BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/PM/GD/2021-22/13724)

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of

Sardhav Investment & Finance Limited

(CIN: U65910GJ1995PTC025092)

In the matter of Midvalley Entertainment Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI)** conducted an investigation in the matter of Initial Public Offering (IPO) of Midvalley Entertainment Limited (hereinafter referred to as **MVEL/Company**). The scrip of Midvalley Entertainment Ltd. (MVEL/Company) was listed by way of an Initial Public Offering (IPO) on the platform of Bombay Stock Exchange (**BSE**) on January 27, 2011. Shares were allotted under IPO at a price of Rs. 70/- per equity share. It was observed that there was a fall in the price of scrip of MVEL on listing day, viz. January 27, 2011 wherein the price of the scrip first touched a level of Rs. 55/- per share in intraday and was finally closed at Rs. 58.05 per share. This meant that the scrip of MVEL witnessed a fall of 17% on listing day from its IPO allotment price. Subsequently, during a period of one month i.e. from January 28, 2011 to February 28, 2011, the price of the scrip saw a further fall to Rs. 50.50/- per share (as on February 10, 2011) then witnessed a sudden increase, whereby the price of the scrip of MVEL touched a level of Rs. 99.15/- per share (as on February 25, 2011). Finally, the scrip of MVEL closed at Rs. 89.15/- at the end of the abovementioned period i.e., on February 28, 2011. Therefore, an investigation was conducted by SEBI in the

matter of IPO of MVEL for the period of January 27, 2011 to February 28,2011 (hereinafter referred to as **investigation period**) to investigate whether and if any violation of the provisions of Securities and Exchange Board of India Act, 1992 (herein after referred to as **SEBI Act, 1992),** SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (herein after referred to as **ICDR Regulations, 2009)** and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (herein after referred to as **PFUTP Regulations, 2003).** Investigation was done with regard to the bidding in the IPO of MVEL, fund flow from IPO proceeds, utilization of IPO proceeds, disclosures made by MVEL in the IPO prospectus and dealings in the scrip of MVEL during the investigation period. Pursuant to the investigation, it was observed that Sardhav Investment & Finance Limited (hereinafter referred to as **Noticee**), along with other entities aided and abetted MVEL in siphoning off of IPO proceeds, traded in the scrip of MVEL with the help of funds received from MVEL together acted in a fraudulent manner against the investors of MVEL and these trades acted as a fraud on the investors by creating a misleading appearance of trading in the securities market and by supporting the demand (buy) and therefore the price of the scrip. Therefore, it is alleged that Noticee violated the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (d) of PFUTP Regulations, 2003 read with (r/w) section 12A(a), (b) and (c) of SEBI Act, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI vide Communique dated December 06, 2016 appointed Shri D Sura Reddy as Adjudicating Officer under section 15-I of the SEBI Act, 1992 r/w Rule 3 of the SEBI (Procedure of Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as Adjudication Rules, 1995 to inquire into and adjudge under the provisions of section 15HA of the SEBI Act, 1992 for the violation of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (d) of PFUTP Regulations, 2003 read with (r/w) section 12A(a), (b) and (c) of SEBI Act, 1992. Subsequent to the transfer of Shri

D Sura Reddy, the undersigned has been appointed as Adjudicating Officer in the present matter.

SHOW CAUSE NOTICE

3. A common Show Cause Notice having reference no. EAD-2/DSR/ BKM/1787/16/2017 dated January 20, 2017 (hereafter referred to as **SCN**) was issued to the Noticee by the earlier adjudicating officer in terms of the provisions of rule 4 of the Adjudication Rules, 1995 requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it under the provision of section 15HA of the SEBI Act, 1992. Subsequently, a common Supplementary Show Cause Notice having reference no. SEBI/HO/EAD-8/PM/SM/10043/16/2021 dated May 07, 2021 issued to the Noticee for the aforementioned allegations. The allegations in the SCN are as follows:

a) *MVEL came out with an IPO during the period January 10-12, 2011 with the following objects disclosed in its prospectus:*

- *Entering into screening agreements with 300 cinema theatres;*
- *Renovation and Up-gradation of cinema infrastructure with Digital Equipment and other related assets for a select 100 screens;*
- *Acquisition of company, acquisition of screening rights of company having similar line, range and objects of business;*
- *General corporate expenses*
- *Meeting the IPO expenses.*

*The book running lead manager (‘**BRLM**’) for the IPO was Aryaman Financial Services Ltd and the Registrar to the IPO was Cameo Corporate Services Ltd. In its IPO, MVEL issued a total of 85,71,429 equity shares of Rs. 10/- each at a price of Rs. 70/- per equity share through 100% book building resulting the size of IPO at Rs. 60 Crores in total. The MVEL IPO was graded by M/s Brickworks Ratings India Pvt Ltd and was assigned "BWR IPO Grade 1” indicating "poor fundamentals". Post IPO, the Company was listed only on BSE.*

