BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AN/PR/2023-24/30069]

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

In respect of:

Madhukar Dubey & its Proprietorship firm viz.
N V Sales Corporation,
Magnum Industrial
Alliance Traders
PAN: AIJPD7329J

In the matter of IPO of HPC Biosciences Ltd.

A. BRIEF BACKGROUND:

1. Based on the preliminary findings by Securities and Exchange Board of India (hereinafter also referred to as 'SEBI'), an interim order was passed by SEBI on June 29, 2015 restraining 254 entities from accessing the securities market and buying, selling or dealing in securities, either directly or indirectly, in any manner, till further directions inter alia in the matter of Initial Public Offer ("IPO") of HPC Biosciences Ltd (hereinafter also referred to as 'HPC' /'Company'). Out of the 254 entities against whom the interim order was passed, confirmatory order had been passed against 235 entities as on June 01, 2017. As regards HPC, it was observed by SEBI that HPC Bioscience Ltd. had come out with an IPO to raise Rs. 1575.00 lacs by way of issue of 45,00,000 shares equity shares of Rs. 10 each at an issue price of Rs. 35 which got listed at BSE - SME segment on March 19, 2013. SEBI initiated

investigation in the matter wherein the focus of the investigation was inter alia to check whether there was any irregularity in Bidding and Allotment- non-compliance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009; to check any misstatement in the prospectus w.r.t. objects of the issue; to check whether the IPO proceeds were diverted for other than the objects mentioned in the Prospectus.

2. Pursuant to the investigation, it was inter alia observed and/ or alleged by SEBI that HPC came out with an IPO in February 2013 and allotted 45,60,000 shares. HPC and its promoters/ directors and 8 entities out of 13 entities belonging to funding group employed a fraudulent scheme to get the minimum IPO subscription leading to successful listing of the scrip at SME Exchange platform of BSE. HPC allotted 45,60,000 shares on proportionate basis out of which 13,24,000 shares were allotted to the applicant who were funded by the funding group entities i.e. 29.03% of the allotted shares were not genuinely subscribed. HPC gave misleading information about objects of the issue and utilization of IPO proceeds in the prospectus. The remaining money was transferred to unknown entities and not utilized for the objects stated in the prospectus. HPC gave incorrect and misleading information to stock exchange under the SME Listing agreement w.r.t. IPO proceeds utilization.

3. Based on the findings of investigation, SEBI initiated Adjudication Proceedings inter alia in respect of thirteen entities (hereinafter also referred to as 'Noticees') inter alia for the alleged violation of Regulations 3(a), (b), (c) and (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter also referred to as 'SEBI PFUTP Regulations, 2003' / 'SEBI PFUTP Regulations' / 'PFUTP Regulations') r/w 12A(a), (b) and (c) of the SEBI Act, 1992; Section 12A (a), (b) and (c) of SEBI Act, 1992 and Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(c), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations; Regulation 14 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ['SEBI (ICDR) Regulation, 2009'];

Regulations 57(1), of SEBI (ICDR) Regulations, 2009; Section 11 (3), 11 C (5) and 11 C (3) of SEBI Act, 1992; Clause 45 and 46 of listing agreement for SMEs r/w section 21 of Securities Contracts (Regulation) Act, 1956 ('SCRA, 1956').

4. Adjudication Order dated February 25, 2022 was passed in respect of thirteen Noticees including Madhukar Dubey & its proprietorship firm viz. N V Sales Corporation ('N V sales'), Magnum Industrial ('Magnum') and Alliance Traders ('Alliance') being Noticee 2 in the said Adjudication proceedings (hereinafter also referred to as 'Noticee'/ 'Noticee 2', unless the context specifies otherwise) wherein a total monetary penalty of Rs. 1,56,00,000/- (Rupees One Crore Fifty Six Lakh) was imposed upon the thirteen Noticees inter alia including monetary penalty of Rs. 10,000,00/- (Rupees ten lakhs) upon Noticee 2 under Section 15HA of the SEBI Act, 1992 for the violation of Regulations 3(a), (b), (c), (d), and 4(1) of the PFUTP Regulations read with section 12A(a), (b) and (c) of the SEBI Act, 1992.

5. Noticee filed appeal before Hon'ble Securities Appellate Tribunal ('SAT') in respect of the Adjudication Order dated February 25, 2022 passed by the Adjudicating Officer imposing the aforesaid monetary penalty upon the Noticee. Hon'ble SAT, vide Order dated August 08, 2023 in Appeal no. 640 of 2023 ('Hon'ble SAT Order') remitted the matter to the AO and inter alia observed that:

> *"…*
> *The impugned order proceeded without serving the show cause notice and without giving an opportunity of hearing. Thus, on this short ground we are satisfied that the impugned order cannot be sustained and is quashed. The appeal is allowed. The matter is remitted to the AO to pass a fresh order after giving an opportunity of hearing. In this regard appellant shall appear before the AO on August 22, 2023 on which date the AO will serve the show cause notice upon the appellant and the matter will proceed from there onwards in accordance with law.*
> *…"*

B. APPOINTMENT OF ADJUDICATING OFFICER:

6. Subsequent to the aforesaid Hon'ble SAT order, the Competent Authority, in exercise of the powers under Section 19 of the SEBI Act, 1992 read with Sub-section (1) of Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as 'SEBI Adjudication Rules'), appointed the undersigned as Adjudicating Officer (hereinafter also referred to as 'AO') to inquire into and adjudicated upon the alleged violations by Noticee 2. The said proceedings of appointment were communicated to the undersigned vide Communique dated August 18, 2023.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

7. Vide email dated August 21, 2023, Noticee was inter alia advised to appear before the Adjudicating Officer on August 22, 2023 for service of the Show Cause Notice in the matter, as directed by Hon'ble SAT, at the following address: *Enquiries and Adjudication Department – EAD-5 Securities and Exchange* Board *of India, SEBI* Bhavan *- II, Plot no. C-7, Block 'G', Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.* Vide emails dated August 21, 2023, the Authorised representative of the Noticee ('AR') viz., Adv. Vikas Gupta i/b JURAL (Authorisation vide email dated August 21, 2023), inter alia requested to appear in the proceedings through virtual/Online mode as the Noticee was located in Ghaziabad, Uttar Pradesh and due to his economic conditions it was not possible for him to travel to Mumbai and counsel was also located in Delhi and also requested to be served with the Show Cause Notice at the address provided and also through email. Having regard to the requests made by the Noticee through AR, appearance through virtual/online mode and service of copy of Show Cause Notice through both SPAD and email, was allowed.

8. The AR appeared before the Adjudicating Officer through virtual/online mode on August 22, 2023 wherein the AR reiterated the request for service of the

copy of Show Cause Notice dated January 16, 2018 ('SCN'), via both SPAD and email and also sought time to file reply to the SCN. Accordingly time till September 04, 2023 was allowed. As requested, the copy of the Show Cause Notice dated January 16, 2018 in the matter was served upon the Noticee through both, SPAD vide letter dated August 22, 2023 and through email dated August 22, 2023.

Briefly stated, the following was inter alia alleged in the SCN dated January 16, 2018 in respect of the Noticee:

"…

2. The alleged violations of the various provisions of i) PFUTP Regulations, ii) SEBI Act, 1992, iii) ICDR Regulations and iv) Listing agreement for SMEs read with SC(R) Act, 1956 by the respective noticee/s are as under:

I. Violation of Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A (a), (b) and (c) of SEBI Act by Noticees mo. 1 to 11;

II. Violation of Regulation 57(1) of ICDR Regulations by Noticee no. 9 to 13;

III. Violation of Section 12A(a), (b) and (c) of SEBI Act and Regulations 3(a), (b), (c), (d), 4(1), 4(2)(c), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations by Noticee no. 9 to 13;

IV. Violation of Clause 45 and 46 of Listing Agreement for SMEs read with Section 21 of SC(R) Act, 1956 by Noticee no. 9; AND

V. Violation of Section 11(3) and 11C(3) of SEBI Act by Noticee no. 1, 4, 9, 10 and 14.

3. Based on the preliminary findings, vide interim order dated June 29, 2015, Securities and Exchange Board of India ('SEBI') restrained 254 entities from accessing the securities market and buying, selling or dealing in securities, either directly or indirectly, in any manner, till further directions in the matter of IPO of ECO Friendly Processing Park LTd., Esteem Bio Organic Food Proceesing Ltd., Channel Nine Entertainment Ltd. and HPC.

4. SEBI conducted investigation relating to manipulation in the IPO process of HPC and observed, inter alia, that HPC and its promoters/ directors and 8 entities out of 13 entities belonging to funding group employed a fraudulent scheme to get the minimum IPO subscription leading to successful listing of the scrip at SME Exchange platform of BSE. The findings of investigation as against the respective noticee/s are as under:

4.1 HPC came out with an IPO to raise Rs. 1575.00 lacs by way of issue of 45,00,000 equity shares of Rs. 10 each at an issue price of Rs. 35 in March 2013 and allotted 45,60,000 shares. The shares of HPC got listed at BSE-SME segment on March 19, 2013. It was observed that the price of the scrip opened at Rs 37.25 went to a high of Rs 39.10 and closed at Rs. 35 per equity share for 45,00,000 equity share, constituting 28.30% of post issue shares, of Rs. 10 each. The directors of HPC who signed the prospectus of IPO dated February 22, 2013 are as under:

Directors Name	***Designation***
Tarun Chauhan	*Whole Time Director & Promoter*
Madhu Anand	*Non - Executive Director & Non Independent Director & Promoter*
Sakshi Saxena	*Non - Executive Director & Independent Director*
Arun Kumar Gupta	*Non - Executive Director & Independent Director*

4.2 It was observed that around one year prior to the IPO, HPc issued 39,50,000 shares under preferential allotment. Further, company announced bonus of 1 share for 1 existing equity share on 03/01/13 and issued 57, 00,000 bonus shares.

4.3 Out of 254 entities debarred vide interim order dated June 29, 015, 9 entities were part of the funding group entities. Out of 9 funding group entities, 7 entities funded the IPO applicants of HPC. In addition to the said 7 entities, 1 more entity was found to have funded the IPO applicants. The said 8 entities and 5 more entities connected to the funding group entities, received funds from IPO proceeds of HPC. Copy of the Table showing the connections of the said 13 entities with HPC directly / indirectly is enclosed as Annexure 1 and the documents containing bank account statement, KYC received from banks and director's data is given in CD and is termed as Annexure 2.

4.4 Following table shows the detail of category –wise applications received, Allotment of shares and rejection of shares:

Date of Bid	***No. of Applications***	***No. of shares applied***	***No. of shares allotted***	***No. of allottees to whom shares allotted***	***No. of shares Application rejected***

Market Maker	1	232,000	232,000	1	-
HNI	118	2,852,000	2,624,000	113	184,000
RII	444	1,776,000	1,704,000	426	72,000
Total	563	4,860,000	4,560,000	540	256,000

4.5. The Issue received 563 applications for 48,60,000 Equity Shares (Including Market Maker Application of 2,32,000 Equity Shares) resulting 1.08 times subscription. Company had received applications for 48,60,000 shares out of which applications for 2,56,000 shares i.e. 5.26% of total applications received, were rejected and 45,60,000 shares were allotted on proportionate basis.

4.6 It was observed that out of 444 retails applicants, applications of 163 applicant were funded by the funding group entities who received the funds back from the IPO proceeds. Out of 163 such applicant, 156 applicants got allotment of 6,24,000 shares. In market maker category the application for 2,32,000 shares was also found to be funded by the funding group. Further, in HNI category, out of applications received from 118 applicants for 28,52,000 shares 26,24,000 shares were allotted to 113 applicants on proportionate basis. Out of 26,24,000 shares allotted to HNI, 4,68,000 shares were found to be funded by the funding group entities. Details of the IPO allottees who received funds from funding group entities for making IPO applications and Bid data is given in CD and is termed as Annexure 3.

Violation of Regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A (a), (b), and (c) of SEBI Act by Noticee no. 1 to 11

4.7 It was observed that out of 13 funding group entities, 8 entities had funded to the IPO of applicants of HPC. The table below shows the details of the funding by the funding group entities;

SN	**Name**	**Bank A/c no.**	**Remarks**
1	*Goldline International Finvest Ltd.*	*ICICI Bank - 663005120449*	• ***Goldline International Finvest Ltd*** *had issued 59 cheques of Rs. 1.40 lacs each on behalf of 59 Non ASBA retail Investors. (55 applicants got allotment)* • *Goldline received Rs. 318.50 lacs from HPC on 21/03/2013.*
2	*Satendra Kumar* ***Proprietorship Firm:*** *Nisha Traders****	*Yes Bank- 013683900002254*	• ***Nisha Traders*** *had issued 25 cheques of Rs. 1.40 lacs each on behalf of 25 Non ASBA retail investors. (23 applicants got allotment)* • *Nisha traders received Rs. 18 lacs from Alliance Traders which is proprietorship firm of Madhukar Dubey, Rs. 10 lacs from Bright Securities which is proprietorship firm of Satendra Kumar and Rs. 10.50 lacs from N V Sales Corporation which is proprietorship firm of Madhukar Dubey.*
3	*Avisha Credit capital Pvt. Ltd.*	*HDFC Bank - 05982740000567*	• ***Avisha Credit Capital*** *had issued 7 cheques of Rs. 1.40 lacs each on behalf of 7 Non ASBA retail investors. (7 applicants got allotment)* • *Further, it had funded Rs. 1.40 lacs each to 16 non ASBA applicants. (16 applicants got allotment)* • *It had also given Rs. 4.20 lacs to its director viz. Mr. Vijay Jhindal for making application in the IPO.* • *Avisha Credit Capital received Rs. 16 lacs from IPO proceeds of HPC*
4	*Madhukar Dubey* ***Proprietorship Firm:*** • *N V Sales Corporation* • *Magnum Industrial* • *Alliance Traders*	*Yes Bank - 13683900002171*	• ***N V Sales*** *had issued 8 cheques of Rs. 1.40 lacs each on behalf of 8 Non ASBA retail investors. (7 applicants got allotment)* • *N V Sales received funds of Rs. 6 lacs from Nisha Traders.* • *N V Sales Cor. received Rs. 100 lacs from IPO proceeds of HPC. Subsequently the same were transferred to Shiv Om Sales.*
		Yes Bank - *013683900002209*	• ***Magnum Industrial*** *had issued 15 cheques of Rs. 1.40 lacs each on behalf of 15 Non ASBA retail investors. (15 applicants got allotment)* • *Magnum Industrial received Rs. 21 lacs from Bright Sec. of Satendra Kumar.*
		Yes Bank - 13683900002242	• ***Alliance traders*** *had issued 25 cheques of Rs. 1.40 lacs each on behalf of 25 Non ASBA retail investors. (25 applicants got allotment)* • *Alliance traders received Rs. 42.50 lacs from Shiv Om Sales Corpo.*

5	*Sumit Kumar* ***<u>Proprietorship Firm:</u>*** • *Durga Prasad & Co.*	***Yes Bank -*** *013683900002325*	• ***Durga Prasad & Co.*** *had issued 8 cheques of Rs. 1.40 lacs each on behalf of 8 Non ASBA retail investors. (8 applicants got allotment)* • *He has received funds of Rs. 11.50 lacs from Bright Sec of Satendra Kumar(Yes Bank - 013683900002195).*
6	*AMS Powertronic Pvt. ltd.*	***Axis Bank - 912020004151524***	• ***AMS Powertronic*** *had given Rs. 35 lacs to Search Finvest Pvt. Ltd. and Rs. 35 lacs to Guardian Portfolio Consultants Pvt. Ltd. who had applied in HNI category.* • *It had received Rs. 58 lacs from IPO proceeds of HPC.* • *AMS Poertronic received funds from Bright Securities.*
7	*Raj Kumar* ***<u>Proprietorship Firm:</u>*** • *Bright Securities* • *A R Enterprise* • *Nisha Traders****	***Axis Bank :*** *913020007397919*	• ***Bright Securities*** *had transferred Rs. 80 lacs to Gaurdian Portfolio Consultants Pvt. Ltd. who had applied in HNI category.* • ***Bright Sec.*** *had also transferred Rs. 32.50 lacs to AMS Powertronic Pvt. Ltd. and Rs. 30 lacs to Madhukar Dubey.*
		Axis Bank: *913020007239198*	• ***A R Enterpries*** *received Rs. 100 lacs from IPO proceeds of HPC.* •
		Axis Bank: *913020007349295*	• ***Nisha Traders*** *received Rs. 100 lacs from IPO proceeds of HPC.*
8	*Prakash Gupta* ***<u>Proprietorship Firm:</u>*** *Shiv Traders*	***Tamilnad Mercantile Bank -*** *211150050800237*	• *It had funded Rs. 143 lacs to Narayan Securities Ltd. who had applied in the IPO of HPC. Out of Rs. 143 lacs, it had transferred Rs. 56 to Panchsheel Securities Pvt. Ltd. and Rs. 21 lacs to Search Finvest Pvt. Ltd.* • *Panchsheel Securities Pvt. Ltd. and Search Finvest Pvt. Ltd. had also applied in the IPO of HPC.* • *It had received Rs. 100 lacs from S P Enterprise which were the IPO proceeds of HPC.*

**** Nisha Traders of Raj Kumar and Satendra kumar are different proprietorship firm of two proprietor.*

4.8 Following table shows the summary of the amount funded by Noticee no. 1 to 8 and number of shares allotted:

SN	***Funding Entity***	***Amount funded (Rs in lacs)***	***No. of allottees got allotment***	***No of shares allotted***
1	*Goldline International Finvest Ltd*	*82.60*	*55*	*220000*
2	*Madhukar Dubey*	*67.20*	*47*	*188000*
3	*Satendra Kumar*	*35*	*23*	*92000*
4	*Avisha Credit Capital Ltd*	*36.40*	*23+1(ASBA)*	*92000+12000 = 104000*
5	*Sumit Kumar*	*11.20*	*8*	*32000*
6	*Raj Kumar (Bright Securities)*	*56*	*1*	*152000*
7	*Prakash Gupta (Shiv Traders)*	*137.20*	*2*	*384000*
8	*AMS Powertronic Pvt. Ltd & Shiv Traders*	*56*	*1*	*152000*
	Total	*481.60*		*13,24,000*

4.9 Out of 45,60,000 shares allotted, 13,24,000 shares {6,24,000 (RII) + 2,32,000 (Market Maker) + 4,68,000 (HNI)} i.e. 29..03% of shares were allotted to the entities who received funds to make applications in IPO from Noticee no. 1 to 8 who were directly,/ indirectly connected with HPC. List if the ASBA/ Non ASBA entities who had received funds from entities directly/ indirectly connected with HPC to make application in IPO is given in CD and is termed as Annexure 3.

4.10 Investigation revealed that HPC transferred major part of IPO proceeds to the funding group entities. From the funding of IPO applicants and diversion of IPO proceeds to the funding group entities, it was observed that HPC (Noticee no. 9) and its promoter directors (Noticee no. 10 & 11) had devised a scheme to get sufficient IPO application to get listing on SME-exchange platform with the help of funding group entities (Noticee no. 1 to 8) and that the IPO of HPC would not have got minimum subscription had the funding group not funded the applicants.

4.11 In view of the above, it is alleged that Noticee no. 9 to 11 in connivance with the funding group entities i.e. Noticee no. 1-8, employed a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants and thereby violated Regulations 3(a), (b), (c) and (d) and 4(1) of PFUTP Regulations read with 12A(a), (b) and (c) of SEBI Act, 1992. The aforesaid allegation, if established, make Noticee no. 1 to 11 liable for monetary penalty under Section 15HA of SEBI Act, 1992.

Violation of Regulation 57(1) of ICDR Regulation by Noticee no. 9 to 13
Violation of Section 12A(a), (b), and (c) of SEBI Act and Regulations 3(a), (b), (c), (d), 4(1), 4(2)(c), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations by Noticee no. 9 to 10

4.12. Noticee no. 10 to 13 were directors of HPC who signed the prospectus. Noticee no. 12 and 13 were independent directors of HPC who were also part of Audit Committee as per the Annual Report for F.Y. 2012-13.

4.13 As per page 45 of the prospectus (Annexure 4 in CD), the proposed utilisation of the IPO proceeds was as under:

***Proposed Utilisation**:*

SN	Particulars	Amount (Rs. in lacs)
1	Development of Green House Cultivation	327.00
2	Development of Farm land for transition to Organic Farming	790.00
3	Strengthen Supply Chain Management	250.00
4	Procurement of farm tools and equipments	38.00
5	General Corporate purposes	100.00
6	Issue Expenses	70.00
	Total	1575.00

Means of Finance:

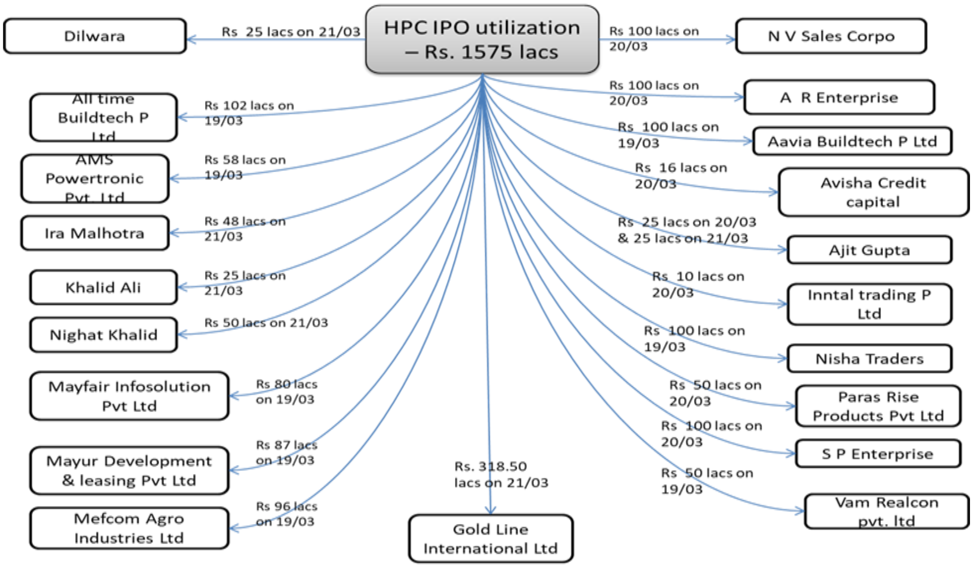
SN	Particulars	Amount (Rs. in lacs)
1	Initial Public offering	1575.00
2	Internal Accruals	-
	Total	1575.00

4.14 HPC raised Rs. 1575 lacs through IPO and with regard to the utilization of the IPO proceeds as per objects stated in the prospectus, HPC, vide letter dated January 14, 2016 (Annexure 5), stated that the following are the utilization of IPO proceeds as on 31/03/2015;

SN	Particulars	Proposed	Utilized as on 31/03/2013	Utilized as on 31/03/2015
1	Development of Green House Cultivation	327.00	-	300.00
2	Development of Farm land for transition to Organic Farming	790.00	928.50	928.50
3	Strengthen Supply Chain Management	250.00	-	50.00
4	Procurement of farm tools and equipments	38.00	-	32.50
5	General Corporate purposes	100.00	-	35.75
6	Issue Expenses	70.00	30.62	30.62
	Unutilized portion	-	636.88	218.63
	Total	1575.00	1596.00	1596.00

4.15 However, HPC did not provide any supporting documents with respect to the utilization of the IPO proceeds. Vide e-mails dated January 20 & 29, 2016 (Annexure 6), SEBI sought supporting documents with respect to the IPO proceeds utilization. Vide letter dated January 22, 2016 HPC sought extension of time to reply, however no documents were submitted regarding the IPO proceeds utilization.

4.16 Further, on perusal of the bank account statement (Oriental Bank-10481010067720) of HPC (Bank account given in CD and termed as Annexure 2) by SEBI, following fund movement was observed;



4.17 It was observed that HPC had raised Rs. 1596 lacs through IPO out of which Rs. 1565.50 lacs were transferred to the various entities, out of which Rs. 1059.50 lacs transferred to funding group entities or connected to funding group entities immediately on receipt of IPO proceeds which shows that HPC planned to use the IPO proceeds for extending it to funding group entities. The table below contains the amount funded by the funding group entities and IPO proceeds received from HPC:

SN	*Entity Name*	*Amount funded (Rs in lacs)*	*Amount received from IPO proceeds (Rs in lacs)*
1	*Goldline International Finvest Ltd.*	*82.60*	*318.50*
2	*N V sales Corporation*	*67.20*	*100*
3	*A R Enterprise*	*-*	*100*
4	*Aavia Buildtech Pvt. Ltd.*	*-*	*100*
5	*Avisha Credit Capital Pvt. Ltd.*	*33.60*	*16*
6	*Nisha Traders*	*-*	*100*
7	*Mayur Developments and Leasings Pvt. Ltd.*	*-*	*87*
8	*Mayfair Infosolution Pvt. Ltd.*	*-*	*80*
9	*AMS Powertronic Pvt. Ltd.*	*70*	*58*
10	*S P Enterprise*	*-*	*100*
	Total	*253.40*	*1059.50*

4.18 SEBI, vide e-mail dated February 24, 2016 (Annexure 7), sought clarification with respect to the division of the IPO proceeds. HPc, vide e-mail dated May 06, 2016 (Annexure 8), replied as regards the fund movement out of IPO proceeds but no supporting document was provided with respect to the fund utilized for objects, repayment of loan or loan given to entities. It was observed that HPC had not disclosed anything about the inter-corporate deposits taken by the company and that the same shall be repaid from the IPO proceeds in the prospectus. Further, company has admitted transfer of IPO proceeds to various entities which were given loan, which was not as per the objects of the IPO.

4.19 It was observed that money for making application was received from funding group entites, though, the following was mentioned in the prospectus;

"(Prospectus Para 12, page 43) There is no Buyback, Standby or similar arrangement for the purchase of Equity Shares by our Company/ Promoters/Directors/Lead Manager for purchase of equity shares offered through the prospectus."

"(Prospectus para 29, page 44) No payment, direct, indirect in the nature of discount, commission and allowance or otherwise shall be made either by us or by our Promoters to the persons who receive allotments, if any, in this issue."

4.20 In view of the above, it is alleged that HPC (Noticee no. 9) and its directors (Noticee no. 10 to 13) employed a scheme with the help of funding group entities to get listing of the securities on exchange platform and planted false news with respect to objects of IPO and thereby violated Sections 12A (a), (b), (c), (d) and 4(1), 4(2)(c), 4(2)(f), 4(2)(k), and 4(2)(r) of SEBI (PFUTP) Regulations, 2003.

…"

9. Vide email and letter dated September 02, 2023, the AR submitted reply to the SCN. The key submissions of the Noticee, as reply to the SCN, are as under:

"…

1. *Madhukar Dubey is a resident of Flat No. .., Mobile: xxxxxx7102 Email: xxxxxxxxxx2009@gmail.com (* ***The Noticee or Noticee No. 2 in short).***
2. *The Noticee was unable to complete his formal education due to his poor background and had studied up to the 10th class only.*
3. *The Noticee is doing petty jobs due to a lack of proper education and working as a Driver for more than the last 15 years.*
4. *The Noticee worked as a driver from 2010 to 2015 with Mr. Vijay …at …, New Delhi-110001.*
5. *The Noticee has been working as a driver on a call basis from 2015 to till date.*

SUBMISSIONS ON MERITS

Without accepting anything, The Noticee wishes to submit his submissions on the merits on the basis of averments in the Show Cause Notice as hereinafter –

6. *Based on the Annexures provided with the SCN, As per the Para 4.1 of the Show Cause Notice* ***" The shares of HPC got listed at BSE-SME segment on March 19,2013."*** *Whereas there had been a transfer from the bank account no. CURRENT A/C NO 1048… of M/S. HPC BIOSCIENCES LTD to allegedly bank account of Noticee No.2 i.e. M/S. N.V. SALES CORPORATION i.e. A/c Number 0136… on* ***March 20,2013*** *which was after the subscription and listing of the HPC IPO. Therefore it is wrong to consider that IPO subscription money was used for subscribing to the HPO IPO.*
7. *Based on the Annexures provided with the SCN, there had been no transfer of funds from Current A/C No 1048… of M/S. HPC BIOSCIENCES LTD to M/S. ALLIANCE TRADERS A/c Number 0136… and from Current A/C No 1048… of M/S. HPC BIOSCIENCES LTD to M/s. MAGNUM INDUSTRIAL CORPORATION A/c Number 0136….*
8. *There has been no transfer or withdrawal of funds from M/S. N.V. SALES CORPORATION i.e. A/c Number 0136…, M/S. ALLIANCE TRADERS A/c Number 0136…, or M/s. MAGNUM INDUSTRIAL CORPORATION A/c Number 013683900002209 to bank account/s of Noticee No. 2. Therefore it may be presumed that Noticee No.2 was not part of any alleged device nor beneficiary in any sense.*
9. *That Noticee is not connected with the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders in any way and he is not aware of how these firms are shown & and associated with him.*
10. *That Noticee is also now aware of how the bank accounts of the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders opened by using his PAN card.*
11. *The Noticee didn't open, close, or operate the said bank accounts knowingly.*
12. *As per the copy of the Income Tax Return (ITR) provided with annexures of the SCN, inter alia, the Noticee wishes to submit that his monthly income is to the tune of INR 15,000.00 (Rupees Fifteen thousand only), and he shocked to see such huge amount transfers by using his ITR/PAN card.*

PRAYER

13. *In the light of the abovementioned submissions, the Noticee submits that he has been wrongly roped into the present proceedings and therefore humbly prays that*

(i) The proceedings initiated vide the Show Cause Notice EAD/ ADJ/ PM/ AA/ OW/1647/2018 DATED 16.01.2018 against the Noticee may be dropped.
(ii) The charges and allegations qua the Noticee may be withdrawn at the earliest without imposing any monetary penalty against the Noticee.
(iii) The Noticee craves leave to file additional documents and make further submissions if required with the permission of Learned AO.
(iv) An opportunity for a personal hearing to be granted through an advocate in the matter in case the proceeding is going forward.
(v) Learned Adjudicating officer pleased to pass any other order in view of the circumstances of the matter.

…"

10. Vide Hearing Notice dated September 09, 2023, the Noticee was granted an opportunity of hearing on September 14, 2023. The Noticee through AR availed the opportunity of hearing via video conferencing on September 14, 2023. During the hearing, the AR relied upon and reiterated the Submissions made vide letter dated September 2, 2023. It was inter alia brought to the Notice of the AR that relevant documents in support of facts and contentions/assertions made in their reply letter dated September 02, 2023 were not enclosed. The AR requested further time till September 22, 2023 to submit the relevant documents, accordingly the same was allowed. Additionally, vide email dated September 17, 2023, Noticee was advised to submit true and complete details with regard to the following (as reproduced hereunder) latest by September 22, 2023. Vide email dated September 20, 2022, Noticee through AR submitted reply on affidavit dated September 20, 2023. The same was also received in original.

Relevant extracts of email dated September 17, 2023 w.r.t seeking true and complete details from the Noticee, are as under:

"…

1. *Please reconfirm that the Noticee was /is never ever associated with any of the said firm's (N V Sales Corporation, Magnum Industrial and Alliance Traders), in any capacity whatsoever, either directly and/or indirectly .*
2. *Noticee is advised to provide all required and relevant details along with documents in support of its contention and to evidence and demonstrate about being not aware and /or associated with any of the said firms either directly or indirectly, ever.*
3. *Please provide complete details regarding 'when' and 'how' did the Noticee 'FIRST EVER GET TO KNOW AND /OR HEAR' about any of the said firms.*
4. *Considering that as per material available on record the Noticee is the proprietor of said firms and that it has been /is being claimed by the Noticee that Noticee was/is never ever associated with any of the said firms, please confirm (providing relevant & complete details and current status in respect thereof) whether any action(s) had been taken by the Noticee, after having come to know about his name being associated with the said firms.*
5. *Whether any FIR was filed by the Noticee after having come to know about his name being associated /linked with the said firms. If yes, you are advised to provide copy of the same and its current status.*
6. *Whether Noticee knew/knows, directly or indirectly, any of the entities (persons and /or firms) named anywhere in the SCN including the other Noticee's named on Page 1 of the SCN. If yes, provide complete details in respect thereof. If no, please categorically confirm.*
7. *Whether Noticee was/is ever associated, directly or indirectly with any of the entities (persons and /or firms) named in the SCN including the other Noticee's named on Page 1 of the SCN. If yes, provide complete details in respect thereof. If no, please categorically confirm.*
8. *Noticee is advised to provide details of all addresses of work and residence, used ever in past and present. Please provide in chronological order.*
9. *Noticee is advised to confirm whether the addresses as indicated in the bank account form(s) were and /or are known to the Noticee, and/or ever belong to the Noticee, and/or were or is associated to the Noticee and or any person(s) known and /or related to the Noticee ever. If yes, provide complete details in respect thereof. If no, please categorically confirm .*

…"

11. Subsequently, the key submissions dated September 20, 2023 made by the Noticee as further submissions and reply to the SCN, are as under:

"…

I, Madhukar Dubey , age about 39 years, R/O Flat No. …., - … , the Noticee, do hereby solemnly affirm and declare as follows:

1. *That I am the Noticee in the matter, well conversant with the facts of the case, and as such, fully competent to swear and affirm this affidavit.*
2. *This is to confirm that the Noticee was never ever associated with any of the said firms (N V Sales Corporation, Magnum Industrial, and Alliance Traders), in any capacity whatsoever, either directly and/or indirectly.*
3. *On 30.06.2023, the Noticee, visited the State Bank of India, Branch Indirapuram, Ghaziabad -Uttar Pradesh for operating his Saving Bank Account No. … 20000xxxx13. The Noticee hadn't operated the Saving Account since July 2021. Failing to operate his bank account, the Noticee gave an application to ask about the non-operating status of his savings account with the SBI Branch. On 04.07.2023, the bank official provided a one-page copy of the notice received by the bank from the Recovery Division, Northern Regional Office, SEBI. Therefore, it is submitted that Noticee has come to know about the said firm on 04.07.2023.*
4. *The Noticee after going through the said Notice and enquiring from advocates, the Noticee comes to know that a recovery certificate No.5243 of 2022 dated 29.07.2022 has been drawn up by the Recovery Officer in the proceedings for recovery in lieu of an order passed by the learned AO, SEBI Ref SEBI ADJUDICATION ORDER NO. Order/PM/PA/2021-22/15130-15143 dated 25.02.2022. Thereafter, Noticee filed an appeal against the order to the Hon'ble Securities Appellate Tribunal.*
5. *As the Noticee is doing petty jobs and is a person of limited means, so he hadn't filed any complaint/FIR on or after 04.07.2023, after the knowledge of the misuse of his documents.*
6. *The Noticee categorically denies that he knows/knew any person directly or indirectly, any of the entities (persons and /or firms), named anywhere in the SCN including the other Noticees named on Page No.1 of the SCN.*
7. *The Noticee worked as a driver from 2010 to 2015 with Mr. Vijay …at …, New Delhi-110001. Before and after that the Noticee was/is working as Driver on call and operating from his residence.*
8. *Madhukar Dubey is a resident of Flat No. …, …, Ghaziabad, Uttar Pradesh -… and this is his address for the last 10 years.*
9. *The Noticee categorically denies that he knows/knew about the existence of any firms/bank accounts mentioned in the SCN or any addresses given in the accounts.*

…"

D. CONSIDERATION OF ISSUES AND FINDINGS

12. The issues that arise for consideration in the present matter are as follows:

Issue No. I: Whether Noticee has violated provisions of Regulation 3(a),(b),(c),(d) and 4(1) of SEBI PFUTP Regulations, 2003 read with section 12A(a), (b) and (c) of the SEBI Act, 1992, as alleged?

Issue No. II: If yes, whether the violations on the part of the Noticee would attract monetary penalty under Sections 15HA of the SEBI Act, 1992?

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

13. Here it would be pertinent to refer to the text of the provisions of SEBI PFUTP Regulations and SEBI Act, 1992, alleged to have been violated, which are reproduced as under:

SEBI PFUTP Regulations, 2003

"

…

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 4[manipulative,] fraudulent or an unfair trade practice in securities 5[markets].

6[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.]

…

---

4 Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 1, 2019.

5 ibid

6 Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.

…"

SEBI Act, 1992

"

…

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;

…

"

.

Issue No. I: Whether Noticee has violated provisions of Regulation 3(a),(b),(c),(d) and 4(1) of SEBI PFUTP Regulations, 2003 read with section 12A(a), (b) and (c) of the SEBI Act, 1992, as alleged?

14. I note from the SCN that Noticee was Noticee No. 2 as per the SCN. Accordingly, reference to the Noticee, being subject matter of instant proceedings, may interchangeably have been made as 'Noticee 2' and /or 'Noticee No. 2', unless the context states otherwise.

15. Noticee in the instant matter was one amongst the entities who were alleged to have been part of scheme with regard to IPO of HPC involving the company, its promoters /directors and funding group entities. Noticee being one amongst the funding group entities was a part of the alleged scheme. Accordingly, before proceedings to deal with the matter on merits, it would be pertinent to first visit the background of the matter and the key findings /observations. In this regard, following was inter alia observed and /or alleged by SEBI in the matter inter alia including in respect of Noticee 2:

15.1. HPC Bioscience Ltd. (hereinafter referred to as Company / HPC) came out with an Initial Public Offer (IPO) to raise Rs. 1575.00 lacs by way of issue of 45,00,000 shares equity shares of Rs. 10 each at an issue price of Rs. 35 which got listed at BSE - SME segment on March 19, 2013.

15.2. Out of 254 entities debarred vide interim order dt. June 29, 2015, 9 entities were part of the funding group entities. Out of 9 funding group entities, 7 entities funded the IPO applicants of HPC. In addition to the said 7 entities, 1 more entity was found who had funded the IPO applicants. The said 8 entities and 5 more entities connected to the funding group entities, received funds from IPO proceeds of HPC. Following table shows the connections of the said 13 entities with HPC directly /indirectly;

SN	Particulars	Connection - Fund Movement
1	Goldline International Finvest Ltd. ('Goldline')	• Goldline received Rs. 318.50 lacs from IPO proceeds of HPC. • Goldline had issued cheques on behalf of Non ASBA IPO Allottees of HPC. • Goldline received IPO proceeds of Rs. 500 lacs from CNE. • Goldline having fund movement with M/s. Mayfair Infosolution Pvt. Ltd., M/s. AMS Powertronic Pvt. Ltd., M/s. Avisha Credit Capital Pvt. Ltd. • Goldline had also fund movement with the entities who had funded to IPO allottees viz. Aggrawal traders, AMS Powertronic Pvt Ltd, Bright Securities, Columbia Sales.
2	Avisha Credit Capital Pvt. Ltd.	• Avisha Credit Capital received Rs. 16 lacs from IPO proceeds of HPC. • It had also funded to Non ASBA / ASBA IPO Allottees of HPC. • Director Name: 1) Shubha Jhindal, 2) Vijay Kumar Jhindal, 3) Rakesh Agrawal • **Common Director**: During the IP, Avisha Credit Capital Pvt. Ltd. and Mayur Developments and Leasings Ltd. having common director. • Address of Vijay Kumar Jindal and Shubha Jhindal: S-520, Greater Kailash Part I, New Delhi - 110 048. • **Common Address**: Vijay Kumar Jindal, Shubha Jhindal and Mayur Development Leasings Pvt. Ltd. having common Address. • It had fund movement with Eco, Goldline and Mayfair Infosolution.
3	Mayur Developments and Leasings Ltd.	• It had received Rs. 87 lacs from IPO proceeds of HPC. • Current Director : 1) Rakesh Chunilal Agarwal, 2) Akshit Jindal, 3) Amit Kumar Mittal • Director till 18/10/2014: 1) Shubha Jindal, 2) Vijay Kumar Jindal • Address of Mayur Development is : S-520, Greater Kailash Part I, New Delhi - 110 048. • **Common Director**: During the IP, Avisha Credit Capital Pvt. Ltd. and Mayur Developments and Leasings Ltd. having common director. • **Common Address**: Vijay Kumar Jindal, Shubha Jhindal and Mayur Development Leasings Pvt. Ltd. having common Address.

4	Satendra Kumar **<u>Proprietorship Firm***</u>** • Bright Securities • A R Enterprise • Nisha Traders	• It had fund movement with Goldline, AMS Powertronic Pvt. Ltd., Mayfair Infosolution Pvt. Ltd., Alliance Traders, N V Sales Corporation and Bright Securities. • It had received funds from N V Sales Corporation. • Nisha Traders received funds from Magnum Industrial and Bright Securities. • A R Enterprise received funds from ECO and Shiv Traders. • Nisha Traders received funds from ECO, Alliance Traders, N V Sales Corporation and A One Furniture. • **Address**): Plot No. 3, Gali No. 3, East Guru Angad Nagar, Laxmi Nagar, Delhi - 110092. (Bank KYC) • Proprietorship firm of Sumit kumar, Madhukar Dubey and Satendra Kumar having common address. (Bank KYC)
5	Raj Kumar **<u>Proprietorship Firm:***</u>** • Bright Sec. • A R Enterprise • Nisha Traders	• **Address of Bright Sec., A R Enterprise, Nisha Traders**: Plot No. 3, Gali No. 3, East Guru Angad Nagar, Laxmi Nagar, Delhi - 110092. (Bank KYC) • Proprietorship firm of Raj Kumar, Sumit kumar, Madhukar Dubey and Satendra Kumar having common address. (Bank KYC) • Nisha Traders of Raj Kumar having fund movement with AMS Powertronic Pvt. Ltd. , Shiv Om Sales, Mayfair Infosolution Pvt. Ltd. • Bright Sec. of Raj Kumar had also funded Rs. 80 lacs to Guardian Portfolio Consultants Pvt. Ltd. who is ASBA Applicants. • A R Enterprise and Nisha Traders of Raj Kumar received Rs. 100 lacs each from IPO proceeds of HPC.
6	Madhukar Dubey **<u>Proprietorship Firm:</u>** • Alliance Traders • N V Sales Corporation • A One Furniture • Magnum Industrial	• N V Sales Corporation received Rs. 100 lacs from IPO proceeds of HPC. • Madhukar Dubey had funded to the IPO applicants of HPC through his three proprietorship fimr viz. N V Sales Corporation, Magnum Industrial and Alliance Traders. • N V Sales had received funds from HPC Bioscience Ltd. • N V Sales Corporation had fund movement with AMS Powertronic Pvt. Ltd. • A One Furniture received funds from Magnum Industrial. • Alliance Traders received funds from Columbia Sales, AMS Powertronic Pvt. ltd., Mayfair Infosolution Pvt. Ltd., A One Furniture. • Address: Plot No. 3, Gali No. 3, East Guru Angad Nagar, Laxmi Nagar, Delhi - 110092. (Bank KYC) • Proprietorship firm of Sumit kumar, Madhukar Dubey and Satendra Kumar having common address. (Bank KYC)
7	Sumit Kumar **<u>Proprietorship Firm</u>** • Vijay Bhagwandas & Co. • Durga Prasad & Co.	• Durga Prasad & Co. received funds from Bright Securities (Prop. Satendra Kumar) • Durga Prasad & Co. received funds from Alliance Traders, A R Enterprise of satendra kumar and N V Sales Corporation. • Durga Prasad & Co. also had fund movement with Mayfair Infosolution Pvt. Ltd. and AMS Powertronic Pvt. Ltd. • Address: Plot No. 3, Gali No. 3, East Guru Angad Nagar, Laxmi Nagar, Delhi - 110092. (Bank KYC) • Proprietorship firm of Sumit kumar, Madhukar Dubey and Satendra Kumar having common address. (Bank KYC) • Sumit kumar is the director in following companies (MCA Database); i. AMS Powertronic Pvt. Ltd.
8	AMS Powertronic Pvt. Ltd.	• It had received Rs. 58 lacs from IPO proceeds of HPC. • It had also funded to the IPO applicants of HPC. • It had fund movement with Goldline, Shiv Traders, Shiv Om Sales, , Mayfair Infosolution Pvt. Ltd., • **Director Name** (MCA Database): 1)Sumit Kumar 2) Vinay Kumar • Sumit Kumar is the common director in AMS Powertronic Pvt. Ltd. & Mayfair Infosolution Pvt. Ltd.
9	Mayfair Infosolution Pvt. Ltd.	• It had received Rs. 80 lacs from the IPO proceeds of HPC. • It had fund movement with AMS Powertronic Pvt. Ltd., Shiv Traders, Madhukar Dubey, Aavia Buildtech Pvt. Ltd. • **Director Name** (MCA Database): 1)Sumit Kumar 2) Vinay Kumar • Mayfair is connected with AMS Powertronic Pvt. Ltd., , through common directors.

