

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER CUM SHOW CAUSE NOTICE

Under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992 read with Rule 4 (1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

In respect of:

SL. No.	NOTICEE(S)	PAN
1	Kalahridhaan Trendz Limited	AAGCK1765P
2	Niranjan D Agarwal	ADFPA1858G
3	Aditya N Agarwal	AKTPA4024B
4	Sunitadevi Niranjan Agarwal	ADRPS3295H

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

In the matter of Kalahridhaan Trendz Limited**Background:**

1. Pursuant to receipt of certain complaints from HDFC Bank against Kalahridhaan Trendz Limited ("KTL" / "the Company"), a company listed on National Stock Exchange's SME Platform, regarding default in payment of credit card dues, Securities and Exchange Board of India (SEBI) initiated an examination in the matter to ascertain possible violation of the provisions of various SEBI Regulations. The examination period was from February 23, 2024 to December 15, 2024. The findings of examination are summarized in the following paragraphs.

Findings of Examination:**About KTL:**

2. As per KTL's Prospectus and its website, (<https://www.kalahridhaan.com/index.html>), KTL was incorporated as "Kalahridhaan Trendz Private Limited" under the provisions of the Companies Act, 1956 on May 27, 2016. Subsequently, the Company was converted into a

public limited company on November 27, 2017. The Company is presently engaged in the business of manufacturing and trading of various types of fabric and other related activities. The Company's registered office is at '57, Ashra Industrial Estate, B/h Mahalaxmi Fabrics, Near Narol Cross Road, Narol, Ahmedabad-382405'. The Company is listed on the NSE SME Platform since February 23, 2024. The Company raised a total of Rs.22.49 Crore at an issue price of Rs.45 per share, when it listed on the stock exchange through an IPO.

3. The financial results of KTL during FY19 to FY23 are as under:

	(Rs. in Cr.)				
Particular	2022-23	2021-22	2020-21	2019-20	2018-19
Total Income	184.17	183.90	132.35	134.36	125.08
Total Expenditure	175.26	180.59	130.72	133.62	124.26
Profit before Tax	8.90	3.31	1.62	0.74	0.81
Net Profit	6.60	2.50	1.06	0.49	0.60

Source: Annual Reports as available on the Company's website

Complaints from HDFC Bank

4. HDFC Bank, vide letter dated September 09, 2024 to SEBI complained about KTL's alleged failure to intimate the exchange about default by KTL in repayment of Credit Card Dues amounting to Rs. 50.99 Lakh. It was inter-alia alleged in the complaint that despite repeated reminders and exhaustive follow-ups with the directors of the Company (KTL), particularly Mr. Niranjana D. Agarwal, there was continued and wilful failure to settle the dues, even though the Company had sufficient financial resources and capacity.
5. The complaint further alleged that Mr. Niranjana D. Agarwal also held directorship in Katex Exim Limited ("KEL") (which is in advance stages of preparing for an IPO at SME Platform of BSE), which was also a defaulter of the bank till July 2024. The directors of KTL seemed to be selectively clearing dues of KEL to ensure there were no impediments in the IPO process of KEL, while deliberately ignoring the obligations of KTL. HDFC Bank had also initiated criminal prosecution under section 138 of Negotiable Instruments Act, 1881 against KTL for dishonour of a cheque amounting to Rs. 75 Lakh (signed by Mr. Niranjana D. Agarwal and his son Mr. Aditya Agarwal). HDFC Bank

requested SEBI for a thorough investigation and appropriate regulatory action against KTL and its directors for the default, under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations, 2015**”) and circular issued thereunder, which mandated the disclosure of material events or information.

6. Subsequently, HDFC Bank, vide letter dated November 18, 2024 filed a second complaint with SEBI regarding KTL’s failure to intimate the stock exchange about default by KTL in repayment of business loan dues amounting to Rs. 30.23 Lakh. The complaint, *inter alia*, alleged that pursuant to HDFC Bank’s first complaint to SEBI, the earlier dues of Rs. 50.99 Lakh were cleared by KTL and consequently, the criminal prosecution initiated under section 138 of Negotiable Instrument Act, 1881 was withdrawn. However, the directors of the Company continued to default towards the remaining loans of the Bank. HDFC Bank requested SEBI to direct the Company to immediately clear the outstanding dues and to conduct a thorough investigation to assess the financial conduct and performance of the directors of KTL, as the continued default by the Company amounted to mis-use of public funds and raised concerns regarding corporate governance and financial prudence.

Query by SEBI and NSE

7. Pursuant to the receipt of the first complaint from HDFC Bank, SEBI, vide email dated Sep 27, 2024 asked the Company to explain the reason for not making the disclosure regarding default on loan repayment, under regulation 30 of the LODR Regulations, 2015. However, even after follow up emails sent on October 14 and 15, 2024, no response was received from the Company in this regard. Meanwhile, the company made a corporate announcement related to resignation of two Independent Directors on October 04, 2024 and resignation of CFO on October 11 2024.
8. Considering the above facts, SEBI, vide email dated October 17, 2024 asked NSE to look into the matter, including conducting an inspection of the premises of the Company. NSE on the same day sent an email to the Company seeking clarifications. The company responded to NSE vide email dated October 19,

2024, *inter alia*, informing that due of Rs. 50.99 Lakh had been paid in the month of September 2024.

9. Thereafter, SEBI and National Stock Exchange (“NSE”) vide emails dated October 21, 2024 sought Company’s response on non-disclosure of material event of default on loan repayment, under regulation 30(2) read with Clause 6 of Para A of Schedule III of LODR Regulations, 2015 and SEBI Master Circular dated July 11, 2023 (Chapter V-A Annexure 18 Point 6 and Chapter V-B, Point 5.1a). The Company responded vide email dated October 23, 2024 whereby it submitted that it had missed making the required disclosure inadvertently due to negligence. The Company also sought 2 days’ time to make the disclosure, which was granted to the Company. However, the Company did not make the said disclosure.
10. Pursuant to SEBI’s advice, NSE conducted a site visit at the Company’s registered office and manufacturing unit at Ahmedabad, Gujarat on November 05, 2024. In this regard, NSE submitted a report with, *inter alia*, the following observations:
 - (a) A visit was undertaken to the registered office located at 55&57, *Ashra Industrial Estate, b/h Mahalaxmi Fabrics, Near Narol Cross Roads, Ahmedabad*. The said premises were utilized for management, admin office and godown purpose of KTL. Moreover, a separate entity named ‘**Manish Garments**’ was also found to be operating from the same premises (a single premise is built on plot no. 55 & 57 which is shared by Manish Garments and KTL). It was informed that the premises were owned by ‘**Manish Garments**’ and copy of the leave and licence agreement (in Gujarati text) was provided. Due to Diwali festival, no specific official was present at the premises. It was informed by the workers and consultants that the office and manufacturing unit would remain closed until November 08, 2024.
 - (b) The Manufacturing unit was located at 299, *Aaradhna Tex Compound, Nr. Jagdish Factory, Vaatva Road, Narol, Ahmedabad*. The supervisor (Mr. Mohar Singh) informed that currently the plant maintenance and

overhaul activity was ongoing and therefore, limited workers and staff were available, and the operations would resume after 3-4 days as the labourers were on festive leave (Diwali and Chhath Pooja). The photographs of the site were also taken.

11. Another site visit of the registered office premises and factory unit was conducted by NSE on November 11, 2024. NSE submitted, *inter alia*, the following in its report:

- (a) The registered and factory unit were in workable conditions.
- (b) There were no executive personnel (Director/KMP) at the registered office of the Company in both the site visit, however, Mr. Niranjana (MD) was available at the factory unit.
- (c) The Company had not provided any documentary proof of the large order received from Beximcorp Textiles (claimed by the Company in its corporate announcement made on August 12, 2024), as sought by SEBI.
- (d) The disclosure regarding the defaults was still pending.
- (e) The details of the employees and PAN details were still pending.
- (f) The registered office of KTL is 57, Ashra Industrial Estate, B/H. Mahalaxmi Fabrics, Narol, Ahmedabad – 382405, whereas the registered address of Katex Exim Limited (KEL) is 55/Ashra Ind. Estate B/h. Mahalaxmi Fabrics, Narol, Ahmedabad – 382405, Gujarat. While the office numbers for both the companies are different, no signboard of KEL was seen during the site visit.

Corporate announcements made by the Company:

12. A summary of the corporate announcements made by the Company, during the examination period, is as under:

Date	Details of Corporate Announcements
May 02, 2024	<u>Strategic Expansion and Expected Increase in Profit Margin</u> - As part of this strategic initiative, the Company aims to augment its production capacity to 7.00 Lakh meters per month, allowing it to meet the growing demand for its products effectively. - The Company expects to achieve a 25% increase in its profit margin on a year-to-year basis.

		The Company foresees a significant rise in its revenue, projecting a revenue range of Rs. 75 Crore to Rs. 100 Crore for the current fiscal year.
June 19, 2024		Resignation of Company Secretary - Mr. Kushang Thakkar
July 23, 2024		Resignation of Mrs. Drashti Solanki from the post of Independent Director of the Company w.e.f July 31, 2024
August 12, 2024		Disclosure under regulation 30 of SEBI (LODR) Regulations, 2015 - Significant Order worth over Rs. 1.15 Billion Secured from <u>Beximcorp Textiles, Bangladesh.</u>
August 27, 2024		<u>Outcome of Board meeting</u> - Approved Interim Dividend at the rate of Rs.0.50/- per share (5%) of face value of Rs.10/- on equity shares for the financial year 2024-25 - Entering in to new business of solar energy and related activities, which will result into growth and diversification of Company's business. However, the said diversification into new business will be subject to necessary member and statutory approval and amendments in Memorandum of Association of the Company, if required
October 04, 2024		Resignation of Mr. Bharatkumar Chaudhary from the post of Independent Director of the Company w.e.f October 03, 2024
October 11, 2024		Resignation of Mr. Yash Naresh Agarwal , from the post of Chief Financial Officer of the Company w.e.f October 11, 2024
October 11, 2024		Resignation of Mr. Ankitkumar S Agrawal (DIN:- 10118085), from the post of Non-Executive Independent Director of the Company w.e.f October 11, 2024;
October 11, 2024		Appointment of Mr. Aditya Agarwal (son of Mr. Niranjana Agarwal) as CFO and KMP of the company w.e.f October 11, 2024;
October 16, 2024		The Company has decided to reschedule the Board meeting for raising of funds through Rights Issue on 19th October, 2024 at 04:00 P.M. at the registered office of the Company.
October 19, 2024		<u>Outcome of Board Meeting</u> - Appointment of Mr. Hitesh Punamji Prajapati (DIN: 10813904) as Additional Non-Executive and Independent Director of the Company w.e.f. 19th October, 2024. - Appointment of Mr. Omprakash Radhakishan Bohra (DIN: 10813901) as Additional Non-Executive and Independent Director of the Company w.e.f. 19th October, 2024. Rights issue aggregating upto Rs. 21.00 cr. has been approved by the Board and Rights issue committee has been formed to decide on the terms and conditions of the rights issue.

13. The corporate announcements dated May 02, 2024 and August 12, 2024 issued by the Company presented a favourable outlook on its operational performance and growth prospects. However, the resignation of its Company Secretary, followed by departures of two independent directors and the CFO, put the affairs of the Company under a cloud of suspicion. It was further observed from the Company's corporate announcement dated October 19, 2024 that it had approved another fund raising through Rights issue of Rs. 21

Crore, which is approximately equal to the funds raised by the Company through SME IPO in February 2024.

14. In view of the above, the Company's alleged failure to make material disclosures under the provisions of LODR Regulations, 2015 and SEBI Master Circular dated July 11, 2023 was examined. Further, the genuineness of positive corporate announcements dated May 02, 2024 and August 12, 2024 regarding strategic expansion and expected increase in profit margin and securing significant order from Bangladesh and their impact on price and volume of the scrip of KTL were also examined. The findings are given below:

Non-disclosure of Default on the outstanding dues

15. As per regulation 30(2) of LODR Regulations, 2015, events specified in Para A of Part A of Schedule III of the said Regulations are deemed to be material events and a listed entity has to make disclosure of such events. Clause 6 of Para A of Part A of Schedule III mentions, *inter alia*, 'defaults' by a listed entity, as one of such material events. Further, SEBI Master Circular dated July 11, 2023, at Clause 6 of Part A in Annexure 18, prescribes the details to be provided while disclosing events given in Para A of Part A of Schedule III of LODR Regulations, 2015 and the format of making such disclosure is also provided at Point 5.1.a of Section V-B of the said Master Circular.
16. Any non-payment of an outstanding amount within the due date of repayment amounts to a default. It was observed from the Company's HDFC Credit Card (Loan) Statement that the minimum due as on April 21, 2024 was Rs. 34.80 Lakh and the same increased to Rs. 70.29 Lakh and the payment became due on immediate basis (as per statement dated May 01, 2024). The outstanding due on the Credit Card was a loan, where the payment date had been pre-agreed. The Company's failure to pay the outstanding amount within due date was clearly a default.
17. In terms of regulation 30(6) of the LODR Regulations, 2015, a listed entity has to first disclose to stock exchange(s) all events or information, which are material in terms of the provisions of the LODR Regulations, 2015, as soon as

reasonably possible and in any case not later than twenty-four hours from the occurrence of event or information. However, the Company failed to do so. The Company continues to remain in default of the disclosure requirement.

18. As already discussed above, the Company, vide email dated October 23, 2024 submitted that the disclosure was inadvertently missed due to negligence and that the Company would be making the necessary disclosure within 2 working days. However, no disclosure has been made by the Company till date.
19. In view of the above, the Company is alleged to have violated the provisions of regulation 30(2) read with Clause 6 of Para A of Part A of Schedule III of LODR Regulations, 2015 read with Clause 6 of Part A of Annexure 18 and Point 5.1.a of Section V-B of SEBI Master Circular dated July 11, 2023.

Genuineness of corporate disclosure dated May 02, 2024

20. On May 02, 2024, the Company announced on the stock exchange platform regarding 'Strategic expansion and expected increase in profit Margin'. The Company, *inter alia*, informed the following:
 - (a) *The Company is strategically planning to expand its production capacity in anticipation of increased orders in hand. The Company aims to augment its production capacity to 7.00 lakh meters per month. This expansion aligns with the Company's commitment to catering to the evolving needs of its customers*
 - (b) *The Company anticipates that the increase in production capacity will positively impact its profit margin. The Company expects to achieve a 25% increase in its profit margin.*
 - (c) *Based on these developments, the Company foresees a significant rise in its revenue, projecting a revenue range of Rs. 75 Crore to Rs. 100 Crore for the current fiscal year.*
21. Regulation 4(1) of LODR Regulations, 2015 lays down the principles governing disclosures and obligations. As per Clause (c) of the said regulation, "*The listed entity shall refrain from misrepresentation and ensure that the*

information provided to recognised stock exchange(s) and investors is not misleading.” Clause (e) provides that “The listed entity shall ensure that disseminations made under the provisions of these regulations circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.” Similarly, Clause (h) provides that – “The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders. Further, Clause (i) provides that “Filings, reports, statements, documents and information which are event based or are filed periodically, shall contain relevant information.”

22. Further, on June 11, 2021, stock exchanges had issued a guidance note on communications by listed entities which, *inter alia*, provide that *the statement made shall be truthful, fair, evidence-based and shall not be manipulative or deceptive and the listed entity shall not make any statement, promise or forecast which is untrue or misleading. Further, Non-factual and unsubstantiated statements shall not be made and the company should provide information only with respect to publicly reported financial information and not provide any forward-looking statement.*
23. It was observed that while adequate guidance was available regarding corporate disclosures by listed entities, the disclosure made by the Company was not in line with the said guiding principles. The abovementioned announcement by the Company lacked credibility. Despite claims of planning to expand production capacity to 7 Lakh meters per month and anticipating a 25% profit increase, the Company failed to provide specific details of contracts or orders which could justify the announcement. Further, no specific details were provided about the expansion plans such as the timeline, investment required/made. The announcement appeared to be vague, lacking tangible evidence supporting the announcement and aimed at misleading the investors by portraying a rosy picture of the Company.

Price volume impact:

24. It was observed that the price-volume data in respect of the scrip of the Company, prior to and after the abovementioned corporate announcement was as under:

Date	Open	High	Low	Close	Trade volume	% change in trade volume	No of trades	% change in trade volume
26-Apr-24	52.95	52.95	50.7	50.7	39,000	160	13	160.0
29-Apr-24	50.7	52.25	50.1	50.5	48,000	23.08	16	23.1
30-Apr-24	50.5	50.5	50	50	30,000	-37.5	10	-37.5
02-May-24	50.05	50.05	48.2	49.45	1,26,000	320	40	300.0
	Corporate Announcement							
03-May-24	49.8	51.55	49.45	49.45	51,000	-59.52	17	-57.5
06-May-24	49	50.95	48.2	48.4	78,000	52.94	22	29.4
07-May-24	51	51	48.5	48.75	18,000	-76.92	6	-72.7

25. Although no significant movement was observed in the price of the scrip pursuant to the announcement, the volume and number of trades had risen up by around 300 percent. The same indicates that the corporate announcement affected the volumes significantly on May 02, 2024.

Genuineness of corporate disclosure dated August 12, 2024

26. On August 12, 2024, the Company announced on the stock exchange platform titled - '*Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015 - Significant Order worth over Rs. 1.15 Billion Secured from Beximcorp Textiles, Bangladesh*'. The Company, *inter alia*, disclosed the following:

(a) *KTL has secured a significant order worth Rs. 115.50 Crore from Beximcorp Textiles, a subsidiary of Akij Textile Mills Ltd, Bangladesh for supplying textile products.*

(b) *Key Details of the Order:*

- *Order Value: Rs. 1,15,50,00,000*
- *Client: Beximcorp Textiles, Bangladesh*
- *Scope: The order involves the supply of textile products, leveraging our expanded production capacity.*

- *Delivery Schedule: The order will be completed in four cycles over approximately 12 months.*
- *Payment Terms: Payment will be made in tranches of 25%, with specific milestones to be provided upon receipt of the release order.*

(c) This significant order is particularly noteworthy given the current political challenges impacting the Bangladesh textile industry. By securing this contract, KTL is strategically positioning itself to gain traction in this key market, further strengthening our global presence.

27. As the Company had referred to receipt of order from *Beximcorp Textiles, Bangladesh*, in the abovementioned corporate announcement, a search was made on the central database of companies registered in Bangladesh (Website of Office of the Registrar of Joint Stock Companies and Firms). However, no record whatsoever was found w.r.t Beximcorp Textiles in the said database.
28. On further search, a similarly named company, viz., Beximco Textiles Limited ("**Beximco**"), was found having operations in Bangladesh. It was observed that Beximco Group is one of the largest conglomerates of Bangladesh. The group has a diverse portfolio of businesses ranging from textiles to pharmaceuticals, real estate development, construction, energy, etc. Beximco Group was founded in the 1970's by two brothers- Mr. Ahmed Sohail Fasihur Rahman and Mr. Salman Fazlur Rahman.
29. Further, it was observed that Beximco (Trading Code: BEXIMCO and Scrip Code: 99613) was listed on the Dhaka Stock Exchange (DSE). Considering the similarities in the names 'Beximco' and 'Beximcorp' and area of operations (textile industry), information was sought from Bangladesh Securities Exchange Commission (BSEC) to confirm whether any contracts to supply textile products had been awarded to Kalahridhaan Trendz Ltd. by Beximco during November 2023 to October 2024. BSEC was also requested to provide the details of any agreement between Bangladesh and Indian companies. BSEC acknowledged SEBI's request and vide email dated January 16, 2025, inter alia, informed that '*there was no contract signed by Beximco with KTL*'.

30. Further, Annual report of Beximco for FY 2022 was perused wherein no company with the name of 'Beximcorp' appeared. Additionally, emails were sent to Beximco directly to confirm whether any contracts to supply textile products had been awarded to Indian listed companies. However, no confirmation was received from Beximco.
31. As KTL, in the corporate announcement dated August 12, 2024 had referred to Beximcorp Textiles as a subsidiary of Akij Group, an online search was made with regard to Akij Textile Mills Ltd., Bangladesh. It was observed that Akij Group is a large industrial group in Bangladesh. Akij Textile Mills Ltd. ("**ATML**") is a sister concern of Akij Group. ATML has more than 15 years of experience in spinning, yarn dyeing, weaving and fabric dyeing and finishing. A search was also made on the central database of companies registered in Bangladesh (Website of Office of the Registrar of Joint Stock Companies and Firms) w.r.t Akij, wherein a list of 128 companies appeared in the result, out of which no company with a name of 'Beximcorp' appeared. Additionally, emails were sent to ATML directly to confirm whether any contracts to supply textile products had been awarded to Indian listed companies. However, no confirmation was received from ATML.
32. Considering the above, it is apparent that there is no company in existence with the name 'Beximcorp' in Bangladesh. Further, no association of 'Beximcorp' was found with Akij Textile Mills Ltd.

Correspondence with the Company

33. In view of the above, vide email dated October 24, 2024, KTL was asked to furnish the following information / documents relating to the order received from Beximcorp Textiles, Bangladesh:
- (a) Copy of letter of intent awarding the contract/order;
 - (b) Copy of the contract signed with Beximcorp Textiles;
 - (c) Name and contact details (including emails) of the parties involved in the contract;
 - (d) Copy of all communications exchanged with Beximcorp Textiles.

34. Additionally, a reminder email was also sent on October 29, 2024. The Company vide email dated November 04, 2024 informed that due to Diwali, its office was closed till November 07, 2024. Vide emails dated November 12, 2024 and November 13, 2024, the Company was again advised to submit the required information relating to the Beximcorp Textiles order.
35. The Company, vide email dated November 13, 2024 submitted the following information:
- (a) Signed copy of Order confirmation
 - (b) Copy of all communications exchanged with Beximcorp Textiles
 - (c) Contact details of KTL- Aditya Niranjana Agarwal; +91 76000 04911; Email Id - niranjan@kalahridhaan.com
36. The copies of the communication submitted by KTL did not have contact details of Beximcorp. Vide email dated November 18, 2024, details of point of contact of Beximcorp Textiles, i.e., name and phone number of the person from Beximcorp Textiles were sought, as the same was not available in the emails. Further, multiple phone calls were made to the Company to seek the above details. Vide email dated November 19, 2024, the Company was informed that as the company has not responded, it was being presumed that the said information was not available with the company. Thereafter, the Company, vide email dated November 21, 2024 submitted the following contact details of Beximcorp Textiles: *Name of Contact Person - Farid Rahman; Contact No. - +971-558112995/ +971-564627808; Email Id - beximcorptextiles@gmail.com.*
37. The information received from the company on November 13, 2024, as referred to above, was examined and the following were observed:
- (a) All the communication with the Company had been made through 'Gmail' ID and not through the specific ID of the Company. The exchange of communication is summarized as under:

First email from <u>Beximcorp:</u> Aug 11 (Sunday), 2024 @ 14:41	Beximcorp explored the possibility of supplying partnership with KTL and sought the availability and pricing details of specific textile products.
<u>Response by KTL</u> Aug 11, 2024 @ 3:09 pm	KTL supplied the information related to availability and pricing details of specific textile products.
<u>Response by Beximcorp</u> Aug 11, 2024 @ 3:19 pm	Beximcorp confirmed the bulk order (Rs. 110 Crore + 5% GST) and request for details like payment terms, delivery schedule, warranty/quality guarantees, etc.
<u>Response by KTL</u> Aug 11, 2024 @ 3:51 pm	KTL communicated the details w.r.t Payment terms, logistics, Special conditions, Product liability, delivery schedule, etc.
<u>Response by Beximcorp</u> Aug 12, 2024 @ 11:11 am	Beximcorp accepted the confirmation on the order and provided a release order for reference and records to KTL. Further, it sought bank details to schedule the payment as per the agreed terms.
<u>Response by KTL</u> Aug 12, 2024@ 12:08 pm	KTL provided the bank details.

- (b) From the above communication, it appears that an order worth Rs. 115.50 Crores from Bangladesh was accepted by KTL on August 11, 2024 (Sunday). Subsequently, an announcement was made to the stock exchange on Aug 12, 2024.
- (c) The order was observed to be on the letterhead of 'Beximcorp', an Akij Textile Mills Ltd. subsidiary, having website address of www.beximcorptextiles.com and email id of beximcorptextiles@gmail.com. The address mentioned on the letter head was – '198 Bir Uttam Mir Shawkat Sarak Gulshan Link Road, Tejgaon, Dhaka 1208'.
- (d) The release order was purportedly signed by Mr. Farid Rahman, CEO and MD of Beximcorp. However, no due diligence was done by KTL as to whether Beximcorp Textiles was in existence or whether Mr. Farid Rahman was authorized by Beximcorp Textiles to enter into a contract with KTL or verification of the identity of Mr. Farid Rahman.

- (e) On google search of the website of Beximcorp Textiles, an error appeared stating that- *Unable to locate the server named 'www.beximcorptextiles.com'*.
- (f) On google search of the address provided in the letterhead by Beximcorp, it was observed that the address belonged to the Akij Group.
38. As regards the contact details of the Beximcorp Textiles submitted vide email dated November 21, 2024, it was observed that the phone number +971-558112995 apparently belonged to one Mr. Makhn Ram, as per the records available on True Caller. The other number +971-564627808 apparently belonged to Mr. Vila Paji Madan DXB tagged as car services, as per the records available on True Caller. The country code +971 is of United Arab Emirates (UAE).
39. From the above observations, it appears that the contact numbers provided by KTL were not pertaining to Beximcorp Textiles or Mr. Farid Rahman. It appears that the Company had deliberately provided incorrect contact details of Beximcorp Textiles to mislead SEBI.

Findings w.r.t email ID - 'beximcorptextiles@gmail.com'

40. Vide email dated November 19, 2024, the following information was sought from Google LLC w.r.t beximcorptextiles@gmail.com:

Account Ownership	Registered name, aliases, linked phone numbers, recovery emails.
Account Activity	Account creation date/time, IP address, historical logins (timestamps, IPs, devices).
Device/Location	Device identifiers (IMEI, MAC), device type, geo-location from IP or GPS (if enabled).
Linked Accounts	Connected Google services (YouTube, Drive, Pay), other accounts accessed on same device.
Email Metadata	Sender/recipient details, email headers (timestamps, IPs), email access logs.

41. In response to the above, Google LLC vide email dated November 21, 2024, inter-alia, provided the following information:

Name	Beximcorp Textiles
e-Mail	beximcorptextiles@gmail.com
Created on	2023-11-06 08:14:29 Z
Terms of Service Country	India
Birthday (Month Day, Year)	January 13, 1990
Last Updated Date	2024-07-10 13:16:18 Z
Last Logins	2024-05-06 12:30:11 Z, 2023-12-02 07:05:27 Z, 2023-11-20 09:36:15 Z
<u>ACCOUNT RECOVERY</u>	
Contact e-Mail:	beximcorptextiles@gmail.com
Recovery e-Mail:	therealbeargang@gmail.com
<u>PHONE NUMBERS</u>	
User Phone Numbers:	No information provided
2-Step Verification Phone Numbers:	

42. From the above google subscriber information, it appears that the email id 'beximcorptextiles@gmail.com' was created on November 06, 2023. The 'Terms of Service Country' for the said email ID is mentioned as India. The 'Terms of Service Country' refers to the country or territory where the terms of service are applicable. The terms of service for a product, service, or content may vary by country. The country version of Google's Terms of Service refers to the version of the terms that apply to a user based on his Google Account country. Accordingly, from the above information, it is evident that the user of the abovementioned Google account is based in India and not in Bangladesh.
43. Based on the information provided by Google on November 21, 2024, it was further found that the last recorded login for the email account **beximcorptextiles@gmail.com** occurred on May 6, 2024. Since the last login in the said account was done on May 06, 2024, it is clear that the emails purportedly sent from this account on August 11, 2024, and August 12, 2024 to KTL, as claimed by KTL, are fabricated. It appears that KTL has fabricated the purported email communication/ trails in the name of Beximcorp Textiles to misrepresent facts and mislead SEBI regarding the order purportedly received from Beximcorp Textiles, a Bangladesh-based entity.
44. Further, similar details were sought from Google LLC vide email dated November 27, 2024 w.r.t the email ID, i.e., 'therealbeargang@gmail.com',

which was mentioned as the recovery email. In response, Google LLC vide email dated December 03, 2024, *inter alia*, provided the following information:

Name	Bear Gang
e-Mail	therealbeargang@gmail.com
Created on	2021-07-22 09:42:32 Z
Terms of Service Country	India
Birthday (Month Day, Year)	May 13, 2000
Last Updated Date	2024-12-01 16:30:35 Z
Last Logins	2024-05-18 07:16:22 Z, 2024-03-19 06:37:49 Z, 2024-03-01 07:44:34 Z
<u>ACCOUNT RECOVERY</u>	
Contact e-Mail:	therealbeargang@gmail.com
Recovery e-Mail:	therealbullgang@gmail.com
<u>PHONE NUMBERS</u>	
User Phone Numbers:	+918976598500 [IN], +918866915629 [IN]
2-Step Verification Phone Numbers:	No information provided

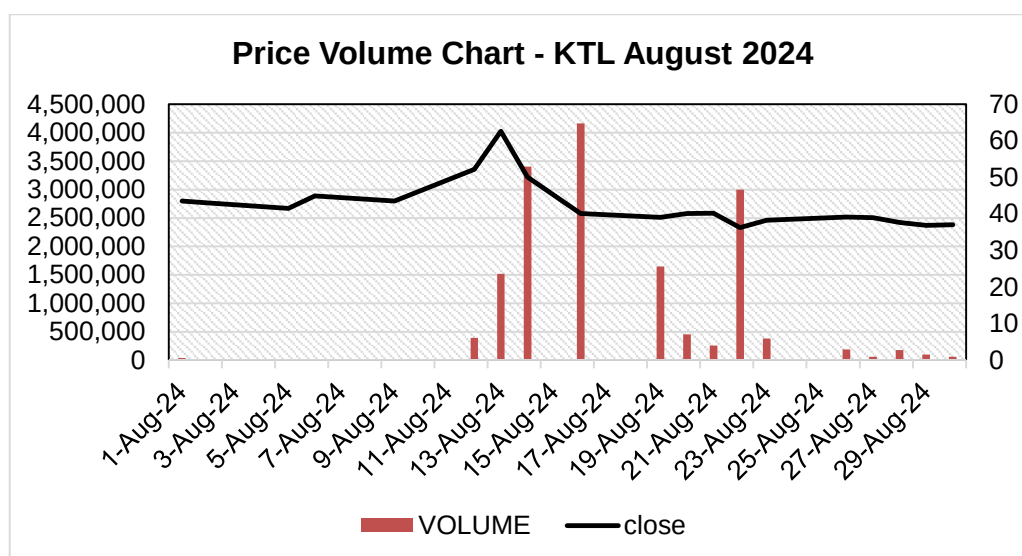
45. From the above information, it appears that the user of the email IDs were located in India and not in Bangladesh. Further, the country code associated with the mobile numbers is of India and not Bangladesh. On further examination, it appeared that the phone number +918866915629 was associated with one Mr. Ajay Salvi, having address at Ahmedabad, Gujarat. On examining the KYC details associated with the Phone number +918976598500, no information was found in database maintained by Depositories. However, as per the information available on True caller, the number apparently belonged to one Mr. Rishi Mehta.
46. From the above observations and findings, it was *prima-facie* found that Beximcorp Textile is a fictitious entity which did not exist in Bangladesh and that KTL had made false and misleading corporate announcement on August 12, 2024 to the stock exchange.

Price - volume impact of Corporate Announcement dated August 12, 2024

47. The corporate announcement on August 12, 2024 was made at 13:00:44 Hrs on the website of NSE and the same was displayed at 13:00:45 Hrs. It was observed from the trade details of the scrip at NSE post the announcement on August 12, 2024 (Monday) that there was a significant increase in the volume

of the scrip on the date of corporate announcement and subsequent trading days. Further, there was also a positive impact on the price of the scrip. The details are as under:

Date	Open Price	High Price	Low Price	Close Price	Change in Price%	No. of Shares	No. of Trades
01-Aug-24	44	44	43.05	43.5		39,000	3
02-Aug-24	43	43	43	43	-1.15	3,000	1
05-Aug-24	41.3	41.55	41.3	41.55	-3.37	9,000	3
06-Aug-24	44.95	44.95	44.95	44.95	8.18	3,000	1
09-Aug-24	43	43.5	43	43.5	-3.23	9,000	3
Corporate Announcement							
12-Aug-24	43.5	52.2	43.5	52.2	20.00	3,93,000	113
13-Aug-24	62	62.6	62	62.6	19.92	15,15,000	297
14-Aug-24	65.4	71.95	50.1	50.1	-19.97	34,02,000	571
16-Aug-24	45	45	40.1	40.1	-19.96	41,64,000	716
19-Aug-24	39	42.5	36.5	39.05	-2.62	16,50,000	401
20-Aug-24	39.9	41.5	39.4	40.1	2.69	4,53,000	130
21-Aug-24	41	41	40.1	40.2	0.25	2,55,000	74
22-Aug-24	40.95	44.2	36.2	36.3	-9.70	29,97,000	634



48. It was observed that out of a total of 113 trades on August 12, 2024, only 2 trades for 3,000 shares each had taken place prior the corporate announcement and balance 111 trades were executed immediately after the corporate announcement, starting from 13:01:21 Hrs. onward.
49. The abovementioned trading data shows that the public announcement dated August 12, 2024 had an impact on the price and volume of the shares of the Company.

50. As the corporate announcements dated May 02, 2024 and August 12, 2024 were found to be false and misleading, it appears that the same were made with an intention to influence the price and volume in the scrip and induce investors to deal in the scrip of the Company. By indulging in the abovementioned act, the Company is alleged to have indulged in fraudulent and unfair trade practices, thereby violating the provisions of regulations 3(a), (c) and (d), 4(1) and 4(2) (k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations, 2003**") and section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 4(1)(c) (e) (h) and (i) of the LODR Regulations, 2015.

Other observations:

Non-appointment of Compliance officer

51. On perusal of the corporate announcements by the Company, it was observed that the Company had informed about the resignation of its Compliance Officer on June 19, 2024.
52. As per regulation 6(1) of the LODR Regulations, 2015, a listed entity is required to appoint a qualified company secretary as the compliance officer. Further, as per Clause (1A) of regulation 6, any vacancy in the office of the compliance officer is required to be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy.
53. In the instant case, after the resignation of the compliance officer on June 14, 2024, the vacancy should have been filled by September 19, 2024. However, the corporate announcements made by the Company do not show any record of such appointment. In view of the same, the Company is *prima facie* found to have violated the provisions of regulation 6(1) and (1A) of LODR Regulations, 2015.

Appointment of Independent Director – Mr. Hitesh Punamji Prajapati

54. Vide corporate announcement dated October 19, 2024, the Company disclosed that Mr. Hitesh Punamji Prajapati was appointed as the independent director of the Company for a period of 5 years.

55. It was observed from the prospectus of KTL that Mr. Hitesh Punamji Prajapati had 34 shares of KTL and he was classified as public shareholder in the shareholding pattern. The prospectus of KTL further showed that 'M/s. Manish Garments' was a related party of the Company, as it was under the control of the promoters of KTL. As has been mentioned above, the registered office of the Company is owned by M/s. Manish Garments.
56. As per the DRHP of Katex Exim Ltd. dated June 30 2024, available on BSE SME Platform, Mr. Hitesh Punamji Prajapati, the abovementioned independent director of KTL, is one of the partners in 'M/s. Manish Garments', along with the promoters of KTL.
57. As per the definition of Independent Director provided under regulation 16(1)(b) of LODR Regulations, 2015, *"independent director" means a non-executive director, other than a nominee director of the listed entity:*
- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;*
- (iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;"*
58. As Mr. Hitesh Punamji Prajapati is a partner in a firm controlled by the promoters of KTL, his eligibility to be appointed as an independent director of KTL is questionable. Accordingly, it is alleged that the Company has made misleading corporate announcement regarding appointment of independent director and has violated the provisions of regulation 4(1)(c) of the LODR Regulations, 2015.

Role of other Noticees 2, 3 and 4

59. As per the materiality policy of the Company, the Managing Director of the Company, Mr. Niranjana Agarwal (Noticee 2), is authorised to make disclosure

of events or information available with the Company. As the corporate announcements dated May 02, 2024 and August 12, 2024 are *prima facie* found to be false and misleading, it is apparent that Mr. Niranjana Agarwal (Noticee 2) is responsible for making such false and misleading disclosure. In view of the same, Mr. Niranjana Agarwal (Noticee 2) is alleged to have violated the provisions of regulations 4(2)(f)(i)(2) and 4(2)(f)(ii)(8) of the LODR Regulations, 2015 read with regulation 30(5) of the LODR Regulations, 2015 and regulations 3(a), (c) and (d), 4(1) and 4(2) (k) and (r) of the PFUTP Regulations, 2003 read with section 12A (a), (b), (c) of SEBI Act, 1992.

60. Further, considering that Mr. Aditya Agarwal (son of Mr. Niranjana Agarwal) is a whole-time director of KTL and Ms. Sunitadevi Niranjana Agarwal (wife of Mr. Niranjana Agarwal) is a non-executive director of KTL, they had a responsibility to oversee the disclosures and ensure that the corporate announcements were true and fair. By failing to do so, Mr. Aditya Agarwal (Noticee 3) and Ms. Sunitadevi Niranjana Agarwal (Noticee 4) are alleged to have violated the provisions of regulations 4(2)(f)(i)(2) and 4(2)(f)(ii)(8) of the LODR Regulations, 2015.

Summary of Findings

61. The Company is *prima facie* found to have failed to make material disclosures regarding its default in repayment of its dues to HDFC Bank.
62. Further, the Company is *prima facie* found to have made false and misleading corporate announcements regarding its expansion / profitability and receipt of a large buy order from a fictitious entity from Bangladesh. In response to regulatory enquiries regarding the same, the Company has tried to cover its track by fabricating email communications. The false and misleading corporate announcements positively affected the price and trading volume in the scrip. It appears that the Company had made the said corporate announcements to paint a rosy picture of the prospects of the Company and to induce investors to trade in the shares of the Company. By acting in such manner, the Company has indulged in fraudulent and unfair trade practices in the securities market.

63. Further, Noticees 2, 3 and 4, being the Managing Director, the Whole-Time Director and a Non-Executive Director, respectively, of the Company, are also responsible for the violations / non-compliances, to the extent as mentioned in above paragraphs.
64. Further, the Company, by failing to appoint a Compliance Officer in terms of regulation 6(1) and (1A) of LODR Regulations, 2015, has *prima facie* violated the said provision. Additionally, it is alleged that the Company has made misleading corporate announcement regarding appointment of independent director and has violated the provisions of regulation 4(1)(c) of the LODR Regulations, 2015.

Need for Interim Directions:

65. It is observed from the prospectus of KTL that as per clause (a) of regulation 238 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations, 2018**"), an aggregate of 20 % of the post-Issue Equity Share Capital of the Company, i.e., 34,37,400 equity shares shall be locked in for three years. Further, the balance pre-Issue Paid-up Equity Share Capital, i.e., 87,51,600 Equity Shares, would be locked-in for a period of one year from the date of allotment in the proposed Initial Public Offering as provided in clause (b) of regulation 238 of ICDR Regulations, 2018.
66. In the instant case, as per the prospectus, the entire shareholding of two promoters (Mr. Aditya Agarwal and Mr. Sunitadevi Agrawal), would be locked in for only 1 year and holdings of Mr. Niranjana Agarwal would be partially locked in for 3 years (counting towards minimum promoter contribution - MPC) and remaining for 1 year. Therefore, the one-year lock-in for promoters would be expiring around February 23, 2025. As it has been *prima facie* found that the corporate announcements made by the Company were false and misleading and the same were apparently aimed at inducing investors to trade in the shares of the Company, there is real possibility that the promoters, who are Noticees in this case, may start selling their shares and exit the Company, leaving gullible investors in the lurch.

67. Further, as mentioned above, the Company has approved another fund raising through Rights Issue. There is a risk that if further fund raising is not stopped, the public shareholders, lured by the false and misleading corporate announcements made by the Company in the recent past, may be tempted to invest further in the Company and suffer losses in the long run.
68. Apart from the above, I note that while KTL had referred to receipt of order from Beximcorp Textiles, another listed company, viz., Akshar Spintex Ltd. ("**ASL**"), had also mentioned the name of Beximcorp Textiles in its corporate announcement had made a similar announcement- '*Disclosure of Significant International Order Valued at Rs. 1.71 Billion*' on November 23, 2023' pertaining to receipt of substantial international order from *Beximcorp Textiles, Tejgaon, Dhaka-1208*. Further, on August 17, 2024, ASL had announced *Cancellation of the said order*. It was observed that the promoters' holding in ASL had drastically reduced from 50.61% to 0.27% between Sep 2022 and October 2024. During July 2023 to August 2024, ASL carried out various corporate actions, including Rights Issue, Bonus Issue, Interim Dividend Declaration and Stock Split.
69. The modus operandi followed in both the cases of KTL and ASL have striking similarities. The genuineness of corporate announcement made by ASL on August 17, 2024 is also under the cloud of suspicion. While the case of ASL, where promoters exited the Company after making promising corporate announcement followed by corporate actions, is being examined separately, there is a real risk that the promoters of KTL, may also exit the Company in a similar fashion.
70. In view of the abovementioned facts and circumstances, I am convinced that it is a fit case for issuance of immediate interim directors to protect the integrity of the securities market and the interest of the investors.

Order:

71. Keeping in view the foregoing factual deliberations recorded in the preceding paragraphs and in order to protect the interests of shareholders of KTL and

other investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under sections 11, 11(4), 11(4A), 11B(1) and 11B(2) read with section 19 of the SEBI Act, 1992 hereby issue, by way of this interim order cum show cause notice, the following directions, which shall be in force until further orders: -

- (a) Noticees 1 to 4 are restrained from buying, selling or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders. If the Noticees have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 7 days from the date of this order. The Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this Order.
- (b) Noticee 1 is restrained from accessing the securities market in any manner whatsoever, until further orders.

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

73. Further, Noticees are also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under Sections 11(4A) and 11B(2) read

with Sections 15HA and/or 15HB of the SEBI Act, 1992 for the above alleged violations of provisions of SEBI Act, 1992, PFUTP Regulations, 2003, LODR Regulations, 2015 and SEBI Master Circular dated July 11, 2023, as the case may be.

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

DATE: FEBRUARY 10, 2025

PLACE: MUMBAI

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA