BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/VV/AK/2022-23/24146-24149

Under Section 15-I of The Securities And Exchange Board Of India Act, 1992 and Section 23-I of The Securities Contracts (Regulation) Act, 1956 read with Rule 5 of The Securities And Exchange Board Of India (Procedure For Holding Inquiry & Imposing Penalties) Rules, 1995 And Rule 5 of The Securities Contracts (Regulation) (Procedure For Holding Inquiry And Imposing Penalties) Rules, 2005

In the matter of preferential allottees by the Company Aadhar Ventures India Limited

In respect of:

	Name	**PAN**
Noticee 1	Aadhaar Ventures India Ltd.	AABCP4155F
Noticee 2	Omprakash A Khandelwal,	ABGPK4008D
Noticee 3	Jils Raichand Madan	AGKPM3175A
Noticee 4	Jyoti Munver,	ALSPM2060P

(The aforesaid entities are hereinafter collectively referred to as **"Noticees**.")

1. Investigation was carried out for the matters pertaining to funding, if any, by the Aadhaar Ventures India Limited (hereinafter referred to as "**AVIL**" or "**Noticee 1**" or "**Company**") to the preferential allottees for the preferential allotments carried out by the company during the period January 01, 2009 to April 24, 2015. During this period the company had made three preferential allotments i.e. in 2009, two preferential allotments (47 entities) and during 2013, one preferential allotment (31 entities). The focus of investigation in the present case was to examine funding, if any, by the company to the preferential allottees in respect of the preferential allotment dated March 11, 2013. Thus, the period of investigation is

considered as 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares) (hereinafter referred to as "**Investigation Period"/** "**IP**"). However, wherever necessary, references have been made outside the investigation period.

2. Pursuant to investigation, Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") has initiated Adjudication proceedings under section 15HA of Securities and Exchange Board of India Act 1992 (hereinafter referred to as "**SEBI Act**") (for para 2(i)) and Section 23E of Securities Contract (Regulations) Act, 1956 (hereinafter referred to as "**SCRA**") (for para 2(ii)) with respect to the Noticee 1:

   i. AVIL has made preferential allotment without complying with the provisions of Regulations 77(1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "**ICDR Regulations**") and violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

   ii. AVIL did not disclose all the material information to the exchange on the events/information which will have bearing on the performance/operations of the company as well as price sensitive information. Thus, the company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of SCRA.

3. Further, Adjudication proceedings under section 15HA of SEBI Act has also been initiated with respect to the Noticee 2 (Omprakash Khandelwal, Managing Director of AVIL), Noticee 3 (Jils Raichand Madan, Executive Director of AVIL), Noticee 4 (Jyoti Munver, Director and Authorised Signatory of AVIL for operating

Bank Accounts) who have made preferential allotment without complying with the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and thus violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

4. Competent Authority, in exercise of the powers under section 19 of the SEBI Act, read with section 15-I of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"SEBI Adjudication Rules"**) and section 23-I of SCRA read with rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the **"SCRA Adjudication Rules"**) appointed Mr. N. Hariharan *vide* communiqué dated June 15, 2022 to inquire into and adjudge under section 15HA of SEBI Act and section 23E of the SCRA. Pursuant to internal restructuring, the undersigned has been appointed as the Adjudicating Officer *vide* communiqué dated October 06, 2022. It has been advised that "*except for the change of the Adjudicating Officer, all the other terms and conditions of the original orders shall remain unchanged and shall be in full force and effect. The Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders read with this order*."

5. A common Show Cause Notice dated December 21, 2022 (hereinafter referred to as "**SCN**") was inter-alia issued to the Noticees under Rule 4 of the SEBI Adjudication Rules and Rule 4 of the SCRA Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15HA of the SEBI Act and 23E of SCRA Act for the alleged violations specified in the SCN. I note that SCN has duly delivered to Noticees in terms of rule 7 of SEBI Adjudication Rules and rule 7 of SCRA Adjudication Rules. The details of the mode of the delivery has been given in the below table:

Table No. 1

	SPAD	Digitally signed email	Affixture	Publication
Noticee 1	Undelivered	Delivered	------------	------------
Noticee 2	Undelivered	Delivered	------------	------------
Noticee 3	Undelivered	Delivered	------------	------------
Noticee 4	Undelivered	------------	Failed	Yes*

*SCN cum Hearing Notice published in the Mumbai edition of Maharashtra Times and Times of India dated January 18, 2023.