b) *The IPO opened for bidding on January 10, 2011 and closed on January 12, 2011 and it was subscribed 4.41 times. The major applicants to the IPO were from retail category. At the same time, there were 4 bidders in Qualified Institutional Buyer (‘**QIB**’) category* *and they were allotted 16,30,010 shares while 18 bidders in the Non-Institutional Investors (**NII**) category were allotted 18,05,760 shares. In Retail Individual Investor category, there were 15924 applicants who applied for 2,97,89,720 shares out of which 13476 retail applicants were allotted 51,35,659 shares. Most of the bids in the IPO were received from Ahmedabad, followed by Mumbai wherein these two centers had 11,163 applications out of the total 15, 965 applications received in the IPO.*

c) *It is observed from the data in relation to allotment of shares of MVEL in the IPO that 4 QIBs viz. Credo India Thematic Fund Limited, Adharshila Ventures Capital Fund Limited, Cresta Fund Ltd and Albula Investment Fund Limited had applied for and were allotted the shares of MVEL. Additionally, 18 Non-Institutional Investors were also allotted shares of MVEL in IPO allotment. SEBI observed during the course of investigation that except for QIBs, Albula Investment Fund and Cresta Fund Ltd., all other entities (including QIB and NIIs) had offloaded their entire holdings of MVEL within one month of listing of its shares.*

d) *In addition to this, SEBI also conducted investigation in the trading in the scrip of MVEL during the investigation period. On listing day, it was noted that BSE-Sensex had opened at 19,086.69 and closed at 18,684.43 i.e. BSE-Sensex observed a decline of 2.11% as compared to its previous day closing level. At the same time, the scrip of MVEL opened at Rs. 73/- and touched a high level of Rs. 76.50/- and closed at Rs. 58.05/- with the price fall of 17.07%. At the same time, a total of 3,38,71,723 shares of MVEL got traded through 1,03,818 trades on listing day which amounts to 98.90% of total paid up capital of the Company. Out of 3.38 crore shares traded on the listing date, 64,43,254 shares were the net delivered quantity. Thus, while delivery to trade percentage was 19.02%, net delivered shares represent 75.17% out of the 85,71,429 shares issued. Thus, SEBI observed that a large portion of the allottees of MVEL IPO had sold their shares on the day of listing. Thereafter, BSE-Sensex witnessed a fall from 18,708.62 to 17,823.40 level, registering a fall of 885.22 points (4.73 %) during the rest of investigation period. However, at the same period, the scrip of MVEL observed an upward movement from Rs. 56.10 to Rs. 89.15 registering an increase of Rs. 33.05 (58.91%) in its price.*

e) *SEBI conducted investigation in the disclosures made by the Company in its Red Herring Prospectus as well as subsequent disclosures to BSE and also the use of* *funds received by virtue of the IPO of MVEL. In pursuance to the said investigation, SEBI perused the Red Herring Prospectus dated December 20, 2010 and Prospectus dated January 14, 2011 of MVEL. Further, SEBI also carried out field visits to the registered office of MVEL in Chennai. Upon perusal of the said Red Herring Prospectus and final prospectus, it is alleged that the Company has suppressed vital information in the said Red Herring Prospectus and the Prospectus.*

f) *It is observed from the bank statements of various bank accounts of the Company that it had transferred proceeds of IPO to 4 entities as suppliers ostensibly for meeting the objects of RHP namely: (i) Aman Tie Up Pvt. Ltd., (ii) Eduexel Infotainment Limited (EIL), (iii) Aswin Logistics Ventures and (iv) Omni Ax's Software Ltd. However, it is observed that the said four enities do not appear in the list of its suppliers appearing under the heading 'Equipments' at page 62 of the RHP from whom the Company had claimed to have sought quotes. Therefore, it is alleged that the Company has provided false list of suppliers and the real entities to whom it has claimed to have transferred funds for meeting the objects of RHP/Prospectus have not been disclosed to the public.*

a) *The Company had disclosed the objects of the IPO and the proposed utilisation of the IPO proceeds towards the object in the RHP dated December 20,2010 and Prospectus dated January 14,2011 as following:*

Proposed Objects and funds earmarked for them as per RHP

Sr. no.	***Objects of the IPO***	***To be utilized as per RHP/ Prospectus (Rs. in crore)***
1	*Entering into screening agreement with 300 cinema theatres*	*15.00*
2	*Renovation and Up-gradation of cinema infrastructure with Digital Equipment and other related assets for select 100 screens*	*25.95*
3	*Acquisition of company, acquisition of screening rights of company having similar line, range and objects of business*	*12.00*
4	*To meet general Corporate Expenses*	*3.799*
5	*Meeting the IPO expenses*	*3.251*
	Total	***60.00***

b) *SEBI further investigated the use of IPO proceeds of the Company in terms of stated objectives listed in the above table. Out of Rs. 60 Crore raised from the IPO, the Company received Rs. 57 Crore after deduction of merchant banker fees of Rs. 3 Crore in the following bank accounts:*

Account Details of MVEL along with receipt of funds therein

Bank Name	***Date of Receipt***	***Bank Account No***	***Amount (in Rs. cr)***
Indusind Bank	*January 25, 2011*	*0007W11639050*	*28*
Bank of	*January 25, 2011*	*60061922245*	*18*
Lakshmi Vilas	*January 25, 2011*	*0431351000002482*	*5*
Axis bank	*January 25, 2011*	*910020047813917*	*5*
	January 27, 2011	*910020047813917*	***1***
Total			***57***