10	Prakash Gupta **Proprietorship Firm:** • Shri Trading Co. • Shiv Traders	• It had funded to the IPO applicants of HPC. • Shiv traders received Rs. 100 lacs from S P Enterprise which were the IPO proceeds of HPC. • Shiv Traders had fund movement with S P Enterprise, Mayfir Infosolution Pvt. Ltd. AMS Powertronic Pvt.Ltd., Shiv Om Sales.
11	Aavia Buildtech Pvt. Ltd.	• It had received Rs. 100 lacs from IPO proceeds of HPC. • It had fund movement with Mayfair Infosolution, AMS Powertronic Pvt. Ltd. and Shiv Om Sales.
12	S P Enterprise	• It had received Rs. 100 lacs from the IPO proceeds of HPC. • The same were transferred to Shiv Traders.
13	Shiv Om Sales	• Shiv Om sales had fund movement with Alliance Traders and N V Sales Corporation.

*** Raj Kumar and Satendra Kumar are two different entities and they have different proprietorship firms having the same name i.e. Bright Securities, A R Enterprise, Nisha Traders.

Entities at Sr. No. 1 to 13 shall hereinafter be referred as funding group entities.

15.3. Following table shows the detail of category-wise applications received, allotment of shares and rejection of shares:

Date of Bid	No. of Applications	No. of shares applied	No. of shares allotted	No. of allottees to whom shares allotted	No. of shares Application rejected
Market Maker	**1**	**232,000**	**232,000**	**1**	**-**
HNI	**118**	**2,852,000**	**2,624,000**	**113**	**184,000**
RII	**444**	**1,776,000**	**1,704,000**	**426**	**72,000**
Total	**563**	**4,860,000**	**4,560,000**	**540**	**256,000**

15.4. The Issue has received 563 applications for 48,60,000 Equity Shares (Including Market Maker Application of 2,32,000 Equity Shares) resulting 1.08 times subscription. Company had received applications for 48,60,000 shares out of which applications for 2,56,000 shares i.e. 5.26% of total application received were rejected and 45,60,000 shares were allotted on proportionate basis.

15.5. On perusal of bank accounts of the retail investors, it was observed that out of 444 retails applicants, applications of 163 applicant were funded by the funding group entities who received the funds back from the IPO proceeds. Out of 163 such applicants, 156 applicants got allotment of 6,24,000 shares. In market maker category the application for 2,32,000 shares was also found funded by the funding group. Further, in HNI category, out of applications received from 118 applicants for 28,52,000 shares 26,24,000 shares shares were allotted to 113 applicants on proportionate basis. Out of 26,24,000 shares allotted to HNI, 4,68,000 shares were found to be funded by the funding group entities~~.~~

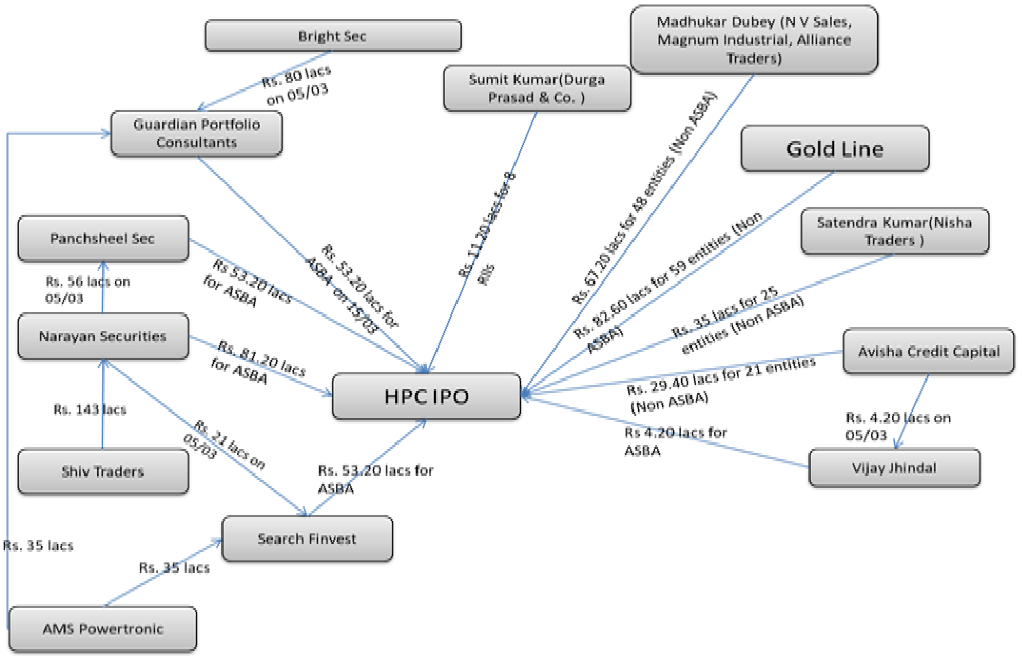
15.6. Out of 13 funding group entities, 8 entities had funded to the IPO of applicants of HPC. Following table shows the details of the funding by the funding group entities;

SN	Name	Bank A/c no.	Remarks
1	Goldline International Finvest Ltd.	ICICI Bank - 663005120 449	• <u>**Goldline International Finvest Ltd**</u> had issued 59 cheques of Rs. 1.40 lacs each on behalf of 59 Non ASBA retail Investors. (55 applicants got allotment) • Goldline received Rs. 318.50 lacs from HPC on 21/03/2013.
2	Satendra Kumar <u>**Proprietorship Firm:**</u> Nisha Traders***	Yes Bank- 013683900 002254	• **Nisha Traders** had issued 25 cheques of Rs. 1.40 lacs each on behalf of 25 Non ASBA retail investors. (23 applicants got allotment) • Nisha traders received Rs. 18 lacs from Alliance Traders which is proprietorship firm of Madhukar Dubey, Rs. 10 lacs from Bright Securities which is proprietorship firm of Satendra Kumar and Rs. 10.50 lacs from N V Sales Corporation which is proprietorship firm of Madhukar Dubey.
3	Avisha Credit capital Pvt. Ltd.	HDFC Bank - 059827400 00567	• **Avisha Credit Capital** had issued 7 cheques of Rs. 1.40 lacs each on behalf of 7 Non ASBA retail investors. (7 applicants got allotment) • Further, it had funded Rs. 1.40 lacs each to 16 non ASBA applicants. (16 applicants got allotment) • It had also given Rs. 4.20 lacs to its director viz. Mr. Vijay Jhindal for making application in the IPO. • Avisha Credit Capital received Rs. 16 lacs from IPO proceeds of HPC.
4	Madhukar Dubey <u>**Proprietorship Firm:**</u> • N V Sales Corporation • Magnum Industrial • Alliance Traders	Yes Bank - 136839000 02171	• **N V Sales** had issued 8 cheques of Rs. 1.40 lacs each on behalf of 8 Non ASBA retail investors. (7 applicants got allotment) • N V Sales received funds of Rs. 6 lacs from Nisha Traders. • N V Sales Cor. received Rs. 100 lacs from IPO proceeds of HPC. Subsequently the same were transferred to Shiv Om Sales.
		Yes Bank - 013683900 002209	• **Magnum Industrial** had issued 15 cheques of Rs. 1.40 lacs each on behalf of 15 Non ASBA retail investors. (15 applicants got allotment) • Magnum Industrial received Rs. 21 lacs from Bright Sec. of Satendra Kumar.
		Yes Bank - 136839000 02242	• **Alliance traders** had issued 25 cheques of Rs. 1.40 lacs each on behalf of 25 Non ASBA retail investors. (25 applicants got allotment)

			• Alliance traders received Rs. 42.50 lacs from Shiv Om Sales Corpo.
5	Sumit Kumar **<u>Proprietorship Firm:</u>** • Durga Prasad & Co.	Yes Bank - 013683900 002325	• **Durga Prasad & Co.** had issued 8 cheques of Rs. 1.40 lacs each on behalf of 8 Non ASBA retail investors. (8 applicants got allotment) • He has received funds of Rs. 11.50 lacs from Bright Sec of Satendra Kumar(Yes Bank - 013683900002195).
6	AMS Powertronic Pvt. ltd.	Axis Bank - 912020004 151524	• **AMS Powertronic** had given Rs. 35 lacs to Search Finvest Pvt. Ltd. and Rs. 35 lacs to Guardian Portfolio Consultants Pvt. Ltd. who had applied in HNI category. • It had received Rs. 58 lacs from IPO proceeds of HPC. • AMS Poertronic received funds from Bright Securities.
7	Raj Kumar **<u>Proprietorship Firm:</u>** • Bright Securities • A R Enterprise • Nisha Traders***	Axis Bank : 913020007 397919	• **Bright Securities** had transferred Rs. 80 lacs to Gaurdian Portfolio Consultants Pvt. Ltd. who had applied in HNI category. • **Bright Sec.** had also transferred Rs. 32.50 lacs to AMS Powertronic Pvt. Ltd. and Rs. 30 lacs to Madhukar Dubey.
		Axis Bank: 913020007 239198	• **A R Enterprises** received Rs. 100 lacs from IPO proceeds of HPC. •
		Axis Bank: 913020007 349295	• **Nisha Traders** received Rs. 100 lacs from IPO proceeds of HPC.
8	Prakash Gupta **<u>Proprietorship Firm:</u>** Shiv Traders	Tamilnad Mercantile Bank - 211150050 800237	• It had funded Rs. 143 lacs to Narayan Securities Ltd. who had applied in the IPO of HPC. Out of Rs. 143 lacs, it had transferred Rs. 56 to Panchsheel Securities Pvt. Ltd. and Rs. 21 lacs to Search Finvest Pvt. Ltd. Panchsheel Securities Pvt. Ltd. and Search Finvest Pvt. Ltd. had also applied in the IPO of HPC. • It had received Rs. 100 lacs from S P Enterprise which were the IPO proceeds of HPC.

*** Nisha Traders of Raj Kumar and Satendra kumar are different proprietorship firm of two proprietor.

15.7. Diagrammatically Presentation of Funding by Funding group entities to the IPO applicants:



15.8. Following table shows the summary of the amount funded by the funding entities and number of shares allotted:

SN	Funding Entity	Amount funded (Rs in lacs)	No. of allottees got allotment	No of shares allotted
1	Goldline International Finvest Ltd	82.60	55	220000
2	Madhukar Dubey	67.20	47	188000
3	Satendra Kumar	35	23	92000
4	Avisha Credit Capital Ltd	36.40	23+1(ASBA)	92000+12000 = 104000
5	Sumit Kumar	11.20	8	32000
6	Raj Kumar (Bright Securities)	56	1	152000
7	Prakash Gupta (Shiv Traders)	137.20	2	384000
8	AMS Powertronic Pvt. Ltd & Shiv Traders	56	1	152000
	Total	481.60		13,24,000

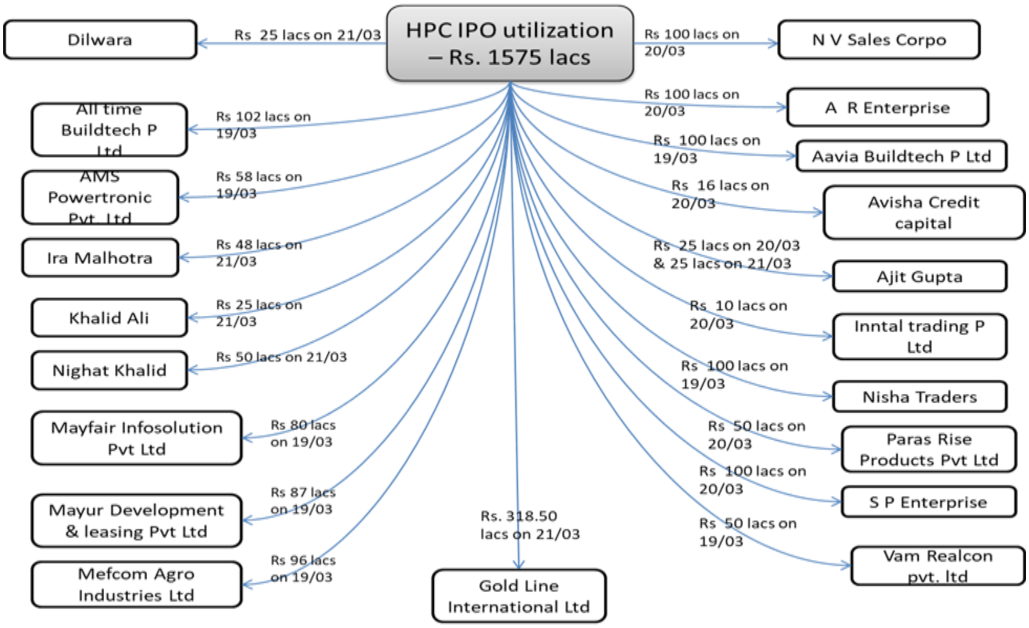
15.9. From above, it can be seen that out of 45,60,000 shares allotted, 13,24,000 shares i.e. 29.03% of shares were allotted to the entities who received funds to make application in IPO from entities directly/ indirectly connected with HPC.

15.10. Further, it was observed that the HPC transferred major IPO proceeds to the funding group entities on day on which it received from the escrow account. From the funding of IPO applicants and diversion of IPO proceeds to the funding group entities, it has been concluded that HPC and its directors had planted a scheme to get sufficient IPO application to get listing on SME- exchange platform with the help of funding group entities.

15.11. The application money was funded by the funding group entities connected to company who received funds from company directly / indirectly and hence, allotment of these 13,24,000 shares (624000 (RII) + 232000 (Market Maker) + 468000 (HNI)) is not being considered genuine.

15.12. Based on the above, it had been concluded that IPO of HPC would not have got minimum subscription had the funding group not funded the applicants. HPC and its Directors at the time of IPO in connivance with the funding group entities employed a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants. Hence, HPC had violated Regulation 14 (1) of SEBI (ICDR) Regulation, 2009 and company, its directors at the time of IPO and funding group entities had violated sec. 12A(a), (b) and (c) of SEBI Act, 1992 and Regulations 3 (a), (b), (c) and (d) and 4(1) of PFUTP Regulations.

15.13. On perusal of the bank account statement (Oriental Bank – 1048xxxxxxxxxx) of HPC, following fund movement was observed;



15.14. It has been observed that company had raised Rs. 1596 lacs through IPO out of which Rs. 1565.50 lacs were transferred to the various entities, out of which Rs. 1059.50 lacs transferred to funding group entities. Following table contains the funding group entities funding amount and IPO proceeds received from HPC as under;

SN	Entity Name	Amount funded (Rs in lacs)	Amount received from IPO proceeds (Rs in lacs)
1	Goldline International Finvest Ltd.	82.60	318.50
2	N V sales Corporation	67.20	100
3	A R Enterprise	-	100
4	Aavia Buildtech Pvt. Ltd.	-	100
5	Avisha Credit Capital Pvt. Ltd.	33.60	16
6	Nisha Traders	-	100
7	Mayur Developments and Leasings Pvt. Ltd.	-	87
8	Mayfair Infosolution Pvt. Ltd.	-	80
9	AMS Powertronic Pvt. Ltd.	70	58
10	S P Enterprise	-	100
	Total	253.40	1059.50

15.15. It was observed that the major IPO proceeds were transferred to the funding group entities or connected to the funding group entities.

15.16. It was observed that the HPC transferred Rs. 1565.50 lacs to various entities including funding group entities immediately on receipt of IPO proceeds. It clearly shows that the Company planned to use it for extending it to funding group entities.

15.17. However, as mentioned.., the money for making application was received from funding group entities.

15.18. HPC and its 4 directors who signed the prospectus, two of whom are non-independent directors and two who are independent directors (the 2 independent directors are also part of Audit committee - Annual Report for F.Y. 2012-13) employed a scheme with the help of funding group entities to get listing of the securities on exchange platform and planted false news w.r.t. objects of IPO etc. Thereby violating Sec. 12A (a), (b) and (c) of SEBI Act, 1992 and Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(c), 4(2)(f), 4(2)(k) and 4(2)(r) of SEBI (PFUTP) Regulations, 2003.

16. Briefly stated, following was inter alia observed and /or alleged by SEBI:

16.1. HPC came out with an IPO in February 2013 and allotted 45,60,000 shares. HPC and its promoters/ directors and 8 entities out of 13 entities belonging to funding group employed a fraudulent scheme to get the minimum IPO subscription leading to successful listing of the scrip at SME Exchange platform of BSE.

16.2. During the IPO, total valid application were received for 46,04,000 shares out of which applications for 13,76,000 shares were funded by the funding group entities i.e. applications for 29.88% of total valid shares were not genuine. HPC allotted 45,60,000 shares on proportionate basis out of which 13,24,000 shares were allotted to the applicant who were funded by the funding group entities i.e. 29.03% of the allotted shares were not genuinely subscribed.

16.3. HPC gave misleading information about objects of the issue and utilization of IPO proceeds in the prospectus. HPC received Rs. 1596 Lacs as IPO proceeds. It was informed that it utilized an amount of Rs. 1377.37 lacs for the objects stated in the prospectus, however, no supporting documents in support of its claim was provided. On perusal of bank accounts of HPC, it was observed that out of Rs. 1596 lacs, Rs.1059.50 lacs was transferred to the funding group entity. The remaining money was transferred to unknown entities and not utilized for the objects stated in the prospectus. HPC failed to comply with summons by providing incomplete and misleading information to SEBI w.r.t. the use of IPO proceeds, thereby hampering the process of investigation.

16.4. M/s. Goldline International Finvest Ltd., M/s. Avisha Credit Capital Ltd. and M/s. Mayur Development and Leasing Ltd. did not comply with summons by not providing the requisite information sought by Investigating Authority ('IA'), thereby hampering the process of investigation.

16.5. HPC gave incorrect and misleading information to stock exchange under the SME Listing agreement w.r.t. IPO proceeds utilization.

16.6. Directors of HPC namely Mr. Tarun Chauhan and Mrs. Madhu Anand did not comply with the summons to appear before the Investigation Authority to provide requisite information, thereby hampering the process of investigation.

17. In this regard, I also note that vide an interim order dated June 29, 2015, the Whole Time Member of SEBI (‘WTM’), had restrained 254 entities from accessing the securities market and from buying, selling or dealing in securities, either directly or indirectly, in any manner, till further directions were passed in the matter of IPO of certain companies including HPC (hereinafter

referred to as the "June Interim Order"). After the June Interim Order, confirmatory orders were passed with respect to the said matter on February 17, 2016, June 14, 2016, August 25, 2016, October 27, 2016 and June 15, 2017, except for certain specific reliefs provided to certain entities it was prima facie found that the preferential allottees, pre IPO transferees along with the funding group entities and trading group entities had used the stock exchange system to artificially increase volume and price of the HPC scrip for making illegal gains and to convert ill-gotten gains into genuine one (hereinafter referred to as the "Confirmatory Orders"). Subsequently, vide order dated September 06, 2017, the Confirmatory Orders were revoked with respect to 216 entities out of the total 254 entities (hereinafter referred to as the "Revocation Order"). I note that besides Adjudication proceedings, SEBI had also initiated proceedings inter alia under Section 11 of the SEBI Act inter alia in respect of Noticee as part of the funding group entity. Therefore, the whole time member of SEBI passed directions vide order dated December 22, 2020 inter alia in respect of Noticee wherein it was directed that '…*The Noticees, as mentioned below are hereby restrained and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever manner, for the period specified in their respective columns:*

Sr. No	Name of Entity	Debarred vide interim order	Period of debarment
5.	Shri. Madhukar Dubey & its Proprietorship firm viz. N V Sales Corporation, Magnum Industrial and Alliance Traders	Yes	Till date of this order

…'

18. I note from material available on record that both the Proceedings inter alia under Section 11 of the SEBI Act before the WTM and the Adjudication proceedings before the Adjudicating Officer in respect of the Noticee emanated out of the same cause of action. As regards the directions in the WTM order in respect of the Noticee viz., debarred from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever manner till December22, 2020, I note from the material available

on record that no appeal was filed by the Noticee challenging the directions in the WTM order dated December22, 2020.

19. As regards, the Adjudication proceedings, I note that based on the above findings and observations of SEBI, broadly stating, that HPC and its promoters /directors (viz., Noticee 9 to 11 as per the SCN) at the time of IPO and funding group entities (Noticee 1 to 8 as per the SCN; Noticee 2 being subject matter of instant proceedings) employed a fraudulent scheme to get the IPO fully subscribed by arranging fund to the applicants, the money was later transferred by HPC from IPO proceeds to funding group entities, it was inter alia observed/alleged in the SCN inter alia in respect of the Noticee that Noticee no. 9 to 11 in connivance with the funding group entities i.e. Noticee no. 1-8, employed a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants and thereby violated Regulations 3 (a), (b), (c) and (d) and 4(1) of PFUTP Regulations read with 12A(a), (b) and (c) of SEBI Act, 1992.

20. Further in this regard, I note from material available on record in respect of the Noticee that"

20.1. Madhukar Dubey had funded the IPO applicants of HPC through his three proprietorship firms viz. N V Sales Corporation, Magnum Industrial and Alliance Traders.

20.2. In this regard, it is noted that N V Sales had issued 8 cheques of Rs. 1.40 lacs each on behalf of 8 Non ASBA retail investors (7 applicants got allotment). The relevant extracts of bank statements in this regard, are as under:

08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000219121	140000.00		361,710.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000219122	140000.00		221,710.00
08/03/13	08/03/13	FUNDS TRF,PREET VIHAR, 013683900002254	000000739392		600000.00	821,710.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000219142	140000.00		681,710.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000219143	140000.00		541,710.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000219144	140000.00		401,710.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000219138	140000.00		261,710.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000219141	140000.00		121,710.00
09/03/13	09/03/13	FUNDS TRF,PREET VIHAR, 013683900002195	000000711750		50000.00	171,710.00
09/03/13	09/03/13	MICR CLG MUM HPCBL PUBLIC ISSUE	000000219140	140000.00		31,710.00

The details of applicants who got allotment, as noted from material available on record, are as under:

PAN	Applied Qty	Appli. Money	Allotted Qty	Cheque No.
BEEPS2940Q	4000	140000		219121
BHFPS5756J	4000	140000	4000	219122
AVHPG5782H	4000	140000	4000	219138
ARVPG7849R	4000	140000	4000	219140
AXFPR4439L	4000	140000	4000	219141
ARUPK1589P	4000	140000	4000	219142
AWWPK8525E	4000	140000	4000	219143
BNBPK2681L	4000	140000	4000	219144

20.3. In this regard, it is noted that Magnum Industrial had issued 15 cheques of Rs. 1.40 lacs each on behalf of 15 Non ASBA retail investors. The relevant extracts of bank statements in this regard, are as under:

09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598667	140000.00	1,975,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598654	140000.00	1,835,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598671	140000.00	1,695,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598664	140000.00	1,555,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598655	140000.00	1,415,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598666	140000.00	1,275,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598668	140000.00	1,135,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598672	140000.00	995,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL PUBLIC ISSUE R	000000598669	140000.00	855,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL PUBLIC ISSUE R	000000598670	140000.00	715,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598659	140000.00	575,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598662	140000.00	435,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598673	140000.00	295,250.00
09/03/13	09/03/13	MICR CLG MUM HPCBL P	000000598665	140000.00	155,250.00
09/03/13	09/03/13	MICR CLG MUM	000000598663	140000.00	15,250.00

The details of applicants who got allotment, as noted from material available on record, are as under:

PAN	Applied Qty	Appli. Money	Allotted Qty	Cheque No.
AEVPG2575H	4000	140000	4000	598654

PAN	Applied Qty	Appli. Money	Allotted Qty	Cheque No.
AGVPG6779M	4000	140000	4000	598655
BXQPS8317A	4000	140000	4000	598659
ASMPB8944N	4000	140000	4000	598662
AOHPM6126Q	4000	140000	4000	598663
BAFPS1152R	4000	140000	4000	598664
AOPPB9545N	4000	140000	4000	598665
AJNPD6008P	4000	140000	4000	598666
ACCPL7891E	4000	140000	4000	598667
AHIPS4392N	4000	140000	4000	598668
AWLPR6736R	4000	140000	4000	598669
CFXPS9077P	4000	140000	4000	598670
ARCPK9910G	4000	140000	4000	598671
BZEPS8165E	4000	140000	4000	598672
AOEPG4107L	4000	140000	4000	598673

20.4. In this regard, it is noted that Alliance traders had issued 25 cheques of Rs. 1.40 lacs each on behalf of 25 Non ASBA retail investors (25 applicants got allotment). The relevant extracts of bank statements in this regard, are as under:

07/03/13	07/03/13	CTS CLG DEL H P C B L PUBLIC ISSUE R	000000639803	140000.00	1,364,745.00
07/03/13	07/03/13	CTS CLG DEL H P C B L PUBLIC ISSUE R	000000639798	140000.00	1,224,745.00
07/03/13	07/03/13	CTS CLG DEL H P C B L PUBLIC ISSUE R	000000639800	140000.00	1,084,745.00
07/03/13	07/03/13	CTS CLG DEL H P C B L PUBLIC ISSUE R	000000639801	140000.00	944,745.00
07/03/13	07/03/13	CTS CLG DEL H P C B L PUBLIC ISSUE R	000000639802	140000.00	804,745.00
07/03/13	07/03/13	CTS CLG DEL H P C B L PUBLIC ISSUE R	000000639799	140000.00	664,745.00

08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639806	140000.00	2,974,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639805	140000.00	2,834,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639807	140000.00	2,694,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639810	140000.00	2,554,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639804	140000.00	2,414,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639809	140000.00	2,274,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639811	140000.00	2,134,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639808	140000.00	1,994,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639812	140000.00	1,854,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639813	140000.00	1,714,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639820	140000.00	1,574,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639815	140000.00	1,434,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639818	140000.00	1,294,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639821	140000.00	1,154,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639817	140000.00	1,014,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639816	140000.00	874,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639814	140000.00	734,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639822	140000.00	594,745.00
08/03/13	08/03/13	CTS CLG DELH P C B L PUBLIC ISSUE R	000000639819	140000.00	454,745.00

The details of applicants who got allotment, as noted from material available on record, are as under:

PAN	Applied Qty	Appli. Money	Allotted Qty	Cheque No.
CBYPS2378Q	4000	140000	4000	639798
BBCPR9350J	4000	140000	4000	639799

PAN	Applied Qty	Appli. Money	Allotted Qty	Cheque No.
ATWPK9606R	4000	140000	4000	639800
AHNPJ2722J	4000	140000	4000	639801
AMLPJ8839M	4000	140000	4000	639802
BMEPK5862M	4000	140000	4000	639803
AHWPR1982M	4000	140000	4000	639804
CFCPS9500J	4000	140000	4000	639805
CLXPS3284C	4000	140000	4000	639806
ACAPY0867B	4000	140000	4000	639807
BQZPS8372K	4000	140000	4000	639808
ASRPR2689F	4000	140000	4000	639809
AXVPK5985A	4000	140000	4000	639810
BJEPS9371J	4000	140000	4000	639811
BPHPS8275L	4000	140000	4000	639812
ALPPG1412N	4000	140000	4000	639813
CIDPS5999F	4000	140000	4000	639814
AIRPC6370J	4000	140000	4000	639815
AULPS5285N	4000	140000	4000	639816
AGNPJ0911C	4000	140000	4000	639817
AGPPR6452E	4000	140000	4000	639818
ALXPP7076R	4000	140000	4000	639819
BFIPS4604E	4000	140000	4000	639820
AGWPR6668M	4000	140000	4000	639821
BBOPM2770D	4000	140000	4000	639822

20.5. As regards Noticee it had inter alia been observed that Noticee as funding entity had funded an amount of Rs. 67.20 lakhs involving forty seven allottees who were allotted 188000 shares. I note that Noticee's funding was approx. 13.95% of the total amount observed to have been funded by eight funding entities and that the Noticee, was third highest amongst the eight funding entities in terms of amount funded, was second highest in terms of number of allottees, was 14.2% in terms of number of shares allotted.

21. In this regard, as regards the submissions of the Noticee, as reply to the SCN, I note that nothing much on merit has been submitted save for contending that it was wrong to consider that IPO subscription money was used for subscribing to the HPO IPO; no transfer of funds from Hpc Biosciences Ltd to M/S. Alliance Traders and to Magnum Industrial Corporation; and that there was no transfer or withdrawal of funds from N.V. Sales Corporation to bank account/s of Noticee No. 2., and it had been inter alia also submitted that Noticee was not

connected with the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders. The submissions of the Noticee, are being dealt in following paragraphs.

21.1. I note that the Noticee as part of preliminary submissions vide letter September 02, 2023 and vide reply dated September 20, 2023 as reply to the SCN had inter alia submitted that *'…The Noticee was unable to complete his formal education due to his poor background and had studied up to the 10th class only…The Noticee is doing petty jobs due to a lack of proper education and working as a Driver for more than the last 15 years….The Noticee worked as a driver from 2010 to 2015 with Mr. Vijay Jindhal at Kailash Building, KG Marg, New Delhi-110001…The Noticee has been working as a driver on a call basis from 2015 to till date…'.*

In this regard, I note that the said submissions of the Noticee are not only in the nature of mere statements but also out of context.

21.2. I note that the Noticee as part of submissions on merit vide letter September 02, 2023 as reply to the SCN had contended that *'… Based on the Annexures provided with the SCN, As per the Para 4.1 of the Show Cause Notice " The shares of HPC got listed at BSE-SME segment on March 19,2013." Whereas there had been a transfer from the bank account no. CURRENT A/C NO 10481010067720 of M/S. HPC BIOSCIENCES LTD to allegedly bank account of Noticee No.2 i.e. M/S. N.V. SALES CORPORATION i.e. A/c Number 013683900002171 on March 20,2013 which was after the subscription and listing of the HPC IPO. Therefore it is wrong to consider that* IPO subscription money was used for subscribing to the HPO IPO.'

In this regard, firstly I note that the submissions of the Noticee in this regard are qualified in nature in so far as Noticee has qualified the submission by pre fixing phrase 'based on the annexures provided with the SCN'. In my view, generally speaking when an allegation is made against a Noticee, it is for Noticee to come out with true and complete details instead of taking shield of Annexures to the SCN. Accordingly, it was for Noticee to submit complete facts and details along with documents rather than making qualified submission.

I note that the alleged violation inter alia in respect of the Noticee is about HPC and its promoters/ directors and Noticee being one of the funding group entity employed a fraudulent scheme to get the minimum IPO subscription leading to successful listing of the scrip at SME Exchange platform of BSE and that as part of the investigation it was revealed that HPC transferred major part of IPO proceeds to the funding group entities. From the funding of IPO applicants and diversion of IPO proceeds to the funding group entities, it was observed that HPC and its promoter directors had devised a scheme to get sufficient IPO application to get listing on SME- exchange platform with the help of funding group entities and that the IPO of HPC would not have got minimum subscription had the funding group not funded the applicants. Accordingly, in my view, the submissions of the Noticee in this regard not only buttress the findings of the investigation by SEBI but also are in nature of admission in so far as the investigation by SEBI itself had inter alia revealed that diversion of IPO proceeds to funding group entities was inter alia part of the scheme, as was also brought out in the SCN. Accordingly the submissions of the Noticee in this regard, are devoid of merit and hence not acceptable.

21.3. I note that the Noticee as part of submissions on merit vide letter September 02, 2023 as reply to the SCN had also contended that

'…Based on the Annexures provided with the SCN, there had been no transfer of funds from Current A/C No 10481010067720 of M/S. HPC BIOSCIENCES LTD to M/S. ALLIANCE TRADERS A/c Number 013683900002242 and from Current A/C No 10481010067720 of M/S. HPC BIOSCIENCES LTD to M/s. MAGNUM INDUSTRIAL CORPORATION A/c Number 013683900002209.'

In this regard, from material available on record, I note that the contention of the Noticee in this regard is apparently misplaced in so far as it had inter alia itself been observed by SEBI that the out of 45,60,000 shares allotted, 29.03% of shares were allotted to the entities who received funds to make application in IPO from the Noticee no.1 to 8 who were directly /indirectly connected with HPC and that the application money was funded by the funding group entities connected to company who received funds from company directly / indirectly.

In short, while it was observed that HPC and its Directors at the time of IPO in connivance with the funding group entities, Noticee being one of such funding group entities, employed a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants and thus involved not just direct transfer of fund from HPC to Alliance one of the Proprietorship Firm of the Noticee but various fund transfers in the other Proprietorship Firms of the Noticee and also indirect fund transfers amongst involved entities.

To cite as example it had inter alia been observed that Alliance Traders had received Rs. 42.50 lacs from Shiv Om Sales and N V Sales had received Rs. 100 lacs from IPO proceeds of HPC and subsequently the same were transferred to Shiv Om Sales. I also note that it had inter alia been observed and alleged that eight funding group entities and five entities connected to the funding group entities, received funds from IPO proceeds of HPC and relevant details such as table showing the connections of the said thirteen entities with HPC directly /indirectly and the documents containing bank account statement, KYC received from banks and director's data were part of the Annexures to the SCN.

Accordingly the submissions of the Noticee in this regard, are devoid of merit and hence not acceptable.

21.4. I note that the Noticee as part of submissions on merit vide letter September 02, 2023 as reply to the SCN had also contended that *'…There has been no transfer or withdrawal of funds from M/S. N.V. SALES CORPORATION i.e. A/c Number 013683900002171, M/S. ALLIANCE TRADERS A/c Number 013683900002242, or M/s. MAGNUM INDUSTRIAL CORPORATION A/c Number 013683900002209 to bank account/s of Noticee No. 2. Therefore it may be presumed that Noticee No.2 was not part of any alleged device nor beneficiary in any sense….'.*

In this regard, firstly I note that submissions of the Noticee are conjectural in nature in so far as it has inter alia been submitted that, ' … *Therefore it may be presumed that Noticee No.2 was not part of any alleged device nor beneficiary in any sense.'.* Further in this regard, in my view the submissions of the Noticee are misplaced in so far as the alleged violation were not about fund transfer from Proprietorship firm of Noticee to the Noticee but inter alia related to HPC having transferred major part of IPO proceeds to the funding group entities and in respect of which it had inter alia been observed that HPC and its promoter directors had devised a scheme to get sufficient IPO application to get listing on SME- exchange platform with the help of funding group entities (Noticee no.1 to 8) and that the IPO of HPC would not have got minimum subscription had the funding group not funded the applicants, as also brought out in the foregoing. Accordingly the submissions of the Noticee in this regard, are devoid of merit and hence not acceptable.

21.5. I note that the Noticee as part of submissions on merit vide letter dated September 02, 2023 as reply to the SCN had also contended that, *'… Noticee is not connected with the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders in any way and he is not aware of how these firms are shown & and associated with him …. that Noticee is also now aware of how the bank accounts of the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders opened by using his PAN card …. The Noticee didn't open, close, or operate the said bank accounts knowingly….'* and as part of submissions vide reply dated September 20, 2023 had submitted that *'….This is to confirm that the Noticee was never ever associated with any of the said firms (N V Sales Corporation, Magnum Industrial, and Alliance Traders), in any capacity whatsoever, either directly and/or indirectly….The Noticee categorically denies that he knows/knew any person directly or indirectly, any of the entities (persons and /or firms), named anywhere in the SCN including the other Noticees named on Page No.1 of the SCN….The Noticee categorically denies that he knows/knew about the existence of any firms/bank accounts mentioned in the SCN or any addresses given in the accounts …'.*

Further in this regard, I note that the Noticee as part of his submissions dated September 20, 2023 has inter alia also submitted that, ' … *As the Noticee is doing petty jobs and is a person of limited means, so he hadn't filed any complaint/FIR on or after 04.07.2023, after the knowledge of the misuse of his documents…'.*

In this regard, firstly I note that the submissions of the Noticee are not only conflicting in nature but also in nature of admission in so far as on one hand Noticee has inter alia claimed to be *not connected with the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders in any way* while on the other hand Noticee has also inter alia submitted that *Noticee didn't open, close, or operate the said bank accounts* *<u>knowingly</u>.*

I also note that on simple random google search, the following results were reflected about the apartment address submitted by the Noticee *'…Experience luxury living at …Apartments in Indirapuram…', '…HIGHLIGHTS…Luxury Lives Here…', '… Elegant flats with top-notch amenities…'.*

In the instant case, I note that while Noticee as part of his submission has inter alia claimed that, ' … *that Noticee is also now aware of how the bank accounts of the said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders opened by using his PAN card …',* however Noticee has not demonstrated to have taken any such step /action to satisfactorily demonstrate his innocence.

In my view, in such matters involving alleged violations, generally speaking, least an innocent person, who otherwise may actually not be involved in alleged wrong doing, would do is to file /register a compliant with the local police station and /or report the facts to concerned law enforcement agency like Economic Offences Wing (EOW) etc., to demonstrate his innocence /defend himself. In this regard, I also note that while the Noticee had inter alia submitted that he was a person of limited means, so he hadn't filed any complaint/FIR, however on the other hand Noticee had all the means and wisdom to engage with advocates and file appeal with Hon'ble SAT, Mumbai, in so far as Noticee as part of his submissions had himself inter alia submitted, ' … The *Noticee after … enquiring from advocates, the Noticee comes to know … . Thereafter, Noticee filed an appeal against the order to the Hon'ble Securities Appellate Tribunal...*'.

This apart I also note that Noticee had not even demonstrated to have filed any compliant /report with the concerned banks, even though document relating to the bank accounts viz., copies of the bank account statements and KYC documents, relating to NV Sales Corporation, Magnum Industrial, and Alliance Traders, being alleged funding group entity, were provided to the Noticee as part of the SCN.

Further in this regard I also note that while document relating to the bank accounts viz., copies of the bank account statements and KYC documents, relating to NV Sales Corporation, Magnum Industrial, and Alliance Traders, being alleged funding group entity, were provided to the Noticee as part of the SCN, Noticee has not categorically denied and /or disputed his signatures as appearing the documents relating to said bank accounts. This becomes relevant particularly having regard to the Noticee having made qualified submissions in so far as Noticee has submitted that *'…The Noticee didn't open, close, or operate the said bank accounts knowingly.'*

Further in this regard, I also note that vide email dated September 17, 2023 Noticee was inter alia advised, ' *… to provide details of all addresses of work and residence, used ever in past and present. Please provide in chronological order. …* ' . However, despite categorically having been advised Noticee apparently has chosen to be discreet in so far as Noticee did not provide all his past work and residential addresses in chronological order and instead provided address for the last 10 years only.
Accordingly the submissions of the Noticee in this regard, are devoid of merit and hence not acceptable.

22. In view thereof, I note that certain aspects reflects upon the Noticee's conduct such as that the Noticee did not file any police compliant or report to the bank despite getting to know about existence of bank accounts of said firms i.e. NV Sales Corporation, Magnum Industrial, and Alliance Traders opened by using

his PAN card; and that the replies of the Noticee were craftily worded to cite as example '…The Noticee didn't open, close, or operate the said bank accounts knowingly….' ; and that despite having been advised during the proceedings to *'…provide details of all addresses of work and residence, used ever in past and present. Please provide in chronological order*…', I note that the Noticee chose to not submit the same and instead only submitted that '…*Madhukar Dubey is a resident of Flat No…. and this is his address for the last 10 years*….'.

In view thereof, having regard to the totality of the facts and circumstance and material on record and in particular that Noticee was one of the funding group entities and amongst those who had inter alia connived by employing a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants and that the submissions of the Noticee inter alia being in nature of admission, as brought out and dealt with in the foregoing, the allegation that Noticee as one of the funding group entities was party to the connivance involving employing of a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants, stand established. Therefore I hold that Noticee had violated Regulations 3 (a), (b), (c) and (d) and 4(1) of PFUTP Regulations read with 12A(a), (b) and (c) of SEBI Act, 1992.

Issue No. II: If yes, whether the violations on the part of the Noticee would attract monetary penalty under Sections 15HA of the SEBI Act, 1992?

23. It has been established in the foregoing paragraphs that Noticee had violated provisions of SEBI Act, 1992 and PFUTP Regulations.

24. In this regard, it is noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

"…In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established....."

25. Therefore, for the established violation, as brought out in the foregoing paragraphs, I find that Noticee is liable for monetary penalty under section 15HA of the SEBI Act, 1992 which read as under:

"…

[101][Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty [102][which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

….

101 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.

102Substituted for the words "twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

…"

Issue No. III: If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

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

<u>SEBI Act, 1992</u>

"…

Factors to be taken into account while adjudging quantum of penalty.

***15J**. While adjudging quantum of penalty under 15- or section 11 or section 11B, the Board 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.

Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

…."

27. In the instant case, I note that the material available on record does not specifically quantify any disproportionate gain or unfair advantage or consequent loss caused to investors or profit made by the Noticee as a result of the violations committed by the Noticee. Further, as regards repetitive nature of default, I note from the SEBI website that penalty had been imposed upon the Noticee in various other matters such as in the matter of IPO of ECO Friendly Food Processing Park Limited (penalty of Rs. 6,00,000/- under Section 15HA of SEBI Act); in the matter of Esteem Bio Organic Food Processing Ltd. (penalty of Rs. 5,00,000/- under Section 15HA of SEBI Act) and in the matter of IPO of Channel Nine Entertainment Ltd. (penalty of Rs. 8,00,000/- under Section 15HA to be paid jointly and severally by 8 noticees including Madhukar Dubey & his Proprietorship firm viz. Magnum Industrial Corporation). Having regard to the facts and circumstances in the matter; and the role of Noticee as brought out in the foregoing, inter alia including that Noticee was part of the funding group entities and was party to the connivance involving employing of a fraudulent scheme to get the IPO subscribed in a fraudulent manner by directly/ indirectly funding the IPO applicants, accordingly, I am of the view that such violations on part of the Noticee needs to be dealt with suitable penalty.

E. ORDER

28. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose following penalty, as per Table below, on the Noticee, for the aforementioned violations, as discussed in this order. In my view, the said penalty will be commensurate with the violations committed by the Noticee in this case:

Name of the Noticee	Penalty Under Section	Penalty Amount (Rs.)
Madhukar Dubey & its Proprietorship firm viz. N V Sales Corporation, Magnum Industrial and Alliance Traders	15HA of SEBI Act, 1992	Rs. 10,00,000/- (Rupees Ten Lakh Only)

29. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

30. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

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

Date: February 29, 2024
Place: Mumbai

Amar Navlani
Adjudicating Officer