6. I note that no response to the SCN has been received. Subsequently, considering the facts and circumstances of the case, undersigned is of the opinion that an inquiry should be held in the instant matter. Accordingly, Hearing Notice dated January 10, 2023 and Hearing Noticee dated January 25, 2023 issued to the Noticee 1, Noticee 2, and Noticee 3. Further, SCN cum Hearing Notice has been served to Noticee 4 through the newspaper publication in the Mumbai edition of Maharashtra Times and Times of India dated January 18, 2023. Thus, I note that Hearing Notices have been duly delivered to Noticees in terms of rule 7 Adjudication Rules. The details of the mode of the delivery has been given below:

Table No. 2

	SPAD	Digitally signed email	Affixture	Publication
Noticee 1	Undelivered	Delivered	------------	------------
Noticee 2	Undelivered	Delivered	------------	------------
Noticee 3	Undelivered	Delivered	------------	------------
Noticee 4	Undelivered	------------	Failed	Yes*

*SCN cum Hearing Notice published in the Mumbai edition of Maharashtra Times and Times of India dated January 18, 2023.

7. I note from the preceding para that, reasonable time to file reply has been passed and multiple opportunities of personal hearing has already been given to the Noticees. However, Noticees failed to respond/represent their case. Thus, I am of the view that Noticees were provided with adequate opportunities of replying to the SCN and of being heard in the instant matter. Any further opportunity would

elongate the instant adjudication proceeding and against the interest of disposal of present proceedings in the timely manner. Therefore, I find that principles of natural justice are duly complied with. In view of the above, I am inclined to proceed with the matter on the basis of the material available on record.

8. Further, I note that Noticee has failed to file any response and have not co-operated during the instant proceedings. In the fact and circumstances of the case, I am of the view that the Noticee defied the regulatory and supervisory process which is very important tool for supervision and regulation. I, therefore, deem it fit to draw an adverse inference against the Noticees. Further, in absence of any response from the Noticees, it is presumed that they have admitted the charge of provisions as alleged in the SCN. At this juncture, I note that Hon'ble Securities Appellate Tribunal ("**SAT**") in the matter of **Classic Credit Ltd. vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter-alia, held that, "............ *the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". Further, Hon'ble SAT in the matter of **Sanjay Kumar Tayal & Others vs SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), has also, *inter-alia*, held that: "........... *appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices*...". Therefore, it can reasonably be presumed that the allegations/charges have been admitted by the Noticees in the instant adjudication proceeding. However, while deciding the case, in the interest of principles of natural justice, I, deem it necessary to examine the charge on the basis of material available on record before me.

9. The allegations levelled in the SCN has been summarized below:

i. Board of Directors of the Company at its meeting held on March 11, 2013, has issued and allotment of 134,52,48,000 Equity shares of Rs.1/- each to the Non-Promoter Group on Preferential Basis. The aforesaid preferential issue was to use the funds raised through preferential allotment for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time. As per the objects mentioned by the company, the funds were to be utilised for the future expansions i.e. after receiving the funds in the preferential allotment. However, it is noted from the record that the funds were received by the Company almost one to two years prior to the preferential allotment. Thus, the company did not disclose all the material information to the exchange on the events/information which will have bearing on the performance/operations of the company as well as price sensitive information. In the view of aforesaid facts and circumstances, it has been alleged that the company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of Securities Contract (Regulations) Act, 1956.

ii. SCN alleged that during investigation period, there were no credits received in the bank accounts of the company from the 31 preferential allottees to whom 134,52,48,000 equity shares were allotted. Consequently. It is alleged that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and volume manipulation. In the aforesaid circumstances, it has been alleged that Noticee 1 is liable for devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any money towards the same from the preferential allottees. Further, Noticee 2, Noticee 3, Noticee 4 being were engaged along with Noticee 1 in a fraudulent scheme of fund raising, and, allegedly violated the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

10. The relevant provisions of law are reproduced below for ease of reference:

SEBI Act

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 recognized 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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder.

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 [1][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.].*

SCRA

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

23E. *If a company or any person managing collective investment scheme or mutual fund [2][or real estate investment trust or infrastructure investment trust or alternative investment fund], fails to comply with the listing conditions or*

[1] Substituted 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.

[2] Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.

delisting conditions or grounds or commits a breach thereof, it or he shall be [3][liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.

Regulations 3(a), (b), (c), and (d) and 4(1), 4(2) (f), (k) and (r) of the SEBI PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a [4][manipulative], fraudulent or an unfair trade practice in [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

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[3] Substituted for the words "liable to a penalty not exceeding twenty-five crore rupees" by the Securities Laws (Amendment) Act, 2014, w.e.f 08-09-2014.

[4] Inserted vide the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019.

[5] Inserted vide the the PFUTP 2018 Amendment Regulations.

[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.

considered as manipulative, fraudulent and an unfair trade practice in the securities market]

11. I note that in the present matter Competent Authority appointed the Investigating Authority on October 06, 2017. Subsequently, information was sought from the Company. Company kept seeking time to provide the information with respect to the Company's preferential allotments to 31 allottees during the year 2013. The Company did not provide the requisite information. In view of this the information pertaining to payments made by the preferential allottees was sought from the BSE and the said 31 preferential allottees. Subsequently, vide email dated January, 05, 2022 *i.e.* after lapse of around 3 years the Company submitted the list of allottees, certain payment details of allottees made 1-2 years prior to the allotment and bank account details of the Company. From the reply dated January, 05, 2022 of AVIL, it is noted that even though the Company received various communications i.e. letters dated 06.6.2019, 25.06.2019, 12.07.2019, 24.10.2019 and summons for production of documents dated 24.10.2019, 11.11.2019, 25.11.2019 and 25.02.2021, the Company did not provide the reply on timely basis which delayed the investigation.

12. Further, I note that in the instant proceedings, Shri N. Hariharan was appointed as the Adjudicating Officer *vide* communiqué dated June 15, 2022 to inquire into and adjudge under section 15HA of SEBI Act, 1992 and section 23E of the SCRA. Pursuant to internal restructuring, the undersigned has been appointed as the Adjudicating Officer *vide* communiqué dated October 06, 2022. Accordingly, Show Cause Notice dated December 21, 2022 has been issued to the Noticees.

13. In the view of the above, facts and circumstances I am of the view that present proceedings do not suffer from any infirmity on the ground of delay. At this stage, I also find it relevant to rely on certain orders passed by the Hon'ble SAT:

i. *In **Hemant Sheth and Ors. vs. SEBI**, Appeal No. 521 of 2021, decided on January 07, 2022, it was argued by the appellants that the adjudicating officer was appointed on July 04, 2013 but the show cause notice was issued in 2016 and therefore there was an inordinate delay of 30 months for which no plausible explanation was given. The Hon'ble SAT while dismissing the aforesaid contention of the appellants held that:*

> *"9. Insofar as the delay is concerned we find that after the observation made by the WTM in its order of May 10, 2013 SEBI took action and appointed the AO dated July 4, 2013. No doubt the show cause notice was issued in January 2016 but the delay in the issuance of the show cause notice in the instant case will not vitiate the proceedings initiated against the appellants in the peculiar facts and circumstances of the case. Consequently, we are not inclined to quash the proceedings only on the ground of inordinate delay as asserted by the learned counsel for the appellant."*

ii. *In **Girraj Kumar Gupta HUF vs. SEBI** (Misc. Application No. 516 of 2019 and Appeal No. 424 of 2019), dated August 11, 2021, an appeal was filed against an order passed by an adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants inter alia challenged the order on the ground that there was a delay in the issuance of the show cause notice. In this regard, the Hon'ble SAT held the following:*

> *"13. The contention of the appellants that there was inordinate delay in the initiation of the proceedings is erroneous. We find that the investigation started in the year 2015 which involved examining several entities in the order logs, trade logs, off market transactions and gathering evidence from the Stock Exchange. The show cause notice was issued in the October, 2017 and accordingly we find that there is no inordinate delay in the initiation of the proceedings. The contention raised is, thus, erroneous and cannot be accepted."*

14. The corporate announcements made by the company during investigation period are provided below:

<u>Table No. 3</u>

Dissemination Date	Subject of the Corporate Announcement	Details of Corporate Announcement
15.01.2013	Outcome of EGM	Aadhaar Ventures India Ltd has informed BSE that the Extra Ordinary General Meeting (EGM) of the Company was held on January 15, 2013.
16.02.2013	Financial Results & Limited Review for Dec 31, 2012	Aadhaar Ventures India Ltd has informed BSE about the Financial Results & a copy of the Limited Review Report for the period ended December 31, 2012.
08.03.2013	Outcome of Board Meeting	Aadhaar Ventures India Ltd has informed BSE that a meeting of the Board of Directors of the Company will

Dissemination Date	Subject of the Corporate Announcement	Details of Corporate Announcement
		be held on March 11, 2013, inter alia, to consider and approve the allotment of Equity Shares on Preferential Basis to the allottees as approved by the Members of the Company in their Extra-Ordinary General Meeting held on January 15, 2013.
12.03.2013	Outcome of Board Meeting	Aadhaar Ventures India Ltd has informed BSE that the Board of Directors of the Company at its meeting held on March 11, 2013, has issued and allotment of 134,52,48,000 Equity shares of Rs.1/- each to the Non-Promoter Group on Preferential Basis.

15. **Preferential allotment dated March 11, 2013**

The shareholders of the company in the Extra-Ordinary General Meeting held on January 15, 2013 approved the resolution for issue of 142,28,18,000 Equity Shares of Rs,1/- each, at a price of Rs.2/- (inclusive of premium of Rs.1/- per share) aggregating Rs.284,56,36,000/- to 33 allottees on preferential basis. Subsequently, two proposed preferential allottees were not found eligible under Regulation 72(2) of the Chapter VII of the ICDR Regulations. Pursuant to said ineligibility of the two preferential allottees the company has proceeded with the balance allotment of 134,52,48,000 equity shares to 31 allottees. I note from records that as per the Annual Report (FY 2011-12) the Company had paid up share capital of Rs.22,57,21,000.00 and subsequent to the preferential issue of shares on March 11, 2013 the paid up share capital of the company for the FY 2012-13 was Rs.157,09,69,000.00 *i.e.* increase of Rs.134,52,48,000.00 (the number of shares issued by the company of face value of Rs.1/-).

16. I note from the records that due to lack of information from the Company and BSE with respect to the Bank Account details of the Company, the same were obtained from the Annual Report for FY 2012-13 of the company as available on BSE website. I note that during FY 2012-13 the company maintained 6 Bank Accounts with below mentioned four banks:

Table No. 4

Sr. no.	Name of the Bank	Account No.
1	Kotak Mahindra Bank (formerly ING Vysya Bank)	500011038946
		561011018620
2	Standard Chartered Bank	22506049678
3	Axis Bank Ltd	004010203163221
4	Karur Vysya Bank	2101115000002707
		2101115000005782

17. I note from the investigation report that bank statements of the above Bank Accounts were sought from the respective banks. From the perusal of the said bank statements, I note that, no credits were observed in the above bank account from the 31 preferential allottees during the period 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares). In this regard, information has been sought from all the said 31 prudential allottees. However, information was provided by only seven preferential allottees. The information with respect to the payments done by aforementioned 7 preferential allotteest for the purpose of said preferential allotment has been given below:

    i. Empower India Ltd vide email dated 22.01.2021 provided the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 5

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid
1	15-12-2010	YES Bank	50,00,000
2	15-01-2011	YES Bank	50,00,000
3	21-01-2011	YES Bank	30,00,000
4	04-02-2011	YES Bank	1,26,00,000
5	10-02-2011	YES Bank	25,00,000
8	22-03-2011	ING Vysya Bank Ltd	1,40,00,000
9	22-03-2011	ING Vysya Bank Ltd	1,30,00,000
10	24-03-2011	ING Vysya Bank Ltd	1,40,00,000
11	25-03-2011	ING Vysya Bank Ltd	2,59,00,000
12	25-03-2011	ING Vysya Bank Ltd	1,40,00,000
13	29-03-2011	ING Vysya Bank Ltd	22,500

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid
14	30-03-2011	ING Vysya Bank Ltd	27,27,500
15	29-07-2011	ING Vysya Bank Ltd	25,00,000
16	31-03-2012	ING Vysya Bank Ltd	26,65,000
17	31-03-2012	ING Vysya Bank Ltd	76,15,000
		Total	**12,45,30,000**

ii. **Information received from Nirvana Mall Management Co Pvt Ltd**

Nirvana Mall Management Company Pvt Ltd *vide* email dated 08.02.2021 provided the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 6

Sr. No	Date of Payment	Particulars	Amount
1	16-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
2	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
3	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	20,00,000
4	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	25,00,000
5	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
8	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
9	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
10	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,30,00,000
11	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
12	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
		Total	**8,15,00,000**

iii. **Details of information received from Speciality Papers Ltd**

Speciality Papers Ltd vide email dated 25.02.2021 provided its ledger account indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 7

Sr. No	Date of Payment	Particulars	Amount
1	01-02-2011	Axis Bank Ltd A/c.004010203163221	98,50,000
2	01-02-2011	Axis Bank Ltd A/c.004010203163221	96,50,000
3	15-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	77,80,000
4	28-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	1,50,00,000
5	28-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	1,87,20,000
6	29-03-2011	ING Vysya Bank Ltd A\c No.500011038946	3,00,00,000
7	26-07-2011	ING Vysya Bank Ltd A\c No.500011038946	45,00,000
8	10-08-2011	ING Vysya Bank Ltd A\c No.500011038946	7,00,000
9	01-02-2012	ING Vysya Bank Ltd A\c No.500011038946	50,00,000
10	22-02-2012	ING Vysya Bank Ltd A\c No.500011038946	1,50,000
11	26-03-2012	ING Vysya Bank Ltd A\c No.500011038946	1,00,00,000
12	31-03-2012	ING Vysya Bank Ltd A\c No.500011038946	91,15,000
13	11-03-2013	Speciality Papers Ltd (Journal entry)	(5,000)
		Total	**12,04,60,000**

The above entity vide email dated 25.02.2021 has provided its ledger account towards the payment of preferential amount to AVIL instead of its bank statement which contained two entries viz. Rs.1,00,00,000/- paid on 15.02.2011 and Rs.40,00,000/- paid on 08.07.2011. Subsequently, the entity vide email dated 05.08.2021 informed that the aforesaid two payments were made towards the purchase of convertible equity warrants issued by the company on 19.05.2011 and not towards the preferential allotment dated 11.03.2013.

iv. **Details of information received from L N Industries India Ltd (formerly LN Polyesters Ltd)**

L N Industries India Ltd vide email dated 28.08.2021 and 09.09.2021 provided the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 8

S.N.	Date of Payment	Name of the Bank from which the payment released	Amount Paid
1	04-02-2011	YES Bank	1,24,00,000
2	08-02-2011	YES Bank	50,00,000
3	19-04-2012	YES Bank	5,00,000
4	04-05-2012	ING Vysya Bank Ltd	1,75,00,000
5	04-05-2012	ING Vysya Bank Ltd	35,00,000
		Total	**3,89,00,000**

v. **Details of information received from Pavitra Mall Management Co Pvt Ltd**

Pavitra Mall Management Co Pvt Ltd vide email dated 27.11.2021 provided its ledger account along with its bank statement for the Account no. 561011014153 indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 9

Sr. No	Date of Payment	Particulars	Amount
1	14-03-2011	ING Vysya Bank Ltd	11,87,500
2	02-06-2011	ING Vysya Bank Ltd	90,00,000
3	02-06-2011	ING Vysya Bank Ltd	1,10,00,000
4	16-06-2011	ING Vysya Bank Ltd	99,00,000
5	16-06-2011	ING Vysya Bank Ltd	24,00,000
6	18-06-2011	ING Vysya Bank Ltd	1,00,00,000
7	11-07-2011	ING Vysya Bank Ltd	20,00,000
8	20-07-2011	ING Vysya Bank Ltd	1,05,00,000
9	24-08-2011	ING Vysya Bank Ltd	60,50,000
10	30-03-2012	ING Vysya Bank Ltd	10,00,000
	02-06-2011	(Journal entry)	(17,500)
		Total	**6,30,20,000**

vi. **Details of information received from Harrods Trading Pvt Ltd**

Harrods Trading Pvt Ltd vide email dated 01.12.2021 provided its ledger account along with its bank statement for the Account no.910020048808554 (Axis Bank) indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table no 10

#	Date of Payment	Particulars	Amount
1	29-03-2011	Axis Bank A/c no.910020048808554	3,62,40,000
2	10-06-2011	Axis Bank A/c no.910020048808554	50,00,000
3	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
4	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
5	05-05-2012	Axis Bank A/c no.910020048808554	50,00,000
			5,62,40,000

vii. **Details of information received from Gill Entertainment Pvt Ltd**

Gill Entertainment Pvt Ltd vide email dated 28.11.2021 provided a statement of amounts paid by it towards the said preferential allotment along with its bank statement for the Account no. 550011045460 (ING Vysya Bank) indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 11

Sr. No	Date of Payment	Particulars	Amount
1	29-04-2011	ING Vysya Bank Ltd	1,83,00,000
2	01-06-2011	ING Vysya Bank Ltd	2,00,00,000
3	04-06-2011	ING Vysya Bank Ltd	3,00,00,000
4	28-06-2011	ING Vysya Bank Ltd	30,00,000
5	07-07-2011	ING Vysya Bank Ltd	65,00,000
6	22-07-2011	ING Vysya Bank Ltd	50,00,000
		Total	**8,28,00,000**

18. I note from the reply of the aforementioned 7 preferential allottees and the Company's reply vide email dated 05.01.2022, that the funds were received by the Company almost one to two years prior to the preferential allotment. I also find that payments were made in several tranches. Further, I note that the company obtained the approval of shareholders for the preferential allotment in the Extra-Ordinary General Meeting held on 15.01.2013. It was nowhere mentioned in the said resolution that the company was already in receipt of the funds and the

company is adjusting the funds received in the past towards the said preferential allotment.

19. I note that the object of preferential issue, as stated in the extraordinary general meeting of shareholders of AVIL on January 15, 2013, was to use the funds raised through preferential allotment for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time. The funds were to be utilised for the future expansions *i.e*. after receiving the funds in the preferential allotment. However, I note that, the funds were received by the Company almost one to two years prior to the preferential allotment.

20. In the view of the above I find that the Company did not disclose all the material information to the exchange on the events/information which will have bearing on the performance/operations of the company as well as price sensitive information. In the view of aforesaid facts and circumstances, I find that the Company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of Securities Contract (Regulations) Act, 1956.

21. Further, I note that in the instant proceedings, adjudication proceeding has been initiated under Section 23E of SCRA for the non-compliance of disclosure requirements under Clause 36 of Listing Agreement read with Section 21 of SCRA. In this regard, I note that, the Hon'ble SAT in the matter of **Suzlon Energy Ltd. and Anr. vs. SEBI** (Appeal No. 201 of 2018) dated May 03, 2021 has held the following:

"Section 23E provides that where a Company fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof then penalty would be a minimum of Rs. 5 lakh upto maximum of Rs. 25 crore. The words "fails to comply with the listing conditions" cannot mean failure to comply with the conditions in the Listing Agreement. One of the requirements in the Listing Agreement which is required to be complied with is Clause 36 whereas Section 23E refers to the conditions which are imposed upon a Company when it is applying for its shares to be listed on the stock exchange platform. Section 23E has to be read along with Rule 19 of the Securities Contracts (Regulation) Rules, 1957 ('SCRR' for short). Rule 19 of the SCRR provides certain requirements with respect to a listing of securities on a recognized stock exchange. Rule 19A provides that a Company has to continuously maintain listing requirements. Rule 21 provides conditions for delisting of securities. Failure to comply with the listing conditions which are stated in Rule 19 would entail a penalty as provided under Section 23E. Thus, in our view violation of Clause 36 of the Listing Agreement will attract Section 23A(a) of the SCRA and will not attract Section 23E….." (emphasis supplied)

22. Further, I note that an appeal has been filed before the Hon'ble Supreme Court against the aforesaid order vide civil appeal no. 4741 of 2021. In the view of the above, I note that the aforesaid the appeal is pending. It is important to highlight that vide orders in the matter of **M/s NDTV vs. SEBI** (Appeal no. 358 of 2015) dated August 07, 2019, and **Oasis Securities Ltd. & Ors. v. SEBI** (Appeal no. 316 of 2018), dated March 17, 2020, the Hon'ble SAT has upheld the imposition of penalty under section 23E of SCRA on the appellant companies therein for the violation of clauses of the listing agreement.

23. However, I am fully aware that while disposing off quasi-judicial matters, the undersigned is bound by the decision of the Hon'ble SAT. The principle of judicial discipline requires that the order of the Tribunal should be followed unreservedly. In this regard, the Supreme Court in Union of India And Ors. v. Kamlakshi Finance Corporation Ltd. 1992 Supp (1) SCC 648 held:

"The order of the Appellate Collector is binding on the Assistant Collectors working within his jurisdiction and the order of the Tribunal is binding upon the Assistant Collectors and the Appellate Collectors who function under the jurisdiction of the Tribunal. The principles of judicial discipline require that the orders of the higher appellate authorities should be followed unreservedly by the subordinate authorities. The mere fact that the order of the appellate authority is not "acceptable"

to the department in itself an objectionable phrase and is the subject matter of an appeal can furnish no ground for not following it unless its operation has been suspended by a competent court. If this healthy rule is not followed, the result will only be undue harassment to assessees and chaos in administration of tax laws."

24. I note that the principle propounded in the matter of Suzlon energy has been reiterated by Hon'ble SAT in the catena of cases *viz* Blue Pearl Texspin Limited v. SEBI (Order dated 20.01. 2023); Man Industries Limited v. SEBI (Order dated 19.01. 2023); Texmo Pipes and Products Ltd v. SEBI (Order dated 30.09.2022); Vishvapradhan Commercial Pvt. Ltd (Order dated 20.07.2022). Winsome Yarns Ltd. Vs. SEBI (Order dated 19.07.2022). In view of the aforementioned circumstances, I note that in the present adjudication proceedings no penalty would be imposed under section 23E of SCRA.

25. I note from the records that the Statutory Auditors of the company M/s. D P Agarwal & Co, vide letter dated 12.03.2013 addressed to BSE inter-alia stated that they have verified the relevant records and documents of company with respect to Preferential Allotment of Equity Shares and certified that the Company has realized the Application/ Allotment Money aggregating to Rs.269,04,96,000/- from the allottees against the allotment of 134,52,48,000 Equity Shares on or before 11.03.2013 and there is no circulation of funds or mere passing of book entries in this regard. Accordingly, during investigation information/documents were sought from the statutory auditors of the company with respect to the preferential allotment, however, the auditors expressed its inability to provide the said information.

26. I note that whenever any company raises capital, issuance of shares is considered as capital infusion, and ordinary investors perceive it as capital infusion for strengthening the financial fundamentals of the company. Thus, whenever preferential allotment is made by any company, it gives an impression that genuine capital infusion is being brought into the company. In the instant adjudication

proceeding Noticee 1 allotted 134,52,48,000 equity shares shares to 31 allotttees aggregating to Rs. 269,04,96,000/-, However, I find that no credits had been received from the preferential allottees during the period, January 15, 2013 (date of approval of the resolution in the EOGM for preferential allotment) to March 11, 2013 (date of allotment of shares on preferential basis). In the totality of aforementioned facts and circumstances of the matter, I find that the Company had allotted shares to the 31 allottees without the actual receipt of consideration, pursuant to approval in the EOGM on January 15, 2013.

27. I note from the previous para that Noticee 1 deceived the genuine investors and falsely induced the investors to invest in the securities of the Company. I further note from the response received from the RTA of the company that except for four preferential allottees, all of the balance 27 preferential allotttees have sold the shares allotted to them in the preferential allotment.

28. The date-wise announcements made by the company with respect to the preferential allotment made in 2013 and its impact on price/ volume to the previous day's price/ volume is brought out in tabular form below:

Table No. 12

Date/ Time of Announcement	**Details of Announcement (in brief)**	**Closing Price**			**Traded Volume**		
		Previous day	**Announcement day**	**% increase / decrease**	**Previous day**	**Announce-ment day**	**% increase/ decrease**
17-12-2012 20:03:33	A meeting of the Board of Directors of the Company will be held on December 18, 2012, *inter alia*, to consider, discuss and approve the issue of Convertible Equity Warrants / Equity Shares on preferential basis.	0.81	0.82	1.23	94,548	3,99,917	**322.98**

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase / decrease	Previous day	Announce-ment day	% increase/ decrease
19-12-2012 17:59:34	• Issue of Equity Shares / Convertible Equity Warrants upto Rs. 325 crore on Preferential Basis; • To convene the Extra-Ordinary General Meeting (EOGM) of the Members of the Company on January 15, 2013.	0.83	0.84	(1.20)	1,70,925	1,24,990	(26.87)
15-01-2013 16:16:38	EOGM of the shareholders of the company held on 15-01-2013, *inter alia,* approved by requisite majority the resolution to issue, offer and allot 142,28,18,000 shares of Re.1/- each fully paid up, at price of Rs. 2/-, aggregating upto Rs. 284.56 crore to various investors on preferential basis.	0.98	0.98	No change in close to close price.	77,21,579	2,36,40,567	**206.16**
08-03-2013 16:26:15	A meeting of the Board of Directors of the Company will be held on 11-03-2013, *inter alia,* to consider and approve the allotment of equity shares on preferential basis to the allottees as approved by the members of the company in their EOGM held on 15-01-2013.	0.83	0.79	*(4.82)	14,284	1,97,932	**1,285.7**
12-03-2013 17:46:51	The Board of Directors of the Company at its meeting held on 11-03-2013, has issued and allotted 134,52,48,000 equity shares of Re. 1/-	0.76	0.73	*(3.95)	78,257	36,055	(53.93)

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase / decrease	Previous day	Announce-ment day	% increase/ decrease
	each to the non-promoter group on preferential basis.						

Note: **The price took a downward trend after the announcement of financial result by the company for the quarter ended December 31, 2012 on February 16, 2013, which showed a substantial deficit in the net profit figures when compared to nine months ended December 31, 2011*

29. I note from the records that Noticee 2, Noticee 3, Noticee 4 has the following management role in the Company during investigation period:

Table No. 13

Sr. No	Name of Directors	Designation	Date of appointment	Date of Cessation
1	Omprakash Anandilal Khandelwal	Managing Director	01/02/1995	01/09/2013
2	Jills Raichand Madan	Executive Director	08/05/2010	Till date
3	Ms Jyoti Munver	Director	08/05/2010	Till date

30. I note from the Annual Report 2012-13, Noticee 2 was Managing Director of the Company. I note from the Extract of the Minutes of the Meeting of the Board of Directors of the company held on 11.03.2013 that the Chairman apprised the Board that the Company has sought the approval for allotment of equity shares on preferential basis from its members in their Extra Ordinary General Meeting held on 15.01.2013 and Company has also received the in-principle approval from the BSE Ltd for the said allotment through their letter dated 04.03.2013. The Chairman also informed the Board that the Company has received the full application/ allotment monies from the allottees for issuing equity shares on preferential basis and for supporting such statement chairman placed the Bank Statement of the Company before the Board.

31. The Company submitted the application letter dated 18.03.2013 to BSE for listing of equity shares issued under preferential allotment. Aforesaid letter along with other documents submitted to BSE were signed on behalf of Company by Noticee 4 who was Executive Director of the company. He was also the Authorised Signatory for operating the bank accounts of the company.

32. I note from the Annual Report (FY 2012-13) of the company that during the FY 2012-13 seven Board Meetings were held. Noticee 2 and Noticee 3 have attended all seven Board Meetings and Noticee 4 has attended six Board Meetings out of seven. The matter related to issue of shares on preferential basis was approved in the Board Meeting held on 18.12.2012 and the allotment of shares was made in the Board Meeting held on 11.03.2013.

33. I note that lifting of corporate veil is essential for the purpose of determining the persons who are liable for any fraudulent or unlawful practices done in the garb of running corporate body. Since a Company cannot act by itself and therefore, it is trite law that the person responsible for the act of the Company is also responsible for any fraudulent activity done by the Company. The corporate veil might be ignored so as to find out the actual party who is guilty and hold him liable. At this stage, I note that the duty and responsibility of directors of a company, has been explained by appellate courts in following cases: The Hon'ble Supreme Court while describing what is the duty of a director of a company, in ***Official Liquidator v. P. A. Tendolkar*** (1973) 1 SCC 602 held that *"…a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially…."*

34. Further, Hon'ble SAT in the matter of ***Mr. N. Narayanan* Vs. *The Adjudicating Officer*** dated October 05, 2012 held that: *"… It is the responsibility of a director to identify deficiencies wherever possible by employing verification and scrutiny expected of a prudent man. Meetings of Board of Directors are not rituals where documents are signed at the behest of the chairman or managing director. A director cannot take a stand that he has approved the documents totally depending on the integrity and expertise of the managing director. We are not observing that the director of a company should be a know all, but the duty expected of a prudent person cannot be abdicated by him…"*

35. In the view of the above, I note that Noticees are liable for the violations of the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

36. In the view of the totality of the above facts and circumstances, I note that Noticees are liable for devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any monies towards the same from the preferential allottees, the company Aadhaar Ventures India Ltd (formerly known as Prraneta Industries Ltd), Omprakash Khandelwal, Managing Director, Jils Raichand Madan, Executive Director, Jyoti Munver, Director & Bank Authorised Signatory were engaged in a fraudulent scheme of fund raising and violated the provisions of Regulations 77(1) of Chapter VII of the SEBI (ICDR) Regulations, 2009 and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 2003.

37. I note that having regard to the factors listed in section 15J of SEBI Act read with Rule 5(2) of the SEBI Adjudication Rules, which provides that factors while adjudging quantum of penalty, and in the light of Supreme Court's judgment in the matter of **SEBI vs Bhavesh Pabari** (2019) 18 SCC 246, it is noted that from the material available on record, any quantifiable gain or unfair advantage accrued to

Noticee or the extent of loss suffered by the investors as a result of the default in this case cannot be computed. Further, I note that the investigation period pertains to the period of January 15, 2013 to March 11, 2013, and from then considerable amount of time has passed, thus, it is considered as a mitigating factor.

38. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs, the factors mentioned under 15J of SEBI Act, and the principle pronounced under the judgement of **Bhavesh Pabari** (Supra) and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose following penalty under Section 15HA of the SEBI Act on the following Noticees:

	Name	**PAN**	**Penalty Provisions**	**Penalty**
Noticee 1	Aadhaar Ventures India Ltd.	AABCP4155F	15HA of SEBI Act	Joint and Several 6,00,000/- (Six Lakh Rupees Only)
Noticee 2	Omprakash A Khandelwal,	ABGPK4008D		
Noticee 3	Jils Raichand Madan	AGKPM3175A		
Noticee 4	Jyoti Munver,	ALSPM2060P		

39. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the SEBI website www.sebi.gov.in on the following path by clicking on the payment link. **ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW**

40. 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.

41. In terms of rule 6 of the Adjudication Rules copies of this order are sent to the Noticees and also to SEBI.

Date: February 27, 2023	**Vijayant Kumar Verma**
Place: Mumbai	**Adjudicating Officer**