoter group shareholding as zero.

138. In this regard, I note that as per information received from RTA of Noticee 6, the promoters/promoters group disposed of their shares on February 19, 2014, accordingly the same was required to be disclosed appropriately in the March 2014 disclosure.

139. In view of the above, it is established that Noticee 6 made incorrect disclosures of its shareholding pattern in the quarters of September 2010, December 2012 and March 2014, and has thereby violated Section 21 of SC(R)A read with clause 35 of Listing Agreement.

(iii) Whether Noticee 6 violated of Section 12A(a),(b),(c) of the SEBI Act, read with Regulation 3(a),(b),(c),(d) & 4(1) of the PFUTP Regulations; and whether Noticees 7 to 20 violated Section 12A(a),(b),(c) of the SEBI Act, read with Regulation 3(a),(b),(c),(d) & 4(1) of the PFUTP Regulations.

140. I note from documents available on record, that in preferential allotment dated August 02, 2010 the company allotted 75,50,000/- shares to 41 entities (being allotted shares in the range of 1,00,000 to 8,00,000) at Rs.10/- amounting to Rs.7.50 Crores. In this preferential allotment, it is alleged that for 3 allottees i.e. Noticee 7, 8 and 9 the allotment was funded by Noticee 6 (amounting to Rs. 1.35 Crores) by routing the money through Noticee 9,11,12,13 and Priti Anil Gandhi.

141. Similarly for preferential allotment dated December 20, 2013, I note that 4,50,000 shares at the rate of Rs. 30 were allotted to Noticee 10 upon conversion of warrants into equity shares, for which the Noticee 10 had paid 25% i.e. Rs.33,75,000 upfront at the time of issuance of warrants, and 75% i.e. Rs.1,01,25,000 was paid in three tranches on December 12, 2013. In this preferential allotment it is alleged that the money received by Noticee 6 in the first tranche was routed back to Noticee 10, and the same money was utilized again by Noticee 10 in the second and third tranches on the same day. Further, allegedly this routing of money was through Noticees 9,11,12,14,15,16,17 as conduits.

142. Noticee-6 has *inter-alia* contended that it was a client of Noticees 11 and 15, which are stock brokers, and it used to do trading through it and the transfers between Noticee 6 and 11, and Noticee 6 and 15 are on account of stock broker-client relationship and the trading done by it through Noticee 6. Further, it has also been contended that there are several other transactions between the Noticee 6 and 11, and Noticee 6 and 15, but few transactions have been selectively picked which has resulted into erroneous analysis during investigation by SEBI.

143. In this regard I have perused statement of Noticee 6's of Union Bank of India bank account for the period from 01.05.2010 to 31.03.2014, and note that there are 30 and 208 bank transfers (identified on the basis of names reflecting in statement) involving Noticee 11 and Noticee 15 respectively, spread across the entire duration. There is no observation noted in investigation report in regard to transactions other than the impugned transactions. The statement reflect several transfers of funds from Noticee 6 to Noticee 11 and 15 and vice versa. Further, the Noticee 11 and Noticee 15 have placed on record the contract notes and ledgers of Noticee 6 with them in respect of the trading done by Noticee 6 through them.

144. Further, I note that the several debit and credit entries in the ledger of Noticee 6 with Noticee 11 are matched with multiples entries in the bank account statement of the Noticee 6, indicating that there are several other transactions between Noticee 6 and Noticee 11. From the ledger, I also note that prior to transfer of Rs.2.13 Crs by Noticee 6 to Noticee 11 on 28.09.2010, Noticee 6 had a debit balance of Rs. 2.62 Crs on 21.09.2010. Further, on sample basis the bills of Noticee 11 raised to Noticee 6 were perused and the entries matched with the entries in the ledger. Subsequent settlement transactions also matched in the bank account statement of the Noticee 6.

145. Similarly, I note that the several debit and credit entries in the ledger of Noticee 6 with Noticee 15 are matched with multiple entries in the bank account statement of the Noticee 6, indicating that there are several other transactions between Noticee 6 and Noticee 15. From the ledger I also note that the transfer of Rs.12.75 lakhs and Rs. 14.75 lakhs by Noticee 6 to the account of Noticee 15 on 12.12.2013 and 10.12.2013 is duly reflected and there is credit balance of Rs. 36.71 lakhs. Further, on sample basis the bills of Noticee 15 raised to Noticee 6 were perused and the entries matched with the entries in the ledger and subsequent settlement transactions also matched in the bank account statement of the Noticee 6.

146. I note that funding of preferential allotment by the company would mean flow of money for buying preferentially allotted shares from the Company to the allottees (Noticee 7, 8, 9, and 10) through conduits. I also note that as per the analysis in investigation the first link of the transfer of the chain of the alleged money transfer for funding, starts from the fund transfer from Noticee 6 to Noticee 11 and 15. In this regard, I note that, there are multiple transactions between Noticee 6 and Noticee 15, and Noticee 6 and Noticee 11, for which the Noticees have provided sufficient evidence reflecting that these transactions involved trading activities of Noticee 6 with Noticee 11 and 15 being its brokers.

147. There is no direct evidence to infer that the alleged transfers were made for the purpose of passing money on to allottees through conduits for preferential allotment, and for no other purpose. This can only be inferred based on circumstantial evidence and the principle of preponderance of probability which could infer that the most likely and probable use of the funds was to pass on to Noticees 7, 8, 9, and 10 for preferential allotment.