Therefore, SEBI conducted investigation in the movement of the said Rs. 57 Crore in respect of the objects mentioned in the RHP/Prospectus for raising of funds through IPO.

c) *The Company has stated entering into screening agreement with 300 cinema theatres as one of the primary objective of the IPO and had earmarked 15 Crore out of the IPO proceeds for this objective in its RHP/Prospectus. From the examination of RHP/Prospectus, it is observed that the company has stated its intention to add 300 screens located in B & C Class towns/cities by June 2011 with the IPO proceeds on Page No. 61 and Para 9 on Page 14 (under section- Internal Risk Factors) of the Prospectus. Upon enquiring about the said fund utilization, the Company, vide its letter received by SEBI on November 26, 2012 has mentioned that as on the date of the letter, it had no films being exhibited on screens and has de-hired the Theatres and had paid Rs. 17,50,000 out of IPO proceeds to the existing theatres. Therefore, it is alleged that the Company, as per its own admission, has not utilized the money received towards the object of entering into screening agreement with 300 cinema theatres as mentioned in the RHP/Prospectus.*

d) *The Company has also mentioned renovation and up-gradation of cinema infrastructure with Digital Equipment and other related assets for select 100 screens as second objective of IPO on page 61 and 62 in its prospectus and has earmarked a sum of Rs. 25.95 Crore for this purpose. In this regard, the Company has also provided the details of 3 suppliers namely Real Image Media Technologies Private Limited, GM Audio Techniques and Voltas for the purpose of purchasing equipments.*

e) *However, it is observed from the bank account statements of the Company that that no money were transferred to the abovementioned suppliers. Instead of that, the Company is seen to have transferred an amount of Rs. 28 Crore on January 25,2011 to Aman Tie-up (Aman Tie-up). Based on Bank Statements of the Company for Account No. 007W11639050 maintained with IndusInd Bank, it is observed that the following transactions had taken place between Aman Tie-up and the Company before and after IPO:*

Transactions between Aman Tie-up and the Company

Before IPO				
Sr. No.	***Date***	***Funds from***	***Funds to***	***Amount (In Rs.)***
1	*28/12/2010*	*Aman Tie-Up Pvt. Ltd.*	***MVEL***	*9,00,00,000*
2	*29/12/2010*	*Aman Tie-Up Pvt. Ltd.*	***MVEL***	*14,85,00,000*
3	*31/12/2010*	*Aman Tie-Up Pvt. Ltd.*	***MVEL***	*2,15,00,000*
4	*03/01/2011*	*Aman Tie-Up Pvt. Ltd.*	***MVEL***	*60,00,000*
5	*07/01/2011*	*Aman Tie-Up Pvt. Ltd.*	***MVEL***	*1,50,00,000*
Total		***Aman Tie-Up Pvt. Ltd.***	***MVEL***	***28.10,00,000***
After IPO				
6	*25/01/2011*	*IPO Proceeds*	***MVEL***	*28,00,00,000*
7	*25/01/2011*	*MVEL*	*Aman Tie-Up Pvt. Ltd.*	*28,00,00,000*

f) *It is also observed that the Company transferred funds received from Aman Tie-up immediately to a certain A. R. Enterprises in its Induslnd Bank Account No: 0052F20773050 which were again transferred to Aman Tie-up. In this regard, the following fund transactions had taken place between MVEL, Aman Tie-up and A.R. Enterprises:*

Details of fund transactions among A R Enterprises, Aman Tie-up and the Company

Sr. No.	***Date***	***Funds from***	***Funds to***	***Amount (In Rs.)***
1	*28/12/2010*	*MVEL*	*A.R. Enterprises*	*9,00,00,000*
2	*28/12/2010*	*A.R. Enterprises*	*Aman Tie-Up Pvt. Ltd.*	*9,00,00,000*
	29/12/2010	*MVEL*	*A.R. Enterprises*	*14,70,00,000*
4	*29/12/2010*	*A.R. Enterprises*	*Aman Tie-Up Pvt. Ltd.*	*14,70,00,000*
5	*31/12/2010*	*MVEL*	*A.R. Enterprises*	*2,15,00,000*
6	*31/12/2010*	*Aman Tie-Up Pvt. Ltd.*	*A.R. Enterprises*	*2,15,00,000*

In all out of the Rs. 28.1 crore that MVEL received from Aman Tie-Up Pvt. Ltd., Rs 25.85 crore were transferred back to Aman Tie-Up Pvt. Ltd. through A. R. Enterprises before the IPO itself.

g) *Upon enquiry regarding transfer of Rs. 28 Crore out of IPO proceeds to Aman Tie-up, the Company has submitted that it had placed an order to Aman Tie-up for Digital Cinema Projectors. In support of its submission, the Company also provided a copy of the invoice no. 001/A12012-13 dated April 16, 2012 for an amount of Rs. 22 Crore. However, it is observed that the said Rs. 28 Crore, transferred by MVEL to Aman Tie-Up, were more than the invoice amount by Rs. 6 Crore and the said transfer of funds had taken place on January 25, 2011 i.e. 15 months in advance of the invoice date.*

h) *It is observed that, in its reply dated January 25, 2016 MVEL has stated that the additional amount of Rs. 6 Crore was paid for "additional projector of 2K projectors". However, the Company failed to submit any detail supported by any documentary evidence in this regard. At the same time, it is noted that the invoice submitted by MVEL described the product being purchased as "DCI 2K digital Cinema Projector" thereby indicating that the projectors for which Rs. 22 Crore were paid by MVEL to Aman Tie-Up were already 2K projectors. It is further observed that no information has been received by SEBI from MVEL regarding actual receipt of the said projectors from Aman Tie-Up.*

i) *At the same time, SEBI observed that the last available balance sheet of Aman Tie-Up is dated March 31, 2009 and it shows that the total assets of Aman Tie-Up were about Rs. 1 lakh which also includes loss of Rs. 35,362. Further, it is also observed from 'Balance sheet abstract and company's general business profile', as submitted by Aman Tie-Up to MCA for year ended March 31, 2009, stated “Construction Activity” as one of the three principle products/ services of the Company.*

j) *Further, it is observed from the prospectus of the Company that the name of Aman Tie-Up doesn’t find any mention in the list of vendors for purchase of cinema projectors. The Company also failed to provide any documentary evidence in terms of quotation or previous experience of Aman Tie Up for this purpose.*

k) *It is further observed that Aman Tie-Up is alleged to be connected with the merchant banker to the IPO, AFSL on the basis of fund transfer of Rs. 7.10 lakh dated January*

21, 2011 from Aman Tie Up to AFSL which is a date just prior to listing of shares of MVEL.

l) *It is also noted that Aman Tie-up is a small loss making company in West Bengal and it is involved in a business activity unrelated to cinema projectors in an area far away from the area of operations of MVEL. Despite all this, the Company transferred Rs. 28 Crore out of the IPO proceeds to Aman Tie-up15 months in advance without verifying its credentials.*

m) *In view of all this, SEBI conducted further analysis of funds received by Aman Tie-up from the Company. It is observed from the bank statement of Aman Tie-up that the following transactions had taken place in its accounts which allegedly includes funds raised by the Company by way of IPO:*

- *As mentioned above, the Company transferred an amount of Rs. 28 Crore to Aman Tie-up by way of transaction dated January 25, 2011. At the same time, Aman Tie-up also received Rs. 1.7 Crore from Regent Finance Corporation Limited, whereas balance in the bank account of Aman Tie up prior to receipt of the said funds was only Rs. 23,952.15.*
- *From the said funds, Aman Tie-up transferred a sum of Rs. 21.7 Crore to Deesha Tie Up Pvt. Ltd. by way of a number of transactions during the period of January 25 to February 04, 2011.Aman Tie-up also transferred Rs. 4 Crore each to Regent Finance and Mercury Fund Management Company Pvt. Ltd. by way of separate transactions dated January 25, 2011.*
- *Deesha Tie Up Pvt. Ltd. then transferred a sum of Rs. 20 Crores to Dharmanath Shares and Services Pvt. Ltd. by way of the following transactions:*
    - *Rs 3 Crore on January 28, 2011;*
    - *Rs 2 Crore on January 31, 2011;*
    - *Rs 3 Crore on February 02, 2011;*
    - *Rs 5 Crore on February 03, 2011;*
    - *Rs 2 Crore on February 07, 2011;*
    - *Rs 2 Crore on February 09, 2011;*
    - *Rs 3 Crore on February 11, 2011.*

- *Dharmanath Shares and Services Pvt. Ltd. then transferred a sum of Rs. 27.3 Crore to Subodhsagar Shares and Services Pvt. Ltd. by way of the following transactions :*

  - *Rs. 6.5 Crore on February 01, 2011;*
  - *Rs. 2 Crore on February 02, 2011;*
  - *Rs. 2.75 Crore on February 03, 2011;*
  - *Rs. 4.05 Crore February 04, 2011;*
  - *Rs. 1 Crore on February 07, 2011;*
  - *Rs. 1 Crore on February 08, 2011;*
  - *Rs. 2.5 Crore on February 09, 2011;*
  - *Rs. 2.5 Crore on February 10, 2011;*
  - *Rs. 2.75 Crore on February 11, 2011;*
  - *Rs. 2.25 Crore on February 12, 2011.*

- *Subodhsagar Shares and Services Pvt. Ltd. transferred a sum of Rs. 30.77 Crore to Sardhav Investment & Finance Pvt. Ltd. (Noticee) by way of the following transactions:*

  - *Rs. 3Crore on January 31, 2011;*
  - *Rs. 4.05Crore on February 01, 2011;*
  - *Rs. 2.50Crore on February 03, 2011;*
  - *Rs. 6.50Crore February 04, 2011;*
  - *Rs. 0.60Croreon February 07, 2011;*
  - *Rs.1.35Crore on February 08, 2011;*
  - *Rs. 1Crore on February 09, 2011;*
  - *Rs. 4.57Crore on February 10, 2011;*
  - *Rs. 2.50Crore on February 12, 2011;*
  - *Rs. 2.20Crore on February 14, 2011*

- *Noticee finally transferred a sum of Rs. 31.06 Crore to 14 entities who have traded in the scrip of MVEL. The 14 entities who received money are as under:*

Details of fund transfer to 14 entities from Noticee

S. No.	*Name of the Entity*	*Amount received (in Crores)*
1	*Bharat Babubhai Trivedi*	*1.0*
2	*BMD Exports Private Limited*	*1.48*
3	*Buddhisagar Shares And Services Pvt. Ltd.*	*1.53*
4	*Ghantakarna Shares And Services Pvt. Ltd.*	*1.91*

S. No.	*Name of the Entity*	*Amount received (in Crores)*
5	*Kiranbhai Popatbhai Alodariya*	*2.7*
6	*Poojan Tradecom Pvt. Ltd.*	*2.32*
7	*Prakashbhai Ishwarbhai Rana*	*0.76*
8	*Ratnasuri Shares and Services Pvt. Ltd.*	*3.40*
9	*Real Marketing Pvt. Ltd.*	*7.15*
10	*Sonal Shares Investment & Company Ltd.*	*1.45*
11	*HEM Stocks and Shares Services Pvt. Ltd.*	*2.73*
12	*Sumtinath Shares and Services Pvt. Ltd.*	*0.73*
13	*Suparshvanath Stock And Service*	*1.3*
14	*Tirthankar Shares and Service Pvt Ltd.*	*2.60*

n) *In view of the above, it is alleged that the funds raised in the IPO for the object "Renovation and Up-gradation of cinema infrastructure with Digital Equipment and other related assets for select 100 screens" have been siphoned off by the Company.*

o) *It is also observed that the Company had also disclosed on pages 62 and 63 of its prospectus acquisitions of company, acquisition of screening rights from companies having similar line, range and objects of business as another objective for the IPO and had earmarked Rs. 12 Crore of IPO proceeds for the said objective.*

p) *In this regard, MVEL, vide its letter dated November 23, 2013 submitted that it acquired screening rights of 51 films for a period of five years from EIL for a consideration of Rs. 32 Crore vide an agreement dated January 27, 2011. The Company also submitted that it has paid Rs. 20.64 crore out of the said consideration as on November 23, 2013. In support of its submission, MVEL furnished a copy of an agreement dated January 27, 2011 with EIL as per which it has agreed to purchase screening rights of 51 movies from EIL for a total consideration of Rs. 32 Crore, out of which the Company has agreed to pay Rs. 18 Crore in advance. However, SEBI observed from the basis of examination of bank account statement of MVEL that it had paid a total of Rs. 19 Crore to EIL through transactions dated January 25, 27 and February 09, 2011.*

q) *MVEL, vide its reply dated July 16, 2013 submitted that the said amount was paid to EIL as advance for acquisition of screening rights and that it relied upon 'internal discussion by the Board of Directors' for valuation of the screening rights of the movies.*

r) *In this regard, it is noted that while the date of agreement between MVEL and EIL was January 27,2011, MVEL had transferred Rs. 17.5 Crore to EIL two days before the said date of agreement i.e. on January 25, 2011 itself. Further, MVEL had transferred a total of Rs. 19 Crore to EIL by February 09, 2011 in place of the agreed advance amount of Rs. 18 Crore.*

s) *Thereafter, in its reply dated February 19, 2015 , MVEL stated that it has withheld the payment of remaining Rs. 13 Crore (Rs. 32 Crore- Rs. 19 Crore) to EIL for the said transaction because all the 51 movies, whose screening rights were agreed to be acquired by it, are under process of completion and therefore, could not be screened and therefore, no revenue could be recognized.*

t) *On analysis of the list of movies submitted by the Company whose screening rights were agreed to be acquired by it vide agreement dated January 27, 2011 with EIL, it is observed that most of the movies were very old and have already been released more than 25-30 years ago. An internet search of first 5 movies in the list provided by MVEL shows the following :*

List of some of the movies and their release dates

S no	***Name of Movie***	***Release date***
1	*Manal Kairo*	*May 7, 1982*
2	*Agni Satchi*	*November 14, 1982*
3	*Poikkal Kuthirai*	*September 2, 1983*
4	*Anney Anney*	*1983*
5	*Poo Vilangu*	*March 23, 1984*

Therefore, it is alleged that the rationale provided by MVEL that the movies are under process of completion is false. At the same time, it is alleged that the valuation of the movies was also not fair and transparent.

u) *In respect of the said agreement dated January 27, 2011 and the said transaction of MVEL with EIL, the following were observed:*

- *No disclosure was made by the Company in its Prospectus regarding arrangement and acquisition of screening rights of the films from EIL.*
- *Vasan Chdambaram, who is a director of MVEL, is also the sole promoter of EIL. Therefore, it is alleged the EIL is a company related to MVEL.*
- *EIL is also alleged to be a company related to the merchant banker to the IPO, AFSL through common directors and through Mahshri Enterprises Pvt. Ltd., a company where one of the common directors of EIL and AFSL, Mr. Shreyas Shrenik Shah and his family hold 100% shares.*
- *EIL is a listed company, and based on quarterly results of December 2010, it was observed that EIL had suffered a loss of Rs. 0.04 Crore with net sales of mere Rs 1.04 crore.*
- *the letter sent to the registered office address of EIL at "2A, 2nd Floor, Taas Mahal No. 10, Montieth Road, Egmore, Chennai, Tamil Nadu ,600008" had returned undelivered. Further, upon inquiry with BSE, it is observed that EIL has corresponded with BSE through its compliance officer, Mr. Vijaykumar S.K., from its corporate office addressed at "No. 1 Wallers Lane, 1st Floor, Room No 3, Mataji Complex, Near India Silk House Mount Road, Chennai-600003". Thereafter, SEBI officials visited the said address and observed that there was only one employee present in the premises, i.e. Mr. Vijaykumar S.K., who is the compliance officer as per BSE. However, it is observed that Mr. Vijaykumar S.K., in his submissions to SEBI, has stated that he is the only employee of EIL and that EIL has no operations at any location. Mr. Vijaykumar S K also submitted that he was not the compliance officer of EIL.*
- *MVEL didn't provide any evidence in any of its replies to SEBI to show previous experience of EIL in screening cinema. MVEL has also failed to show any contract earlier executed by EIL or even any quotation submitted by EIL to MVEL in this regard.*

v) *It is alleged that the funds out of the IPO proceeds provided by MVEL to EIL were eventually transferred to entities related to the merchant banker to the IPO, AFSL and,* *thereby, indirectly related to EIL as EIL and AFSL are alleged to be connected entities in terms of connections mentioned above.*

w) *In view of all the above observations regarding EIL, SEBI conducted further analysis of funds received by EIL from the Company. It is observed from the bank statement of EIL that the following transactions had taken place in its accounts which allegedly includes funds raised by the Company by way of IPO:*

- *As mentioned above, EIL received a sum of Rs. 19 Crore out of the IPO proceeds from three accounts of MVEL.*
- *Out of the said funds, EIL transferred a sum of Rs. 18.37 Crore to Mercury Fund Management Co. Ltd. by way of the following transactions:*
    - ➢ *Rs. 17.5 Crore by way of transaction dated January 27, 2011*
    - ➢ *Rs. 0.5 Crore by way of transaction dated January 01, 2011 and*
    - ➢ *Rs. 0.37 Crore by way of transaction dated January 11, 2011*
- *Out of the Rs. 18.37 crore received from EIL, Mercury Fund transferred funds to the following entities:*
    - ➢ *Rs. 13 Crore to Regent Finance by way of transactions dated January 27 and 31, 2011*
    - ➢ *Rs. 4 Crore to Edserve Soft Systems Ltd. on January 25, 2011 and*
    - ➢ *Remaining amount to an Individual, Shri Acharya Mahapragya on February 11, 2011.*
- *Out of the funds of Rs. 13 Crore received from Mercury Fund, Regent Finance further transferred funds to the following entities:*
    - ➢ *A total of Rs. 11.20 Crore to India Securities Broking Private Limited (Broker) on January 25& 27, 2011;*
    - ➢ *Rs. 2.76 Crore to JM Financial (Broker) on January 28& 29, 2011 and*
    - ➢ *Rs. 3 Crore to Pyramid Sales Pvt. Ltd. on January 31, 2011, which has traded in the scrip of MVEL during the investigation period.*

x) *In view of all the observations and allegations above, it is alleged that EIL is a defunct company and it lacked the capabilities to handle a project involving such large amount. Therefore, the fund transfer of MVEL to EIL, raised in the IPO for the object "Acquisition of company, acquisition of screening rights from companies having similar line, range and objects of business" have been siphoned off by MVEL with the help of EIL.*

y) *Further, MVEL, at page 63 of the prospectus dated December 20, 2010, had earmarked Rs. 3.799 Crore out of IPO proceeds for General corporate expenses inter-alia mentioning production of movies.*

z) *In this regard, it is noted from the bank account statements of MVEL that it had transferred an amount of Rs 2.7030 Crore to an entity Aswin Logistic Ventures by way of transactions dated January 25, 27 and February 01, 2011. As per the submissions of MVEL vide its letter dated July 16, 2013, the said payment was for "Contents Advance".*

aa) *It is also observed that MVEL transferred Rs 0.560 Crore to Omni Ax's Software Ltd. vide transaction dated February 21, 2011 stating it as payment to vendor. The said funds were immediately transferred by Aswin Logistic Ventures and Omni Ax's Software Ltd. Thus, Aswin Logistic Ventures received a total of Rs. 3.263 Crore (Rs. 2.703 crore + Rs. 0.560 crore) out of the IPO proceeds of MVEL.*

bb) *Vide its reply dated July 16, 2013, MVEL submitted that Aswin Logistic Ventures and Omni Ax's Software Ltd. were related to it as vendors. However, as in the case with Aman Tie-up and EIL, neither any documentary evidence of such relation has been provided by MVEL in terms of quotation or previous experience of Aswin Logistic Ventures and Omni Ax's Software Ltd. for this purpose nor were these entities disclosed as vendors of MVEL in the RHP/Prospectus for the IPO.*

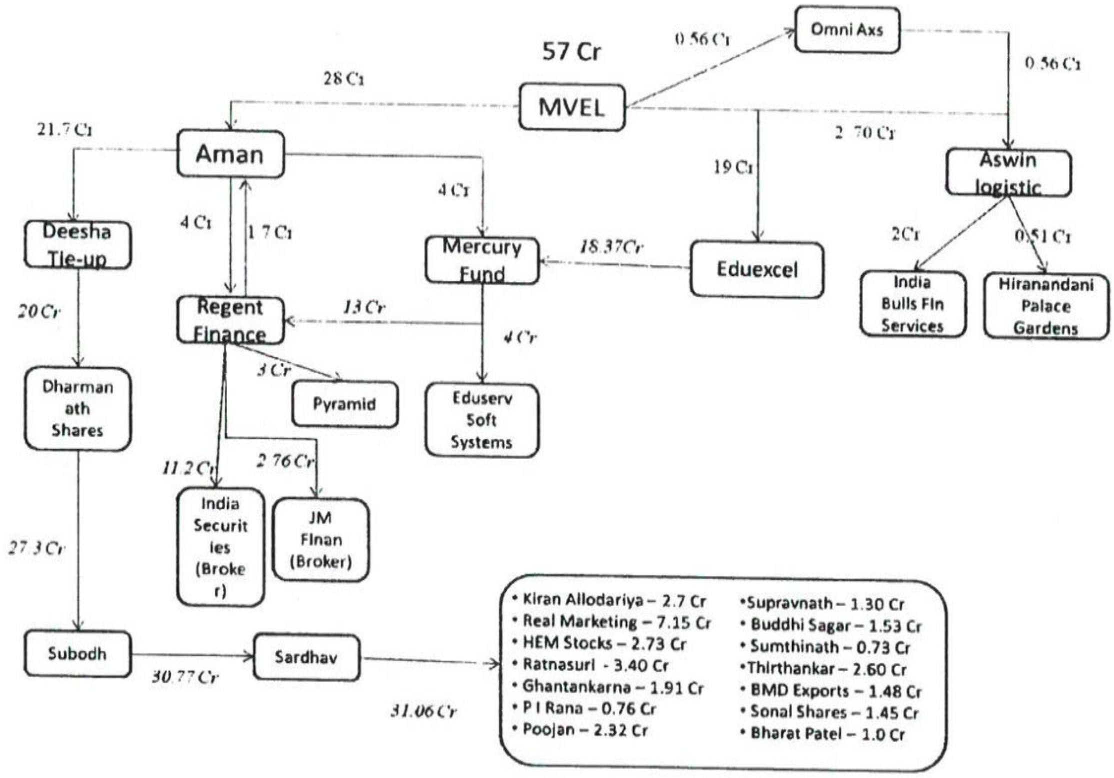
cc) *It is further alleged that Omni Ax's Software Ltd. is an entity related to the merchant banker to the IPO, AFSL, through common director Shreyas Shrenik Shah.*

dd) *In view of all the above observations regarding Aswin Logistic Ventures and Omni Ax's Software Ltd., SEBI conducted further analysis of funds received by them from the Company. It is observed that the transactions had taken place in the accounts of Aswin Logistic Ventures and Omni Ax's Software Ltd. which allegedly includes funds raised* *by the Company by way of IPO. It is alleged that the explanation given by MVEL for the transfer of Rs. 3.263 crore to Aswin Logistic Ventures and Omni Ax's Software Ltd. is fabricated and the funds raised in the IPO for the object "General Corporate Expenses" have been siphoned off by the Company with the help of Aswin Logistic Ventures and Omni Ax's Software Ltd. Therefore, to sum up the allegation of siphoning off the funds raised by way of IPO of the Company, it is observed from the Bank accounts of the Company, that the following major payments were made to the following entities which allegedly involved IPO funds:*

List of major payments made by the Company out of IPO Proceeds

Date of transaction	**Entity**	**Amount (Rs. in cr)**	**Source Account No. (MVEL)**	**Reasons for payments as stated by MVEL**
25-01-2011	Aman Tie-up Private Limited	28	Indusind Bank (A/c no. 007W11639050)	Purchase of DCI 2K digital Cinema Projector BARCO DP 2K - 20 Cine Lens
\2£-01-2011	Eduexel Infotainment Limited	**17.5**	Bank of Maharashtra (A/c no. 60061922245)	Acquiring Screening rights
27-01/2011		0.5	Lakshmi Vilas Bank account (A/c No.	
09-02-2011		1	Axis Bank (A/c No.	
25-01-2011	Aswin Logistic Ventures	2	Lakshmi Vilas Bank account (A/c No.	Contents Advance
27-01-2011		0.003		
01-02-2011		0.70		
21-02-2011	Omni Ax's Software Limited	0.56	Axis Bank (A/c No. 910020047813917)	Vendor
Total		**50.263**		

ee) *Considering the high amount paid, any prudent company would have ensured that before transferring funds to the said entities, a thorough background check of these entities including was conducted to examine their financial strength/capability to handle such projects involving such large amounts. It is alleged that MVEL has failed to provide any evidence that it has done any such kind of background check. Therefore, it is alleged that all these financial transactions mentioned in previous paragraphs, stated by MVEL as being advances for the purpose of fulfilling IPO objects, were fraudulent transactions. It is further alleged that the said amount advanced was not utilised for the objects of the IPO and siphoned off to various entities, as mentioned in previous paragraphs, in the following manner:*



ff) *In view of the allegations and observations above regarding the IPO proceeds utilization, a table on the actual utilisation of IPO proceeds by MVEL vis-a-vis the proposed utilization as mentioned in the RHP/Prospectus is as under:*

Actual Utilization of IPO proceeds as per SEBI Investigation

Sr. no.	*Objects of the IPO*	*To be utilized as per RHP/Prospectus (Rs. in cr)*	*Utilization as per MVEL's letter dated December 05, 2012 (Rs. in cr)*	*Utilization as per Investigation (Rs. in cr)*
1	*Entering into screening agreement with 300 cinema theatres*	*15.00*	*2.37*	*NIL*
2	*Renovation and Up-gradation of cinema infrastructure with Digital Equipment and other related assets for select 100 screens*	*25.95*	*26.68*	*NIL*
3	*Acquisition of company, acquisition of screening rights of company having similar line, range and objects of business*	*12.00*	*20.64*	*NIL*
4	*To meet general Corporate Expenses*	*3.799*	*3.61*	*-*
5	*Meeting the IPO expenses*	*3.251*	*2.86*	*3**
	Total	***60.00***	***56.16***	***3***

**Payment of fees to Merchant Banker.*

gg) *In view of the above table, it is alleged that a sum of Rs 50.263 Crore out of the Rs 60 Crore received by MVEL in the IPO was not utilised for the objects mentioned in RHP/Prospectus of the IPO and were siphoned off by MVEL with the help of its related entities. Therefore, it is alleged that MVEL has played fraud on IPO subscribers who trusted MVEL and its Board of Directors with their money to be properly utilized as per IPO objects.*

hh) *To investigate the status of the Company, SEBI conducted site visit of the registered office address of MVEL situated at "9th Floor, Gee Gee Emerald, Valluvar Kottam High Road, Nungambakkam, Chennai – 600034" on January 21, 2016. On the said site visit, it was observed that MVEL's premises were locked with no boards or signage to indicate the Company's presence at the said premises. In view of this, it is alleged that MVEL is not an operational company and the funds raised in the IPO have been siphoned off to entities in the manner provided above.*

ii) *In view of the observations above, it is alleged that MVEL and its directors/ signatories to RHP/Prospectus, fraudulently transferred out the funds of IPO proceeds to various entities. It is also alleged that the entities which received the IPO proceeds from MVEL and the entities which in turn received the proceeds from these entities and then acted as conduit for transfer of the money to other entities have aided and abetted in the siphoning off of proceeds of IPO by MVEL. In view of this, it is alleged that Noticee has aided and abetted the Company in the siphoning off of proceeds of IPO and have therefore violated the provisions of Regulations 3(a), (b), (c), (d) and 4(1)of PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.*

4. I find that the Show Cause Notice dated January 20, 2017 and Supplementary Show Cause Notice dated May 06, 2021, which was issued to the Noticee had returned undelivered. Subsequently**,** during the course of the proceedings, the status of the Noticee was ascertained from the Ministry of Corporate Affairs (MCA) website**:**https://www.mca.gov.in/mcafoportal/companyLLPMasterData.do. It was observed that the name of the Noticee has been struck off from the list of companies by the Office of Registrar of Companies, Ahmedabad (RoC). It is

clear that the name of the Noticee has been stuck-off from the ROC list and hence, the Noticee stands dissolved.

5. It is an established fact that when a company's name is struck-off from the RoC list and the company is also dissolved, then it is a non-existing company and the adjudication proceedings against the non-existing company is thus nullity. In this context, I would like to draw reference to a judgment of the Hon'ble Delhi High Court in the case of Commissioner of Income Tax (CIT) vs Vived Marketing Services (P) Ltd., ITA NO. 273/2009 dated September 17, 2009 in which it was held that - *"When the Assessing Officer passed the order of assessment against the respondent company, it had already been dissolved and struck off the register of the Registrar of companies under Section 560 of the Companies Act. In these circumstances, the Tribunal rightly held that there could not have been any assessment order passed against the company which was not in existence as on that date in the eyes of law it had already been dissolved. We are of the opinion that the view taken by the Tribunal is perfectly valid and in accordance with law."*

6. Further, Black's Law Dictionary explains 'dissolution' as termination or winding up. It further clarifies that the dissolution of a corporation is the termination of its legal existence. Strike off essentially means removing the name of the company from the Register maintained by the Registrar of Companies. It is like closure of the company and the company will not be in existence after being struck- off and cannot perform any operations.

7. Therefore, in view of the facts and circumstances noted in the preceding paragraphs and also the fact that the Noticee's name has been struck-off from the RoC list and also 'dissolved', I conclude that the present adjudication proceedings initiated against the Noticee vide SCN dated January 20, 2017 cannot be proceeded with.

ORDER

8. In view of the above observations/findings and in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995, I hereby dispose of the Adjudication Proceedings initiated against the Noticee viz. Sardhav Investment & Finance Limited vide SCN dated January 20, 2017.

9. In terms of the provisions of rule 6 of the Adjudication Rules, 1995, copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai **Prasanta Mahapatra**

Date: October 20, 2021 **Adjudicating Officer**