148. However, from the bank account statement of Noticee-6, and its supporting bills and ledgers with Noticee 11 and 15, it is seen that there were numerous transactions of Noticee 6 with Noticee 11, and 15. Further, the Noticees have contended that these transactions were normal business transactions of client and its broker. I have perused the documents submitted like ledgers, bills, and bank account statement on records, and I note that material on record does not establish based on preponderance of probability that the aforesaid transactions of Noticees were for meant only funding of preferential allotment and not for the purposes as claimed by the Noticees.

149. Further I also note that the Noticees 11 and 15 have also provided client ledgers and bills for Noticee 12, 14, 13, 8, 17 in support of the transfers between broker and client, and has contended that these transfers were as client and broker and are not related to the alleged preferential allotment. Further, there are numerous other transfers which have not been commented upon in the investigation by SEBI.

150. Considering the large number of transactions amongst the Noticees, there is nothing on record to establish that certain transactions were a shade grayer than the rest of the fund transactions and were for a cause other than that stated by the Noticees. Hence, in view of the aforesaid, the link of fund transfers between the Noticee 6 and the preferential allottees is broken.

151. An allegation of Noticees engaging in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality company's own

funds were used by allottees is a serious allegation and in order for it to sustain, material on record must establish beyond doubt that the funds used by allottees for payment of preferential allotment of shares of company were actually the funds of company. There is insufficient material on records to conclude that the payments made by Noticee 7, 8, 9 and 10 to Noticee 6 towards preferential allotment were actually the funds of Noticee 6 and routed through Noticee 11 to 17. I further note that companies are specifically prohibited to directly or indirectly provide loan or funds or financial assistance for subscribing to their own shares in terms of Section 67(2) of Companies Act 2013 which has been delegated to SEBI in so far as listed companies are concerned as specified in Section 24 *ibid.* It is relevant that no such charge has been made against the company in the instant case.

152. In view of the above, I find that material on record does not establish that Noticee-6 funded its preferential allotment by funding allottees 7, 8, 9, and 10 through Noticee 11,12,13, 14, 15, 16, 17 and Priti Anil Gandhi as its conduits in violation of provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred as 'PFUTP Regulations').

153. Since the alleged violations have not been established against Noticee 6, i.e. company, Noticee-18, 19 and 20 being the whole time director and Independent Directors of the Company responsible for the conduct of business, cannot be held in violation of provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

Issue No. II If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15A(b), 15HAof SEBI Act, 1992 and Section 23E of SCRA? And

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of SCR(A)read with Rule 5(2) of the Adjudication Rules and Rule 5(2) of SCR Adjudication Rules?

154. As it is established that the Noticee 1 to 5 violated Regulation 13(4A) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 as brought out in the foregoing paragraphs, the Noticees 1 to 5 are liable for monetary penalty under Section 15A(b) of SEBI Act; and as Noticee 6 violated Section 21 of SC(R)A read with clause 35 of Listing Agreement as brought out in the foregoing paragraphs, the Noticee 6 is liable for monetary penalty under Section 23E of SCRA; which state as follows:

SEBI Act:

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder,—*

(b) *to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;*

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 not exceeding twenty-five crore rupees.*

155. While determining the quantum of penalty under 15A(b) of SEBI Act and 23E of SCRA,1956 , the following factors stipulated in Section 15J of the SEBI Act and 23J of the SCRA have to be given due regard:

Securities and Exchange Board of India Act, 1992

<u>Factors to be taken into account by the adjudicating officer.</u>

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.

SECURITIES CONTRACTS (REGULATION) ACT, 1956

<u>Factors to be taken into account while adjudging quantum of penalty.</u>

23J. *While adjudging the quantum of penalty under section 12A or section 23-I, the Securities and Exchange Board of India or 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.

156. The material on record does not bring out the quantum of disproportionate gain made or loss caused to investors by the actions of Noticee-1 to 6 or any repetitive nature of violation by them. I note that the violation are procedural in nature and the non-disclosures by Noticees 1 to 5 as well as wrong disclosure by Noticee 6 pertains to year 2012- 2014. I also note that through subsequent quarterly disclosures, the changed shareholding was available in the public domain.

Hence, I am of the view a penalty of Rs.50,000/- each on Noticee 1 to 5 under Section 15A(b) of SEBI Act,1992, and a penalty of Rs. 1,00,000/- on Noticee 6 under section 23E of SC(R)A will be commensurate with the violation committed by the Noticees.

ORDER

157. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me:

a) Under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules I hereby impose a penalty of Rs. 50,000/- (Rupees fifty Thousands only) on Ms. Rashilaben Kishorbhai Kadvani (Noticee-1), Mr. Girishkumar Lakhabhai Kadvani (Noticee-2), Mr. Ishan Kishor Kadvani (Noticee-3), Ms. Amee Ashok Kadvani (Noticee-4) and Mr. Kishorkumar L Patel (Noticee-5) each under 15A(b) of SEBI Act for violation of Regulation 13(4A) read with Regulation 13(5) of SEBI PIT Regulations, 1992 read with Regulation 12 of SEBI PIT Regulations, 2015

b) under Section 23-I of SCR Act read with Rule 5 of SCR(A) Rules, I hereby impose a penalty of Rs. 1,00,000/- (Rupees One Lakh only) under Section 23H of SCRA, 1956 on Atlanta Infrastructure and Finance Ltd. (Noticee- 6) for violation of Section 21 of SC(R)A read with clause 35 of Listing Agreement.

158. The 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 SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

159. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action

– IV of SEBI. The Noticees shall provide the following details while forwarding DD/ payment information:

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

160. Copy of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules and Rule 6 of SCR(A) Rules.

DATE: August 30, 2022
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER