BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER: Order/VV/AS/2022-23/15922 - 15934]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

1. **Rajlaxmi Industries Limited (PAN: AAACR0419F)**
2. **Mr. Aditya Jaipuria (DIN: 00667367)**
3. **Mr. Rahul Jagnani (PAN: ANOPJ1338D)**
4. **Mr. Deepak Agarwal (PAN: AAZPK8408R)**
5. **Mr. Deepak Kumar HUF (PAN: AAEHD2885G)**
6. **Mr. Dilipp Agarwal (PAN: AEAPK5325C)**
7. **Mr. Dilipp Agarwal HUF (PAN: AAEHD2884H)**
8. **Ms. Priti Agarwal (PAN: ABFPK3906R)**
9. **Ms. Sabita Agarwal (PAN: AARPA4178N)**
10. **Mr. Sita Ram Agarwal (PAN: ACQPA1303A)**
11. **Ms. Vibha Agarwal (PAN: AAPPD8823K)**
12. **Dhanprayog Vintrade Pvt. Ltd. (PAN: AADCD9294K)**
13. **Shivaangan Vintrade Pvt. Ltd. (PAN: AAQCS1691C)**

In the matter of Rajlaxmi Industries Limited.

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1. Rajlaxmi Industries Limited (hereinafter referred to as "**Rajlaxmi**" or "**Company**" or "**Noticee No. 1**") is a company having its shares listed on Bombay Stock Exchange Ltd. ("**BSE**"). Securities and Exchange Board of India ("**SEBI**") conducted investigation in the matter of Rajlaxmi during the period from January 01, 2013 to September 30, 2014 (hereinafter referred to as "**investigation period**"), to ascertain the irregularities in funding of preferential allotment by the Company in violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**').

2. Pursuant to the investigation, SEBI made the following observations:

A. The Company is engaged in trading of textiles. The Company was listed in the equity segment of BSE on February 5, 1986 and the scrip was suspended by BSE w.e.f. February 17, 2003 for non-compliance with Provision of Clause 41 of Listing Agreement. Suspension was revoked w.e.f. December 8, 2010 and trading in the securities of the Company was resumed in "T" group. As per available records, the Company is located at "*Shop No. 43, Cine Prime Mall, Kanakia Road, Mira Road (E), Thane, Maharashtra 401107*".

B. During the investigation period, the directors of the company were as follows:

Table 1: Directors of the Company

DIN	Name	Director	Appointment Date	Cessation Date
05334200	**Rahul Jagnani (Noticee No. 2)**	Executive Director & Compliance Officer	02 January 2013	till date
00667367	**Aditya Jaipuria (Noticee No. 3)**	Executive Director	30 June 2015	30 September 2015
06450709	Amit Kumar Daga	Independent Director	02 January 2013	11 July 2015
06757071	Kushal Jain	Independent Director	30 June 2015	30 September 2015
06757066	Swati Sharma	Independent Director	30 June 2015	13 February 2016
06731467	Suraj Sonkar	Independent Director	14 November 2013	30 June 2015
01525589	Shri Kant	Independent Director	11 July 2015	13 February 2016

C. During the Investigation Period, the Company made preferential allotment on March 02, 2013, wherein 3,00,00,000 shares of Rs.10/- were allotted to 49 non-promoter allottees. Vide letter dated 03.12.2014, M/s Jayesha S. Shah & Co. Chartered Accountants, Auditors of the Company, provided the details of preferential allottees from whom funds have been received by the Company.

D. The following bank accounts were examined for trailing fund movement, if any from company to aforesaid preferential allottee:

i. Bank account(s) of the company, to which the amounts were credited by the preferential allottees.

ii. Bank account(s) of the preferential allottees from which the amounts were debited for the aforesaid preferential allotments.

iii. Bank account(s) of other entities from which the preferential allottees had received funds, if any.

E. Accordingly, bank statements of all the 49 allottees in the preferential issue were examined regarding fund flow, as enumerated above. The findings in respect of each of these allottees have been summarized in the table below:

Table 2: List of preferential allottees along with findings of investigation

S. No.	Name of the allottee	PAN	Amount received from company/related entities
1	Amita Puri	AAJPP5562F	No adverse inference
2	Anjali Agarwal	ACUPA9590R	No adverse inference
3	Ashish Gujral	AAHPG5337M	No adverse inference
4	Ashish Kumar Baranwal	AAQPB1702J	No adverse inference
5	Avinash Puri	AAJPP7962R	No adverse inference
6	Ayush Agarwalla	AILPA0956G	No adverse inference
7	Balaselvi Pondurai	AEEPB8631A	No adverse inference
8	Brij Bhushan Singal	AEFPS6298M	No adverse inference
9	**Deepak Agarwal (Noticee No. 4)**	**AAZPK8408R**	**Rs.34,87,500/-**
10	**Deepak Kumar HUF (Noticee No. 5)**	**AAEHD2885G**	**Rs.34,87,500/-**
11	**Dilipp Agarwal (Noticee No. 6)**	**AEAPK5325C**	**Rs.34,87,500/-**
12	**Dilipp Agarwal HUF (Noticee No. 7)**	**AAEHD2884H**	**Rs.34,87,500/-**
13	Gopal Krishna Mishra	AAPPM5488D	No adverse inference
14	Harsh Agarwala	AHSPA4112E	No adverse inference
15	Hemant Surana	AATPS4960N	No adverse inference
16	Jai Prakash Mehta	ADYPM7220R	No adverse inference
17	Kanchan Mishra	AHBPM5323J	No adverse inference
18	Sonam Rajgaria	ANIPD4189J	No adverse inference
19	Meenakshi Manchanda	AGHPM5031E	No adverse inference
20	Mukesh Surana	AATPS4957K	No adverse inference
21	Neeraj Singal	ANRPS7986B	No adverse inference
22	Neeraj Singal HUF	AAEHN4557P	No adverse inference
23	Master Aman Agarwal	BGLPA4066J	No adverse inference

S. No.	Name of the allottee	PAN	Amount received from company/related entities
24	Pawan Agrawal	AAVPA3409J	No adverse inference
25	Pondurai Yogarathinam	AAAPP5750A	No adverse inference
26	**Priti Agarwal (Noticee No. 8)**	**ABFPK3906R**	**Rs.34,87,500/-**
27	Puushpit Garg	AWOPP2606B	No adverse inference
28	Rahul S Bagaria	AQWPB9577H	No adverse inference
29	Raj Kumar Narang	AADPN3090N	No adverse inference
30	Renu Agarwalla	AFUPA7835E	No adverse inference
31	Ritu Bansal	ABMPA6554E	No adverse inference
32	Ritu Singal	ABHPS3711N	No adverse inference
33	**Sabita Agarwal (Noticee No. 9)**	**AARPA4178N**	**Rs.34,87,500/-**
34	Sahil Manchanda	APIPM0498K	No adverse inference
35	Saloni Manchanda	AZHPM2532K	No adverse inference
36	Sangitha Garg	AMRPS9254M	No adverse inference
37	Sanjay Khosla	AAAPK2633D	No adverse inference
38	Seema Gandhi	ADWPG6033E	No adverse inference
39	Shravan Kumar Purshottamdas Bagadia	AATPB5185E	No adverse inference
40	Siddharth Mohan	AFYPM3026M	No adverse inference
41	**Sita Ram Agarwal (Noticee No. 10)**	**ACQPA1303A**	**Rs.34,87,500/-**
42	Neha Rajgaria	AQNPK7236K	No adverse inference
43	Sunil Gandhi	AAGPG2781E	No adverse inference
44	Sunil Kumar	AAJPK4370N	No adverse inference
45	Sita Ram Agarwal HUF	AAFHS2083G	No adverse inference
46	Uma Singal	ANRPS7987A	No adverse inference
47	**Vibha Agarwal (Noticee No. 11)**	**AAPPD8823K**	**Rs.34,87,500/-**
48	Vinod Garg HUF	AAAHV3100L	No adverse inference
49	Vivek Kumar Bansal	AALPB2203R	No adverse inference

F. The brief findings regarding fund flow examination in respect of Noticees No. 4 to 11 are as follows:

i. **DEEPAK AGARWAL (Noticee No. 4)**

a. Noticee No. 4 was allotted 3,50,000 shares in the preferential allotment for which he had transferred Rs.35,00,000/- from his HDFC bank A/c No. 1051000086165 on 28.01.2013. On analysis of his bank statement it was observed that, he had received Rs. 34,87,500/- from Dhanprayog Vintrade Pvt Ltd. ("**Dhanprayog**" or "**Noticee No. 12**") on same date i.e. 28.01.2013. Further, on analysis of HDFC bank A/c No. 13570340000038 of Dhanprayog, it was observed that there were multiple deposits totaling Rs.1,75,00,000/- received from the account of the Company and multiple deposits totaling Rs.90,39,000/- received from Shivaangan Vintrade Pvt Ltd. ("**Shivaangan**" or "**Noticee No. 13**"). The details of same is provided as follows:

Table 3: Analysis of Bank A/c of Dhanprayog

Date	Account number (Bank)	Name of Counterparty	Amount (Rs.)
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	25,00,000.00
25.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	35,00,000.00
25.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	35,00,000.00
28.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	10,89,000.00
28.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	9,50,000.00

b. On further analysis of the account of the Company, it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-. Details of funds received by the Company from the allottees to preferential issue are as follows:

Table 4: Analysis of Bank A/c of the Company – Funds received from Allottees

Date	Name of Preferential Allottee	Allottee's Account Number & Bank	Amount (Rs.)
23.01.2013	Ayush Agarwalla	30311956787 (State Bank of India)	35,00,000.00
23.01.2013	Harsh Agarwalla	30267356063 (State Bank of India)	35,00,000.00
23.01.2013	Renu Agarwalla	30270875196 (State Bank of India)	35,00,000.00
24.01.2013	Pawan Agrawal	027401500412 (ICICI Bank)	35,00,000.00
24.01.2013	Ritu Bansal	126010100260572 (Axis Bank)	35,00,000.00
24.01.2013	Vivek Kumar Bansal	126010100206433 (Axis Bank)	35,00,000.00

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs. 50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 was issued to the Company and its promoter *viz.* Caren Trading Pvt Ltd. ("**Caren**") to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 4, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was also not responded.

e. Summons dated December 14, 2020 was forwarded to Noticee No. 4 to furnish *inter alia* details of source of funds used for subscribing to preferential issue and details of deposit of Rs. 34,87,500/- received from Dhanprayog. Vide e-mail dated 23.02.2021, he stated that, he had received Rs. 34,87,500/- from Dhanprayog on 28.01.2013 towards sale of 4,50,000 shares of Empower India Ltd. ("**EIL**"), an entity listed on BSE, and the said amount has been used for subscribing to the preferential issue. In order to verify the sale of shares of EIL, trade log, physical share transfers and transaction statements of Noticee No. 4 were received from BSE, Purva Sharegistry (I) Ltd. (*Share Transfer Agent for Empower India Ltd.*) and National Security Depository Limited ("**NSDL**")/Central Depository Services (India) Limited ("**CDSL**"), respectively, and same were examined. It was observed that during the period from 01.01.2013 to 31.03.2013, Noticee No. 4 did not trade in the scrip of EIL, while his demat account did not show any holding or off-market transfers in the EIL scrip. Further from the data provided by Purva Sharegistry (I) Ltd. ("**Purva**"), no physical transfer of shares of EIL was observed during the said period. Therefore, it was observed that the submission of Noticee No. 4 that he received Rs.34,87,500/- from Dhanprayog towards sale of his shares of EIL was found to be incorrect.

f. As per bank statement of Noticee No. 4, he used Rs. 34,87,500/- received from Dhanprayog for subscribing to the said preferential issue of the Company. Dhanprayog paid this amount to Noticee No. 4 out of the funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 4 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue.

ii. **DEEPAK KUMAR HUF (Noticee No. 5)**

a. Noticee No. 5 was allotted 3,50,000 shares in the preferential allotment for which he had transferred Rs. 35,00,000/- from his HDFC bank A/c No. 1051000091068 on 28.01.2013. On analysis of his bank statement, it was observed that he had received Rs. 34,87,500/- from Dhanprayog on 28.01.2013. Further on analysis of account of Dhanprayog (*Refer Table 3*), it was observed that there were multiple deposits totaling to Rs. 1,75,00,000/- received from the account of the Company and multiple deposits totaling to Rs. 90,39,000/- received from Shivaangan.

b. On further analysis of the account of the Company (*Refer Table 4*), it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-.

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs. 50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 was issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 5, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was also not responded.

e. Summons dated December 14, 2020 was forwarded to Noticee No. 5 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details its association with the Company or its Directors. In its email reply 21.12.2020 made through Mr. Ajitabh Shrivastav, it was stated that Noticee No. 5 used his own funds received out of sale of his investment but details of the same were not provided. Reminder email 21.01.2021 sent seeking the details along with proof was not responded.

f. As per bank statement of Noticee No. 5, it used Rs. 34,87,500/- received from Dhanprayog for subscribing to the preferential issue. Dhanprayog paid this amount out of funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 5 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated its subscription to the preferential issue.

iii. **DILIPP AGARWAL (Noticee No. 6)**

a. Noticee No. 6 was allotted 3,50,000 shares in the preferential allotment for which he had transferred Rs.35,00,000/- from his HDFC bank A/c No. 1051000086182 on 29.01.2013. On analysis of his bank statement, it was observed that he had received Rs. 34,87,500/- from Dhanprayog on 28.01.2013. Further on analysis of account of Dhanprayog (*Refer Table 3*), it was observed that there were multiple deposits totaling to Rs. 1,75,00,000/- received from the account of the Company and multiple deposits totaling to Rs.90,39,000/- received from Shivaangan.

b. On further analysis of the account of the Company (*Refer Table 4*), it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-.

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs.50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 was issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 6, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was not responded.

e. Summons dated December 14, 2020 was forwarded to Noticee No. 6 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details its association with the Company or its Directors. In its email reply 21.12.2020 made through Mr. Ajitabh Shrivastav, it was stated that Noticee No. 6 used his own funds received out of sale of his investment but details of the same were not provided. Reminder email 21.01.2021 sent seeking the details along with proof was not responded.

f. As per bank statement of Noticee No. 6, it used Rs. 34,87,500/- received from Dhanprayog for subscribing to the preferential issue. Dhanprayog paid this amount out of funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 6 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue.

iv. **DILIPP AGARWAL HUF (Noticee No. 7)**

a. Noticee No. 7 was allotted 3,50,000 shares in the preferential allotment for which he had transferred Rs.35,00,000/- from his HDFC bank A/c No. 1051000091075 on 29.01.2013. On analysis of his bank statement, it was observed that he had received Rs. 34,87,500/- from Dhanprayog on 28.01.2013. Further on analysis of account of Dhanprayog (*Refer Table 3*), it was observed that there were multiple deposits totaling to Rs. 1,75,00,000/- received from the account of the Company and multiple deposits totaling to Rs.90,39,000/- received from Shivaangan.

b. On further analysis of the account of the Company (*Refer Table 4*), it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-.

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs.50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 was issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 7, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was not responded.

e. Summons dated December 14, 2020 was forwarded to Noticee No. 6, Karta of Noticee No. 7 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details of deposit of Rs.34,87,500/- received from Dhanprayog. In his email reply dated 22.02.2021, it was stated that he had received Rs.34,87,500/- from Dhanprayog on 28.01.2013 towards sale of 4,50,000 shares of EIL and the said amount has been used for subscribing to the preferential issue. In order to verify the sale of shares of EIL, trade log, physical share transfers and transaction statements of Noticees No. 6 and 7 were received from BSE, Purva and NSDL/CDSL, respectively, and examined. It was observed that during the period from 01.01.2013 to 31.03.2013, Noticees No. 6 and 7 did not trade in the scrip of EIL, while their demat account did not show any holding or off-market transfers in the EIL scrip. Further from the data provided by Purva, no physical transfer of shares of EIL was observed during the said period. Therefore, it was observed that the submission of Noticees No. 6 and 7, that they received Rs.34,87,500/- from Dhanprayog towards sale of his shares of EIL is incorrect.

f. As per bank statement of Noticee No. 7, it used Rs.34,87,500/- received from Dhanprayog for subscribing to the said preferential issue of the Company. Dhanprayog paid this amount to Noticee No. 7 out of the funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 7 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue.

v. **PRITI AGARWAL (Noticee No. 8)**

a. Noticee No. 8 was allotted 3,50,000 shares in the preferential allotment for which she had transferred Rs.35,00,000/- from his Bank of Baroda ("**BoB**") bank A/c No. 00290100011385 on 28.01.2013. On analysis of his bank statement, it was observed that he had received Rs. 34,87,500/- from Dhanprayog on 28.01.2013. Further on analysis of account of Dhanprayog (*Refer Table 3*), it was observed that there were multiple deposits totaling to Rs. 1,75,00,000/- received from the account of the Company and multiple deposits totaling to Rs.90,39,000/- received from Shivaangan.

b. On further analysis of the account of the Company (*Refer Table 4*), it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-.

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs.50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 was issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered.

Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 8, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was not responded.

e. Summons dated December 14, 2020 was forwarded to Noticee No. 8 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details of deposit of Rs.34,87,500/- received from Dhanprayog. In her email reply dated 23.02.2021, it was stated that she had received Rs.34,87,500/- from Dhanprayog on 28.01.2013 towards sale of 4,50,000 shares of EIL and the said amount has been used for subscribing to the preferential issue. In order to verify the sale of shares of EIL, trade log, physical share transfers and transaction statements of Noticee No. 8 were received from BSE, Purva and NSDL/CDSL, respectively, and examined. It was observed that during the period from 01.01.2013 to 31.03.2013, Noticee No. 8 did not trade in the scrip of EIL, while her demat account did not show any holding or off-market transfers in the EIL scrip. Further from the data provided by Purva, no physical transfer of shares of EIL was observed during the said period. Therefore, it was observed that the submission of Noticee No. 8, that she received Rs.34,87,500/- from Dhanprayog towards sale of his shares of EIL is incorrect.

f. As per bank statement of Noticee No. 8, it used Rs.34,87,500/- received from Dhanprayog for subscribing to the said preferential issue of the Company. Dhanprayog paid this amount to Noticee No. 8 out of the funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 8 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue. Copies of bank statements showing fund trail, reply received from Noticee No. 8, information received from BSE, Purva, NSDL and CDSL are collectively enclosed as **Annexure G**.

vi. **SABITA AGARWAL (Noticee No. 9)**

a. Noticee No. 9 was allotted 3,50,000 shares in the preferential allotment for which she had transferred Rs.35,00,000/- from the joint account of Vibha Agarwal/Sabita Agarwal (A/c No.00290100011384 - BoB) on 29.01.2013. On analysis of the said bank statement, it was observed that there were two deposits of Rs. 34,87,500/- each received from Dhanprayog on 28.01.2013 and 30.01.2013. Further on analysis of account of Dhanprayog (*Refer Table 3*), it was observed that there were multiple deposits totaling to Rs. 1,75,00,000/- received from the account of the Company and multiple deposits totaling to Rs.90,39,000/- received from Shivaangan.

b. On further analysis of the account of the Company (*Refer Table 4*), it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-.

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs.50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 were issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 9, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was not responded.

e. Summons dated December 14, 2020 was forwarded to Noticee No. 9 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details its association with the Company or its Directors. In her email reply dated 21.12.2020 made through Mr. Ajitabh Shrivastav, it was stated that Noticee No. 9 used his own funds received out of sale of his investment but details of the same were not provided. Reminder email 21.01.2021 sent seeking the details along with proof was not responded.

f. As per bank statement of Noticee No. 9, it used Rs. 34,87,500/- received from Dhanprayog for subscribing to the preferential issue. Dhanprayog paid this amount out of funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 9 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue.

vii. **SITA RAM AGARWAL (Noticee No. 10)**

a. Noticee No. 10 was allotted 3,50,000 shares in the preferential allotment for which he had transferred Rs.35,00,000/- from his HDFC bank A/c No. 1051000086148 on 01.02.2013. On analysis of his bank statement, it was observed that he had received Rs. 34,87,500/- from Dhanprayog on 01.02.2013. Further on analysis of account of Dhanprayog, it was observed that there were two deposits of Rs 14,40,000/- and 27,85,000/- received on 01.02.2013 from Shivaangan.

b. On further analysis of the account of the Shivaangan, it was observed that there were two deposits of Rs.40,00,000/- and Rs.35,00,000/- received from the Company on the same day i.e. 01.02.2013.

c. In view of the aforesaid fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 were issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 10, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was not responded.

d. Summons dated February 15, 2021 was forwarded to Noticee No. 10 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details of deposit of Rs.34,87,500/- received from Dhanprayog. In his email reply dated 22.02.2021, it was stated that she had received Rs.34,87,500/- from Dhanprayog on 29.01.2013 towards sale of 4,50,000 shares of EIL and the said amount has been used for subscribing to the preferential issue. In order to verify the sale of shares of EIL, trade log, physical share transfers and transaction statements of Noticee No. 10 were received from BSE, Purva and NSDL/CDSL, respectively, and examined. It was observed that during the period from 01.01.2013 to 31.03.2013, Noticee No. 10 did not trade in the scrip of EIL, while his demat account did not show any holding or off-market transfers in the EIL scrip. Further from the data provided by Purva, no physical transfer of shares of EIL was observed during the said period. Therefore, it was observed that the submission of Noticee No. 10, that he received Rs.34,87,500/- from Dhanprayog towards sale of his shares of EIL is incorrect.

e. As per bank statement of Noticee No. 10, it used Rs.34,87,500/- received from Dhanprayog for subscribing to the said preferential issue of the Company. Dhanprayog paid this amount to Noticee No. 10 out of the funds received from the Company and Shivaangan.

f. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 10 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue.

viii. **VIBHA AGARWAL (Noticee No. 11)**

a. Noticee No. 11 was allotted 3,50,000 shares in the preferential allotment for which she had transferred Rs.35,00,000/- from the joint account of Vibha Agarwal/Sabita Agarwal (A/c No.00290100011384 - BoB) on 05.02.2013. On analysis of the said bank statement, it was observed that there were two deposits of Rs. 34,87,500/- each received from Dhanprayog on 28.01.2013 and 30.01.2013. Further on analysis of account of Dhanprayog (*Refer Table 3*), it was observed that there were multiple deposits totaling to Rs. 1,75,00,000/- received from the account of the Company and multiple deposits totaling to Rs.90,39,000/- received from Shivaangan.

b. On further analysis of the account of the Company (*Refer Table 4*), it was observed that these fund transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to the above receipts, the account of Rajlaxmi had a balance of Rs. 10,000/-.

c. Further on analysis of account of Shivaangan, it was observed that eight deposits of Rs. 50,00,000/- each and another deposit of Rs. 20,00,000/- totaling to Rs. 4,20,00,000/- were received from the Company on 29.01.2013.

d. In view of the fund transfers observed from the account of the Company to the accounts of Dhanprayog and Shivaangan, summons dated October 22, 2020 were issued to the Company and its promoter *viz.* Caren to furnish the details of utilisation of proceeds received from preferential allotment but the summons returned undelivered. Scanned copy of Summons was sent to them through emails but no reply was received on the same. Summons dated February 15, 2021 was also issued to Dhanprayog and Shivaangan to provide details along with proof regarding source and purpose of funds received from the Company and funds transferred to Noticee No. 11, but the summons returned undelivered. Scanned copy of Summons sent to them by emails was not responded.

e. Summons dated February 15, 2021 was forwarded to Noticee No. 11 to furnish *inter alia* rationale and source of funds used for subscribing to preferential issue and details of deposit of Rs.34,87,500/- received from Dhanprayog. In her email reply dated 22.02.2021, it was stated that she had received Rs.34,87,500/- from Dhanprayog on 28.01.2013 towards sale of 4,50,000 shares of EIL and the said amount has been used for subscribing to the preferential issue. In order to verify the sale of shares of EIL, trade log, physical share transfers and transaction statements of Noticee No. 11 were received from BSE, Purva and NSDL/CDSL, respectively, and examined. It was observed that during the period from 01.01.2013 to 31.03.2013, Noticee No. 11 did not trade in the scrip of EIL, while her demat account did not show any holding or off-market transfers in the EIL scrip. Further from the data provided by Purva, no physical transfer of shares of EIL was observed during the said period. Therefore, it was observed that the submission of Noticee No. 11, that she received Rs.34,87,500/- from Dhanprayog towards sale of his shares of EIL is incorrect.

f. As per bank statement of Noticee No. 11, it used Rs.34,87,500/- received from Dhanprayog for subscribing to the said preferential issue of the Company. Dhanprayog paid this amount to Noticee No. 11 out of the funds received from the Company and Shivaangan.

g. In view of the above, it was alleged that the Company, Noticee No. 1 had funded Noticee No. 11 by transferring funds, received initially from other allottees to its preferential issue, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated his subscription to the preferential issue.

G. The Company, in its HDFC A/c No. 13570340000038 received Rs. 30 crores during the period 23.01.2013 to 02.03.2013 for the preferential allotment made on March 02, 2013. To ascertain whether any funds had in turn been transferred by the Company to preferential allottees, the entities to whom the funds were transferred by the Company were examined. It was observed that the issue proceeds amounting to Rs.27,60,00,000/- were transferred by the Company to the following entities:

Table 5: Preferential allotment of shares issued on 02.03.2013

S. No.	Entity Name	Account (Bank)	Date of transfer	Amount (Rs. Crores)
1.	Dhanprayog Vintrade Pvt Ltd	00080350002680 (HDFC Bank)	25.01.2013	1.75
2.	Shivaangan Vintrade Pvt Ltd	00080350002577 (HDFC Bank)	29.01.2013, 30.01.2013, 01.02.2013, 04.02.2013 05.02.2013, 07.02.2013	7.00
3.	Improve Tie-up Pvt Ltd	00080350002550 (HDFC Bank)	12.02.2013, 14.02.2013, 16.02.2013	9.80
4.	Macro Dealcomm Pvt Ltd	00140350006454 (HDFC Bank)	23.02.2013, 25.02.2013 27.02.2013, 28.02.2013	4.65
5.	Wonderland Vintrade Pvt Ltd	00080340032956 (HDFC Bank)	04.03.2013	0.90
6.	Sunlight Agency Pvt Ltd	00080340035893 (HDFC Bank)	04.03.2013	1.50
7.	Gangadham Suppliers Pvt Ltd	00080350002567 (HDFC Bank)	04.03.2013	1.50
8.	Agrawal Business Associates	910020016622469 (HDFC Bank)	16.02.2013	0.50
Total				**27.60**

H. Statement of bank accounts of aforesaid entities mentioned in the Table 5 were analysed and it was observed that the said entities had transferred the funds received as above to multiple entities. Further barring the transactions detailed in the subsequent paragraph - I, no other instances were found to conclude that the funds received by the said entities from the Company have been transferred to or utilised by the preferential allottees to subscribe to the preferential issue of the Company.

I. **<u>Observations on funding by the Company to the allottees of preferential allotment during the investigation period</u>:**

a. On analysis of the bank statement of the preferential allottees, fund transfers totaling to Rs.2,79,00,000/- were observed during 28.01.2013 to 01.02.2013 from Dhanprayog bank account (*one of the entitiy, who received funds from Rajlaxmi out of the preferential issue proceeds*) to the accounts of the following allottees:

<u>Table 6: Fund transfers from Dhanprayog Vintrade Pvt Ltd. to the allottees</u>

S No	Name of Allottee	PAN	Shares allotted	Value of shares (Rs)	Bank balance in Allottee's A/c prior to transfer	Date of credit	Amount recd from Dhanprayog Vintrade Pvt Ltd. (Rs.)
1.	Deepak Agarwal	AAZPK8408R	3,50,000	35,00,000	3,42,739.66	28.01.2013	34,87,500
2.	Deepak Kumar Huf	AAEHD2885G	3,50,000	35,00,000	5,02,441.40	28.01.2013	34,87,500
3.	Dilipp Agarwal	AEAPK5325C	3,50,000	35,00,000	93,785.74	28.01.2013	34,87,500
4.	Dilipp Agarwal Huf	AAEHD2884H	3,50,000	35,00,000	10,41,227.30	28.01.2013	34,87,500
5.	Priti Agarwal	ABFPK3906R	3,50,000	35,00,000	11,61,032.00	28.01.2013	34,87,500
6.	Sabita Agarwal	AARPA4178N	3,50,000	35,00,000	21,032.00	28.01.2013	34,87,500
7.	Sita Ram Agarwal	ACQPA1303A	3,50,000	35,00,000	4,45,314.01	01.02.2013	34,87,500
8.	Vibha Agarwal	AAPPD8823K	3,50,000	35,00,000	1,08,532.00	30.01.2013	34,87,500
Total funds received by Allottees from Dhanprayog Vintrade Pvt. Ltd.							**2,79,00,000**

b. Further, from the bank statement of Dhanprayog, it was observed that prior to the above transfers, it had received multiple deposits totaling to Rs. 1,75,00,000/- from the Company and multiple deposits totaling to Rs. 1,32,64,000/- received from Shivaangan as follows:

Table 7: Fund transfers from the Company and Shivaangan to Dhanprayog

Date	Account number (Bank)	Name of Counterparty	Amount (Rs.)
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
25.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	25,00,000.00
25.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	35,00,000.00
25.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	35,00,000.00
28.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	10,89,000.00
28.01.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	9,50,000.00
01.02.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	27,85,000.00
01.02.2013	00080350002577 (HDFC Bank)	Shivaangan Vintrade Pvt Ltd.	14,40,000.00
Total funds received by Dhanprayog Vintrade Pvt Ltd from Rajlaxmi			**3,07,64,000.00**

c. Further, from the bank statement of Shivaangan, it was observed that it had received multiple deposits totaling to Rs. 4,20,00,000/- from Rajlaxmi on 29.01.2013 as listed below:

Table 8: Fund transfers from Rajlaxmi to Shivaangan

Date	Account number (Bank)	Name of Counterparty	Amount (Rs.)
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	20,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
29.01.2013	13570340000038 (HDFC Bank)	Rajlaxmi Industries Ltd.	50,00,000.00
Total funds received by Shivaangan Vintrade Pvt Ltd from Rajlaxmi			**4,20,00,000.00**

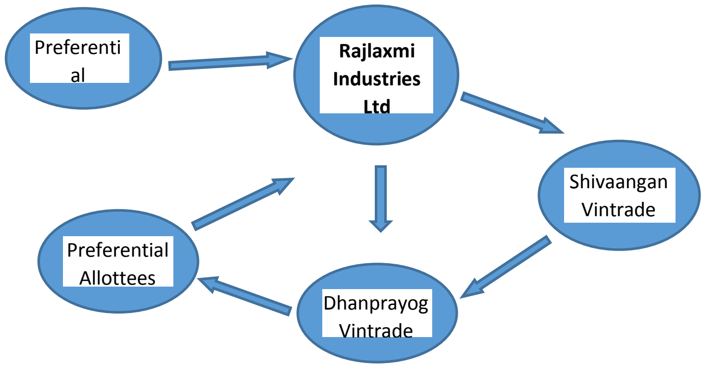
d. On further analysis of the account of the Company, it was observed that the above funds transfers were made out of funds received from the allottees of the preferential issue on 23.01.2013 and 24.01.2013. Prior to receipt of the above funds from preferential allottees, the account of the Company, Noticee No. 1 had a balance of Rs. 10,000/- only. Similarly, prior to receipt of funds from the Company, the accounts of Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 had balance of only Rs. 51,480.34 and Rs. 50,317.76, respectively. It was therefore observed that the funds received from allottees for subscription to the preferential issue; and the funds which were transferred by the Company to Dhanprayog and Shivaangan had been used for subscription to the preferential issue by other allottees i.e. Noticees No. 4 to 11. In view of above, it was alleged that by transferring and receiving the same funds through Dhanprayog and Shivaangan, the Company had indirectly funded the allottees and allotted twice the number of shares for the amount it had received from them.

e. From the bank statement of the allottees i.e. Noticees No. 4 to 11, it was observed that prior to receipt of funds from Dhanprayog, the allottees' accounts had balance much lesser than the funds required for subscription to the issue (*refer Table 6*). The balances in their bank accounts were in range of Rs. 21,032/- to Rs. 11,61,032/-.

f. It was also observed that the allottees i.e. Noticees No. 4 to 11 were connected to each other based on the common address available in the UCC database of BSE. Further, HDFC Bank vide e-mail dated February 22, 2021 had confirmed that Mr. Dilipp Agarwal, Noticee No. 6 and Ms. Priti Agarwal, Noticee No. 8 are husband and wife and they are Karta and Co-Parcener of Mr. Dilipp Agarwal HUF, Noticee No. 7, respectively.

g. Summons dated October 22, 2020 were issued to the Company and its promoter Caren seeking details of utilisation of preferential issue proceeds were either not responded or returned undelivered. Summons were also issued to the allottees i.e. Noticees No. 4 to 11 seeking *inter alia* information about source of funds used for subscription to the issue as well as their association with the Company and its directors. In response, the said allottees stated that, they used the funds received on sale of their investment for subscribing to the issue but did not provide details and proof of their investment as well as its sale. Summons dated February 15, 2021 issued to Dhanprayog and Shivaangan seeking the purpose of transfer of funds to the allottees was not responded by them.

h. From the above, it was observed that the Company, Noticee No. 1 through its conduits *viz.* Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13, who received funds from Noticee No. 1 to fund the allottees i.e. Noticees No. 4 to 11, had indirectly funded the Noticees No. 4 to 11, namely, Mr. Deepak Agrawal, Mr. Deepak Kumar HUF, Mr. Dilipp Agrawal, Mr. Dilipp Agrawal HUF, Ms. Priti Agarwal, Ms. Sabita Agarwal, Ms. Sita Ram Agarwal and Ms. Vibha Agarwal in the preferential allotment thereby enabling these allottees to subscribe to the Company's shares. Diagrammatic representation of flow of funds among Preferential Allottees, Rajlaxmi, Dhanprayog and Shivaangan is as follows:



3. It is a matter of fact that, when a company raises capital through share issuance, it is considered as capital infusion and such capital infusion would be perceived by the investors to be imperative for strengthening the company's financial fundamentals. In this case, it is alleged that, although the listed company publicly gave an impression of such capital infusion through preferential allotment, in reality the Company transferred the funds received from allottees to its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13, who had transferred the funds received from the Company to Noticees No. 4 to 11 for subscribing to the said preferential issue. Thus, the Company used Dhanprayog and Shivaangan as conduits/ intermediaries by transferring funds received from the issue into their account and indirectly funded the allottees, Noticees No. 4 to 11 to subscribe to its preferential issue, thereby limiting the genuine capital infusion to that extent.

4. In view of the above observations during the investigation period, it has been alleged that the Company, Noticee No. 1 along with its management (Executive Directors) at relevant time *viz.* Mr. Aditya Jaipuria, Noticee No. 2 and Mr. Rahul Jagnani, Noticee No. 3 and the aforementioned allottees, *viz.* Noticees No. 4 – 11 and the conduits *viz.* Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 were considered culpable in perpetuating the fraud on the ordinary investing public, who transacted in the shares of the Company pursuant to the said preferential allotment. Therefore, Noticees No. 1 to 13 have violated the provisions of Sections 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulation 3(b), (c), (d), 4(1) and 4(2)(d) of the PFUTP Regulations. Further, the Noticees No. 1 to 13 have failed to furnish information relating to nature and purpose of transfer of funds and investment sale related details sought by the investigating authority through summons during the investigation period and therefore, these noticees have violated the provisions of Section 11C(2) read with 11C(3).

5. Vide a *communication-order* dated July 22, 2021, it has been informed that the competent authority in SEBI is satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations by the Noticees and appointed the undersigned as Adjudicating Officer under Section 15-I (1) of the SEBI Act, 1992 read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge the alleged violations by the Noticees under Sections 15A(a) and 15HB of the SEBI Act, 1992.

6. Accordingly, a notice to show cause no. EAD - 9/SCN/VKV-AKS/OW/19066/1 - 15/2021 dated August 12, 2021 (hereinafter referred to as '**SCN**') was issued to the Noticees calling upon them to show cause as to why an inquiry should not be held against them in terms of Rule 4 of the Adjudication Rules and why penalty, if any, should not be imposed upon them under Sections 15A(a) and 15HB of the SEBI Act for the aforesaid alleged violations. The SCN was sent to the Noticees through speed post acknowledgement due ("**SPAD**") at their last known address. SCN was duly served upon the Noticees No. 4 – 11 *via* SPAD, however, no reply to the SCN received from the Noticees. SCN w.r.t. 5 Noticees *viz.* Rajlaxmi Industries Limited, Mr. Aditya Jaipuria, Director, Rajlaxmi Industries Limited (*Through: Rajlaxmi Industries Limited*), Mr. Rahul Jagnani, Director, Rajlaxmi Industries Limited, Dhanprayog Vintrade Pvt. Ltd. and Shivaangan Vintrade Pvt. Ltd. returned undelivered. Thereafter, in terms of Rule 7(b), the SCN was forwarded to aforesaid 5 Noticees *via* digitally signed e-mail on August 27, 2021 on e-mail ids of respective Noticees as available on record. Further, none of the aforesaid mail forwarded to the said 5 noticees have bounced back, however, no reply received from them. Subsequently, SCN was forwarded to the said Noticees *via* Hand Delivery/ Affixtures, however, the said SCN could not be served *via* hand delivery/ affixed w.r.t. Rajlaxmi Industries Limited and Mr. Aditya Jaipuria, as the consignee shifted from their available addresses. Further, the affixture report w.r.t. Mr. Rahul Jagnani, Noticee No. 2, Dhanprayog Vintrade Pvt. Ltd. and Shivaangan Vintrade Pvt. Ltd. did not contain the signature of witnesses. Accordingly, the delivery of the SCN to aforesaid Noticees could not be ascertained. Considering the same, the SCN *cum* Hearing Notice to said 5 Noticees was served upon them *via* paper publication in terms of Rule 7(d) of Adjudication Rules. The said public notice was published on December 31, 2021 in Times of India (English), Sanmarg (Hindi) and Barthaman (Bengali) of Kolkata Edition and Times of India (English), Navbharat Times (Hindi) and Maharashtra Times(Marathi) of Mumbai edition, respectively. Therefore, in my view the SCN has been duly served upon all the Noticees in the instant proceedings.

7. Vide separate e-mails dated September 03, 2021, Noticees No. 4 – 11 forwarded copies of letter dated September 03, 2021 containing same content and requested for 30 days' time to submit reply to the SCN on the ground of information pertaining to year 2014 – 2015 and ongoing pandemic related restrictions. Considering the aforesaid request, the Noticees no. 4 – 11 were allowed time upto October 01, 2021 to file their respective replies. Further, on the basis of material available on record and in terms of principle of natural justice, the said Noticees were granted an opportunity of personal hearing on October 06, 2021 in terms of Rule 4(3) of the Adjudication Rules. Due to exigencies the scheduled hearing for said Noticees was adjourned, however, no reply from the said Noticees was received till due date. Thereafter, vide digitally signed e-mail dated December 23, 2021, the hearing notice was forwarded to the said Noticees providing them with an opportunity of hearing on January 04, 2022. Further, as stated in para 6, the hearing notice to Noticees No. 1, 2, 3, 12 and 13 was served *via* paper publication dated December 31, 2021, wherein, they were granted an opportunity of hearing on January 12, 2022. I note that none of the Noticees in this case appeared for hearing on scheduled dates i.e. January 04, 2022 and January 12, 2022, respectively.

8. Meanwhile, vide e-mail dated January 18, 2022, Mr. Ajitabh Srivastava replied on behalf of the Noticees No. 4 – 11 and stated that due to rising cases of covid in Mumbai, the office of its consultant, who is representing the said Noticees was not functional and employees of its consultant were tested covid positive and that's why its consultant failed to appear for scheduled hearing on January 04, 2022. In view of same, Mr. Ajitabh requested for another opportunity of proper representation. In this regard, I noted that till January 18, 2022, there was no authorization letter/ vakalatnama on record regarding authorization of Mr. Ajitabh Srivastava to represent the said Noticees in the instant proceedings. Further, till January 18, 2022, no information produced before me regarding any consultant being appointed/ authorized by the said Noticees to represent them during instant proceedings. However, considering the principle of natural justice, a last and final opportunity was granted to the said Noticees to file respective reply to the SCN by January 25, 2022 and to appear for personal hearing on January 27, 2022. The said Noticees were further advised to file proper authorization letter/ vakalatnama w.r.t. person/ consultant authorized by them. After short adjournment the hearing was conducted on January 28, 2022, wherein, Mr. Ajitabh Srivastava appeared for hearing and requested for another adjournment, stating that the counsel in the matter is out of the country at present. During hearing, Mr. Ajitabh Srivastava was directed to produce Vakalatnama/ Authorisation Letter by end of the day and said hearing was adjourned for

February 08, 2022. These Noticees were further directed to file their reply by February 06, 2022 in the matter, as last opportunity.

9. On February 08, 2022, Mr. Sumit Agrawal, advocate a/w Mr. Tarun Toprani and Mr. Kavish Garach, Advocates i/b Regstreet Law Advisors ("**ARs**"), appeared for hearing on behalf of the said Noticees and submitted that they are unable to respond to the SCN due to certain inconsistencies in para 4 and 6 of the SCN. Accordingly, ARs requested for 2 weeks' time to file the reply to the SCN, post clarifications provided to them w.r.t. aforementioned inconsistencies. In this regard, I note that the hearing in the matter w.r.t. Noticees No. 4 – 11 concluded on February 08, 2022. I further note that there were minor typographical errors in SCN on in para 4 and 6 of the SCN and accordingly, a supplementary show cause notice (hereinafter referred to as "**SSCN**") bearing reference no. EAD-9/ADJ/VKV-AKS/SSCN/5051/1 – 15/2022 dated February 08, 2022 was issued to all the Noticees. SSCN was duly served upon Noticees No. 4 – 11 *via* digitally signed e-mail on February 08, 2022 and served upon Noticees No. 1, 2, 3, 12 and 13 *via* paper publication on February 15, 2022 in The Statesman (English), Sanmarg (Hindi) and Barthaman (Bengali) of Kolkata Edition and Times of India (English), Navbharat Times (Hindi) and Maharashtra Times(Marathi) of Mumbai edition, respectively. The Noticees were granted 14 days' time from the date of receipt of the SSCN to file written reply in the matter. Noticees No. 1, 2, 3, 12 and 13 were also granted opportunity of personal hearing on March 03, 2022 *via* aforesaid public notice dated February 15, 2022. The Noticees No. 1, 2, 3, 12 and 13 have neither filed reply to the SCN and SSCN, nor appeared for the hearings before me during the instant proceedings.

10. Noticees No. 4 – 11 filed a common reply dated February 22, 2022, through their counsel in the matter and *inter alia* made following written submissions:

    a. Noticees No. 4 – 11 are not promoters, part of promoter group, directors, Key Managerial Personnel ("**KMP**"), relatives of the directors / promoters, statutory auditors of the Company and in no other way it is connected to the Company.

    b. These Noticees are part of the same family and they are not registered with SEBI in any capacity in the securities market and are not some regular traders. Noticees No. 4, 6 and 10 are working with Super Smelters Ltd. and Noticees No. 5 and 7 have business income. Noticees No. 8, 9 and 11 are spouses of Noticees No. 6, 10 and 4, respectively. Each of these Noticees were allotted 3,50,000 shares of the Company during preferential allotment on March 02, 2013.

c. Noticees No. 4 – 11 were issued summons seeking information and rationale regarding their investment in the preferential issue of equity shares of Rajlaxmi. The Noticees has cooperated and assisted the investigation by duly responding to the summons as under:

Table No. 9

Summons to the Noticees			
Name of the Noticee	**Noticee number**	**Date of summons**	**Reply to summons**
Mr. Deepak Agarwal	Noticee No. 4	December 14, 2020	February 23, 2021
Deepak Kumar HUF	Noticee No. 5	December 14, 2020	December 21, 2020
Mr. Dilipp Agarwal	Noticee No. 6	December 14, 2020	December 21, 2020
Dilip Agarwal HUF	Noticee No. 7	December 14, 2020	February 22, 2021
Ms. Priti Agarwal	Noticee No. 8	December 14, 2020	February 23, 2021
Ms. Sabita Agarwal	Noticee No. 9	December 14, 2020	December 21, 2020
Mr. Sita Ram Agarwal	Noticee No. 10	February 15, 2021	February 22, 2021
Ms. Vibha Agarwal	Noticee No. 11	February 15, 2021	February 22, 2021

d. Due to inconsistency in the SCN, these Noticees could not have replied without understanding the charges they are supposed to reply to. A bare reading of the SCN would show that these Noticees are not liable and the SCN in respect of them be withdrawn forthwith in as much as the violations, if any, are in respect of Noticees 1 (The Company), Noticees 2 and 3 (its Executive Directors) and Noticees 12 and 13 (Conduits of the Company and / or its Executive Directors) and not in respect of these Noticees. Neither these Noticees were connected to the decision making of the Preferential Allotment nor were the beneficiaries of the Preferential Allotment.

e. The allegations sought to be levied by SEBI pertain to facts that transpired in 2013, which is more than eight (8) years prior to the issuance of the SCN. The investigation period was of 2013-2014 and the SCN was issued in August, 2021. SEBI has provided no reason for such delay. The delay of over eight (8) years in initiating proceedings by SEBI has severely prejudices the ability of the Noticees to adequately respond to the allegations under the SCN as the Noticees do not have access to such old documents which may aid them to put up their defence. These Noticees have placed reliance upon the following judgements of the Hon'ble Securities Appellate Tribunal ("**SAT**") in the matter of *Ashlesh Gunvantbhai*

Shah vs SEBI (Appeal No. 169/2019)*, Shri Ashok K. Chaudhary v. SEBI* (Appeal No. 69/2008)*, Shriram Insight Share Brokers Ltd v. SEBI* (Appeal No. 559/2020), *Rajeev Bhanot & Ors v. SEBI* (Appeal No.396 of 2018) and *Morepen Laboratories Limited v. SEBI* (Appeal No. 62 of 2020).

f. The shareholders of the Company in its Extra Ordinary General Meeting dated February 16, 2013 approved the allotment of 3,00,00,000 equity shares of Rs. 10 each on preferential basis to non-promoters and the same was disclosed on the website of BSE Limited. The BSE Limited itself had provided its in-principal approval for the preferential allotment of equity shares of Rajlaxmi vide its letter dated February 15, 2013. In addition to this, the preferential allotment as mentioned above was also approved by the shareholders of the Company on February 16, 2013 at the Extraordinary General Meeting. The Noticees believe and repose their faith in SEBI and Stock Exchanges who would have ascertained if the money raised by the listed entity is / was at all required and is / was for the genuine purpose or not, and whether all the requirements under the SEBI Regulations, Companies Act, 2013, etc. are satisfied. In fact, till date SEBI has not said that the Company was not required to raise capital for genuine purpose. As an investor, the approval of shareholders and the board of directors of the Company and no adverse action by SEBI / BSE was an indication to the Noticees that everything is in order within the Company. The Company had also disclosed on the website on the Stock Exchange that the Board of Directors at their meeting dated March 02, 2013, after receiving an in-principle approval from the Stock Exchange had allotted the equity shares on preferential basis. Therefore, these Noticees had no reason to suspect that the preferential allotment was devised for routing of funds through its promoter related entities.

g. The allegations levied against the Noticees are rooted in and premised on the benefit of hindsight. The equity shares were approved, allotted and subsequently traded on the platform of BSE Limited as well. Thus, the allegations in the SCN and SSCN clearly suggest that the allegations qua the Noticees are founded in hindsight. Further, hindsight bias is the tendency for people with knowledge of an outcome to exaggerate the extent to which they believe that outcome could have been predicted. These Noticees relied upon the judgement of Hon'ble SAT in the matter of *Price Waterhouse & Co & Ors v. SEBI* (Appeal No. 6/2018) and judgement of Delaware Chancery Court in the matter of *In Re Citigroup Inc. Shareholder Derivative Litigation.*

h. The investment in the equity shares of Rajlaxmi by the Noticees was made with the *bona fide* belief and the Noticees could not have known the ulterior motive of Noticees No. 1, 2, 3, 12 and Noticee 13, if any.

i. The SCN and SSCN issued by SEBI has failed to provide any reason basis which the investigation was started against the Noticees and in the scrip of Rajlaxmi. That, the SCN also does not even cater any details if the investigation was started by SEBI on receipt of any complaint against the Noticees. SEBI has not even provided any details pertaining to the investigation report or the appointment of investigating officer. The very edifice of investigation under Section 11C of the SEBI Act is "*grounds to believe*" that "*<u>transactions in securities</u> <u>are being dealt</u> in a manner <u>detrimental</u> to the investors*" has not been complied with. Preferential Allotment to the Noticees is neither a "*transaction(s) in securities*" nor there is any allegation with respect to manipulative trading.

j. The SCN and the SSCN issued to the Noticees has failed to establish or allege any connection between the Noticees and the Company or its Directors or Noticee 12 and / or Noticee 13 which would justify the basis of alleging any fraudulent or unfair trade practice by the Noticees with the object of inflating, depressing, maintaining or causing fluctuation in the price of the scrip of the Company.

k. SEBI as a regulator also considers the establishment of connection between the Company and preferential allottees as an eminent substance to frame charges under the PFUTP Regulations. Reliance in this regard has been placed on the judgement of Ld. Whole Time Member ("*WTM*") order in the matter of *Pine Animation Limited* dated September 19, 2017.

l. SEBI has not provided any evidence of any collusion between the Noticees and the Company and / or its Directors or promoter related entities or to provide any reason whatsoever for engaging in such transfer of funds, if any. An innocuous transaction with no connection with any manipulation has been selected by SEBI investigation to allege a manipulative scheme by the Noticees which is impermissible in facts and law. Noticee has placed reliance upon the judgement of Hon'ble SAT in the matter off *Nishith Shah HUF v. SEBI* (Appeal No. 97 of 2019).

m. These Noticees were among the forty-nine (49) non-promoter entities to whom the Preferential Allotment of equity shares was made by Rajlaxmi and the sole purpose for receiving shares of Rajlaxmi through preferential allotment was investment. SCN nor the SSCN Notice has alleged any purported benefit, monetary or otherwise, which the Noticees may have derived out of engaging in the alleged activity. These Noticees have placed reliance upon the judgement of Ld. WTM in the matter of *Pine Animation Limited (Supra)* and the judgement of Hon'ble SAT in the matter of *Umang Dhanuka & Ors v. SEBI* (Appeal No. 102 of 2020).

n. These Noticees had received credit in their accounts from Noticee 12 on account of sale of share warrants of Empower Industries India Limited ("**EIL**") to Noticee 12. The table below indicates details pertaining to the sale of share warrants of EIL to Noticee 12 along with the relevant documentation, available as on date:

Table 10

Proof of *bona fide* transactions									
Noticee	**Date of Application for share warrants of EIL**	**No. of warrants issued**	**Total Price of share warrants**	**Date of Sale of share warrants**	**Sale consideration received from sale of share warrants**	**Application letter**	**Sale of bill of share warrants**	**Bank statement showing debit and credit**	**Confirmation of accounts provided by EIL**
Noticee 4	25.10.2010	4,50,000	33,75,000	15.01.2013	34,87,500	**Annexure B1**	**Annexure B2**	**Annexure B3 & B4**	**Annexure B5**
Noticee 5	NA	NA	33,75,000	NA	34,87,500	NA	NA	**Annexure C1 & C2**	NA
Noticee 6	25.10.2010	4,50,000	33,75,000	NA	34,87,500	**Annexure D1**	NA	**Annexure D2 & D3**	**Annexure D4**
Noticee 7	NA	NA	33,75,000	NA	34,87,500	NA	NA	**Annexure E1 & E2**	NA
Noticee 8	NA	4,50,000	NA	15.01.2013	34,87,500	NA	**Annexure F1**	**Annexure F2 & F3**	NA
Noticee 9	NA	4,50,000	NA	15.01.2013	34,87,500	NA	**Annexure G1**	**Annexure G2 & G3**	NA
Noticee 10	25.10.2010	4,50,000	33,75,000	15.01.2013	34,87,500	**Annexure H1**	**Annexure H2**	**Annexure H3 & H4**	**Annexure H5**
Noticee 11	NA	4,50,000	33,75,000	15.01.2013	34,87,500	NA	**Annexure I1**	**Annexure I2 & I3**	NA

**Even though the ability of the Noticees have been hugely affected due to the massive delay by SEBI, the Noticees have provided the above table / information based on whatever documents the Noticees could gather after a period of nine (9) years. A copy of the investigation report along with its annexures would have assisted the Noticees also to some extent.*

o. In view of the aforesaid table and the information/ underlying documents therein pertaining to the sale of share warrants by Noticees of EIL to Noticee 12 it can be concluded beyond reasonable doubt that the Noticees were in fact not funded by the

Company and that the Preferential Allotment to the Noticees was pursuant to a *bona fide* transaction and investment by the Noticees. While some of the documents are not available on account of the impugned transaction being more than nine (9) years old. However, the existence of the same can inferred by a logical process of reasoning from the totality of the attending facts and circumstances. Any adverse action or inference against the Noticees, howsoever meagre would be against the fairness and principles of natural justice. It is clear that there was no transfer of funds between the Noticees and Noticee 12 to facilitate subscription of preferential allotment of Rajlaxmi and the said was due to credit of amount received through *bona fide* sale of share warrants.

p. '*Share Warrants*' sold by these Noticees are not '*shares'* of the Company but are mere right to acquire the shares specified under the warrants and due to the same when such warrants are transferred, the record of the same will not be available with the Registrar and Share Transfer Agent or with the depository until the warrants are converted into equity shares. As you are already aware that the share warrants are property transferable and sellable. Further, purchase and sale of the share warrants is not reflected in the shareholding of a company, and hence may not be available in the records maintained by Stock Exchanges, Depositories, Share Transfer Agents.

q. Section 11C of the SEBI Act empowers the investigating authority/ officer to seek information or documents which are relevant or necessary for the purpose of investigation. In any case the information or documents such as bank account statements, DEMAT account statements, holding statements etc. were always accessible to SEBI and in fact were called for by SEBI. Therefore, "*nature and purpose of transfer of funds*" is neither "*information or document*" but an explanation, beyond the scope of a summon. Any summon can never be for seeking explanation/ opinion like a show cause notice. Therefore, the allegation that Noticees have violated 11C(2) and 11C(3) of the SEBI Act cannot be sustained.

r. The investigation of SEBI to establish facts on the basis of trade logs, physical share transfers & transaction statements from BSE, Purva Share registry (I) Ltd. & Depositories namely NSDL and CDSL, is incomplete inasmuch as it relates to the allegations against the Noticees in the SCN and SSCN. Drawing an adverse inference against the rightful exercise of commercial discretion, and colouring the same as fraudulent act by market participants far-fetched and has no factual basis, either directly or indirectly.

s. With regards to the alleged violation Regulation 4(2)(d) of the PFUTP Regulations, it is submitted that the aforesaid provision pertains to paying of money or money's worth for inducing a person for dealing in securities with the object of inflating its price. The SEBI has not alleged under the SCN and SSCN that the Noticees have paid any money thereby inducing someone to deal in securities. The Noticees are preferential allottees and SEBI has not alleged transfer of funds by the Noticees.

t. Sections 12A(a) (b) (c) of the SEBI Act and Regulations 3(b), 3(c) and 3(d) of the PFUTP Regulations are *pari materia* and hence cannot be alleged simultaneously. These provisions are general in nature and have not been violated by the Noticees. It is denied that these Noticees have violated Sections 12A(a) (b) (c) of the SEBI Act read with Regulations 3(b), 3(c) and 3(d) and Regulation 4(1) and 4(2)(d) of PFUTP Regulations.

u. These Noticees respectfully submit, that imposition of any penalty whatsoever would be totally unjustified in the given facts that these Noticees transactions are *bona fide* and nor have in any manner have market wide impact; caused losses to a large number of investors, or affected the integrity of the market. Further, the SCN and SSCN does not even include as part of its allegations - the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default; the amount of loss caused to an investor or group of investors as a result of the default; and the repetitive nature of the default. With regard to penalty these Noticees have placed reliance upon the judgment of Hon'ble SAT in the matter of *Piramal Enterprises Limited v. SEBI* (Appeal No. 466/2016) and *P.G Electroplast and others v. SEBI* (Appeal No. 281/2017). It is humbly submitted that no penalty is warranted against the Noticees in the facts of the present case and in any case the consolidated penalty cannot be more than Rs. 1,00,000, if any.

v. It is also pertinent to draw your attention to the recent order of Hon'ble SAT dated February 08, 2022 wherein the order of the Ld. WTM of SEBI on a similar set of facts was quashed. In the matter of *Ravindra Kumar Grover & Ors. v. SEBI,* the SAT once again laid emphasis on "*meeting of minds or intention to orchestrate a scheme*" and "*direct connection*" being essential ingredients to levy a charge of fraud under PFUTP.

11. I have considered the allegation levelled in the terms of reference, the relevant material brought on record, reply/ submissions of the Noticees and oral submissions made during the personal hearing before the undersigned. Before dealing the case, it would be appropriate to provide

reference to the provisions alleged to be violated by the Noticees at the relevant times and same read as under: -

<u>SEBI Act</u>

Investigation.

11C.(2) *Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.*

(3) *The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

<u>PFUTP Regulations</u>

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) ……

(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 fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: —

d. paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;

12. I note that, Noticees No. 1, 2, 3, 12 and 13 have been served SCN and SSCN *via* paper publication on December 31, 2021 and February 15, 2022, respectively. Further, the opportunity of hearing was extended to the aforesaid noticees *via* aforesaid paper publications on January 12, 2022 and March 03, 2022, respectively. It is also to be noted that other mode of service of SCN has also been explored before going for paper publication. Therefore, in my view ample opportunity of making representation during these proceedings has been extended to the aforesaid Noticees, however they failed to avail the same. In these facts and circumstances, I am of the view that the matter can be proceeded *ex-parte* on the basis of material available on record in terms of Rule 4(7) of the Adjudication Rules which reads as under: -

> *"**4(7)** If any person fails, neglects or refuses to appear as required by sub-rule (3) before the Board or the adjudicating officer, the Board or the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons for doing so."*

13. I note that Noticees No. 1, 2, 3, 12 and 13 have failed to file any response and have not co-operated during the investigation and even in the instant proceedings. In the fact and circumstances of the case, I am of the view that the aforesaid Noticees have defied the regulatory provisions and I, therefore, deem it fit to draw an adverse inference against the

aforesaid Noticees. Further, in absence of any response from the said Noticees, it is presumed that they have admitted the charge of violations of provisions as alleged in the case. In this regard, it is pertinent to note that the Hon'ble SAT in the matter of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006)* has, *inter-alia*, observed 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".* It is also pertinent to note that the 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*, observed 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 leveled against them in the show cause notices...".* Therefore, it can reasonably be presumed that the allegations/charges have been admitted by the Noticees No. 1, 2, 3, 12 and 13 in this case. The material on record do not indicate anything to *ex facie* hold otherwise.

14. It is noted that the Noticees No. 4 - 11 have filed common reply and raised certain common contentions. One of such contentions is that there was delay of 8 years in issuance of the SCN and same has severely prejudices the ability of the Noticees to adequately respond to the allegations under the SCN as the Noticees do not have access to such old documents which may aid them to put up their defence. In this regard, I note that, on September 04, 2014, Department of Economic Policy and Action ("**DEPA**") carried out the study of the "*Anomalies in the price discovery of selected small stocks*" and Rajlaxmi was one of the Company among others against whom the investigation was recommended on November 17, 2014. SEBI had also received references from Department of Income Tax alleging sharp price rise in the scrip of the Company and use of Stock Exchange mechanism for generating bogus Long Term Capital Gain ("**LTCG**"). Thereafter, on preliminary analysis of the data pertaining to the Company, a formal investigation for modified investigation period i.e. from January 01, 2014 to July 31, 2015 was initiated against the Company. An extensive investigation was carried out by SEBI, which included various entities and detailed analysis of fund flows, bank account statements, fund trails, preferential allotments and fund movements related to the same, Unique Client Code ("UCC") details; information sought from banks, exchange, depositories and various entities and thereafter analyzing the documents and records supplied by them. During this investigation, in July 2017, it was observed that another group of 5 entities were part of promoters group and they have sold the shares of the Company during the investigation period and therefore, it was also decided to investigate the matters related to disclosures of change, if

any, in their shareholding pattern. Meanwhile, twice the Investigating Authority change due to the internal transfers. Subsequently, the final investigation report was presented on February 25, 2021 and the action was approved on March 01, 2021. Thereafter, Shri Amit Pradhan (erstwhile Adjudicating Officer) was appointed as Adjudicating Officer vide communication order dated April 05, 2021, however, pursuant to his deputation, this case has been transferred to undersigned vide communication order dated June 18, 2021 w.r.t. 13 Noticees. Subsequently, the communication order was revised due to addition of other 5 entities against whom there was charge of disclosure violation and same has been already dealt upon in adjudication order dated December 24, 2021. Subsequently, on receipt of records, the SCN to the Noticees have been issued on August 12, 2021 in this matter. I further note that, in this case one of the charge against the Noticees is of '*non furnishing of the information*' by the Noticees sought by the investigation authority and same also may have hampered the fact finding process in this case. I, therefore, find that the delay as alleged cannot be the sole ground to exonerate these Noticees from liability of penalty under SEBI Act, if the charges and allegations are established on desired preponderance of probability.

15. I further note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the investigation done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings. Also, it is a settled principle that a delay in a particular case depends on the facts and circumstances of each case. These Noticees have placed reliance upon the following judgements of the Hon'ble SAT in the matter of *Ashlesh Gunvantbhai Shah* (*Supra*)*, Shri Ashok K. Chaudhary* (*Supra*)*, Shriram Insight Share Brokers Ltd* (*Supra*), *Rajeev Bhanot & Ors* (*Supra*) and *Morepen Laboratories Limited* (*Supra*). In this regard, I note that, in the judgement relied upon by the Noticee in the matter of *Ashlesh Gunvantbhai Shah* (*Supra*), the Hon'ble SAT has made the following pertinent remarks:

> *"It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. <u>What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case.</u> This proposition of law has been consistently reiterated by the Supreme Court [..]. (emphasis applied)*

16. I also note that, Hon'ble Supreme Court recently in the case of Adjudicating Officer, *SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294* held:

> *"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/ statute, prejudice caused, whether the third-party rights had been created etc."*

17. The Noticees No. 4 - 11 has contended that, since impugned preferential allotment was approved by shareholders of the Company and in-principal approval has been granted by BSE, the Noticees have no reason to suspect that the preferential allotment was devised for routing of funds through its promoter related entities. Further, these Noticees have stated that in no way it is connected to the Company. In this regard, I note that, '*Preferential Allotment*' is a process in which shares are allotted to a specific group of people or companies which are interested in it on preferential basis at a predetermined price. In this case, shares were allotted by Rajlaxmi in a preferential allotment, which signifies that the allottees agreed with the company on one-to-one basis to fulfil its fund requirements. The shares of Rajlaxmi were suspended from trading for a long time i.e. from February 17, 2003 to December 8, 2010 and Rajlaxmi was hardly having any credential in the market at the time of the preferential allotments, as in previous financial years it was running into losses on continuance basis. It is noted that, even in such circumstances, Rajlaxmi was able to raise approximately Rs. 30 crores at a price of Rs. 10 per share. This could only be possible if the preferential allottees had some prior understanding with Rajlaxmi, its promoter and directors and the exit providers with regard to the dubious plan, device and artifice. In such circumstances, I find it difficult to accept that these preferential allottees were not aware of the device, scheme and plan in question.

18. The Noticees No. 4 - 11 has contended that they have not been provided with the reason for initiating investigation against them in the scrip of Rajlaxmi and they were also not provided with any details pertaining to the investigation report or the appointment of investigating officer. In this regard, I note that, in the opening para of the SCN it has been brought out that the investigation was carried out to ascertain the irregularities in funding of preferential allotment by the Company along with the period of investigation. Further, in detail the SCN discussed about these Noticees fund transactions, preferential allotments, information shared by them during investigation, summons issued to them during investigation seeking details

w.r.t. their preferential allotments, funds received by them from other entities, etc. during the relevant period. I also note that relevant portion of the investigation report w.r.t. said Noticees have been brought out in the SCN and also provided to them as Annexure B to the SCN. Considering the same, I am of a view that these contentions of the said Noticees are frivolous and untenable.

19. Coming to the merit of the case, I note that, it is an admitted fact that Noticees No. 4 – 11 have received 3,50,000 shares each of Rajlaxmi in impugned preferential allotment. However, it is alleged that the Company had funded these Noticees by transferring funds, through its conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and thus, facilitated their subscription to the preferential issue of Rajlaxmi. It is further alleged that these Noticees have failed to furnish information relating to nature and purpose of transfer of funds and investment sale related details sought by the investigating authority through summons during the investigation period. With regard to aforesaid allegations, these Noticees have contested during investigation (*vide their replies to the summons dated December 14, 2020*) and during instant proceedings, that they have used their own funds received out of sale of their investments for subscribing to said preferential issue. However, during the investigation, Noticees No. 5, 6 and 9 have not provided details sought from them by IA, such as – reason or basis for subscribing/ allotment to preferential issue, their connection with Rajlaxmi or its directors/ promoters/ employees, details of their shareholdings in Rajlaxmi, details related to fund transfer dated January 28, 2020, details related to their sale of investments etc. Further, Noticees No. 4, 7, 8, 10 and 11 have failed to provide details sought from them by IA w.r.t. sale of shares of EIL, such as – proof of sale, date of sale, mode of sale, details of broker/ DP/ demat account etc. Noticees No. 4, 7, 8, 10 and 11 have only provided their bank statement in support of their claim. In this regard, I note that these Noticees have hampered the investigation by not providing proper explanation/ documents as sought during the investigation process.

20. I further note that these Noticees during the instant proceedings have provided certain documents in support of their statements regarding sale of warrants of EIL to Dhanprayog. These Noticees has provided copies of – i) application letter for subscription of share warrants of EIL; ii) bank statement; iii) confirmation of accounts provided by EIL; and iv) bill for sale of share warrants. I have observed that these Noticees have never provided the aforesaid documents to the IA during investigation despite being asked through summons and reminder e-mail. Further, they have misled the IA in process of investigation by mentioning that they

have sold the shares of EIL, however, on perusal of the aforesaid documents, I found the securities stated to be sold by the Noticees, were '*convertible warrants received on private placement basis*' from EIL and not the shares as stated during investigation. From perusal of documents produced before me during the instant proceedings, I found that that Application Letter for said "*convertible warrants*" is available for Noticees No. 4, 6 and 10 only and bill for sale of "*convertible warrants*" for Noticees No. 4 and 8 to 11. Confirmation of accounts provided by EIL for confirmation of allotment of EIL warrants is available for Noticees No. 4, 6 and 10. Noticees No. 4-11 has provided their bank statement, which shows debit transactions to EIL and credit transaction received from Dhanprayog. I further found that apart from credit transaction from Dhanprayog and bill of sale of warrants (for Noticees No. 4 and 8 to 11), no other document has been produced before me, which can substantiate the claim of these Noticees of selling of "*convertible warrants*" to Dhanprayog on 15.01.2013 and receipt of funds in lieu of that sale on 28.01.2013. I note that, the application for said warrants was made by Noticees No. 4, 6 and 10 on 25.10.2010 and first payment to EIL was made on 19.11.2010, 22.11.2010 and 22.11.2010, respectively. As per said application form said warrants were convertible into equity shares within a period of 18 months from the date of allotment of said warrants. As per letter of "confirmation of accounts" for Noticees No. 4, 5 and 10, the said warrants were allotted on December 03, 2010. Therefore, as per the documents produce before me, said "*convertible warrants*" were due for conversion into equity shares of EIL on June, 2012.

21. Considering the aforementioned facts and circumstances, I am of the view that, documents produced by the Noticees during the instant proceedings are insufficient to show that they have made a sale of "*convertible warrants*" issued by EIL to Dhanprayog on January 28, 2013, especially under the circumstances, when said warrants were due for conversion into equity shares of EIL almost 7-8 months prior to the date of the sale. Further, apart from a sale bill on plain paper and a fund transaction, no other supporting document is available to substantiate the claim of the Noticees. I am also of the view that these Noticees have hampered the investigation by providing insufficient and misleading information of sale of shares of EIL. They have provided only limited documents to IA i.e. bank account statements related to their transaction; and failed to produce other relevant documents related to allotment of said warrants of EIL, which were later produced before me during the instant proceedings. Considering the same, I reject all the contentions of these Noticees related to warrants, sale of "*convertible warrants*" of EIL/ sale of equity shares of EIL, etc. and I am of the opinion that the funds received by Noticees No. 4-11 were not part of the sale proceeds of said "*convertible warrants*" of EIL to Dhanprayog,

as claimed by these Noticees. I also found that the Noticees (including Noticees No. 4-11) have created hindrance in investigation process by not providing any information or desired information and documents as sought from them through summons issued to them during investigation and thus, they have violated the provisions of Section 11C(2) read with 11C(3) of the SEBI Act.

22. I note from Table No. 4, that the Company has received an amount of Rs 2.10 crores from 6 of the allottees on 23.01.2013 and 24.01.2013. Thereafter, the Company has transferred Rs 1.75 crores to Dhanprayog, Noticee No. 12 on 25.01.2013 in 4 transactions. The other conduit in the case i.e. Shivaangan, Noticee No. 13 has transferred Rs. 70 lacs to Dhanprayog on 25.01.2013 and Rs 20,39,000/- on 28.01.2013. Subsequently, Dhanprayog has transferred Rs. 3,87,500/- each to 8 allottees i.e. Noticees No. 4 – 11 on 28.01.2013, 30.01.2013 and 01.02.2013, respectively (*refer table no. 6*). Meanwhile, Shivaangan received Rs 4.20 crores from the Company in 9 transactions on 29.01.2013. Thereafter, on receipt of the amount from Dhanprayog, each of the Noticees No. 4 – 11 have transferred the amount of Rs 35 lacs on same day or within 1-3 days (in case of Noticees No. 6, 7, 9, 10 and 11) to the Company as a subscription amount for the preferential allotment. In terms of discussion in paras no. 19 to 22 above, it is evident that each of the Noticees No. 4 – 11 have received an amount of Rs. 3,87,500/- from Dhanprayog, Noticee No. 12 on 28.01.2013, 30.01.2013 and 01.02.2013, respectively (*refer table no. 6*). Though, these Noticees claimed that same is sale proceed for "*convertible warrants*" of EIL sold to Noticee No. 12, however, these Noticees failed to substantiate their claim before me. Further, the fraudulent scheme devised by the Company, of funding preferential allotment through funds of other allottees and thus, giving an impression of genuine capital infusion has been executed through conduits Dhanprayog, Noticees No. 12 and Shivaangan, Noticee No. 13 and *via* 8 allottees i.e. Noticees No. 4 to 11, through whom Company own funds came back in form of subscription amount. It has also been found that prior to receipt of funds from other allottees on 23.01.2013 and 24.01.2013, the Company had a balance of Rs. 10,000/- only in the concerned account. Similarly, prior to receipt of funds from the Company, the accounts of Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 had balance of only Rs. 51,480.34 and Rs. 50,317.76, respectively. Also prior to receipt of funds from Dhanprayog, the allottees i.e. Noticees No. 4 to 11, accounts have balance much lesser than the funds required for subscription to the issue i.e. in range of Rs. 21,032/- to Rs. 11,61,032/- (*refer Table 6*). The aforesaid facts and circumstances, clearly shows that these Noticees have executed the fraudulent scheme with a *mala fide* intent

and given a wrong impression of raise in capital of the Company through share issuance via impugned preferential allotment.

23. I note that, a company being a legal person having separate and independent existence than its shareholders act through its board of directors who individually and collectively hold the position of trust and have fiduciary duties towards the company, the shareholders and other stakeholders. It is settled position that while alleging vicarious liabilities on the directors, the company should also be proceeded with for its defaults (*U.P. Pollution Control Board vs. Modi Distillary AIR 1998 SC 1128*). Thus, Rajlaxmi, Noticee No. 1 cannot escape liability of its acts. Further, the Noticees No. 2 and 3 were the Executive Directors of the Company during the relevant time and therefore were holding key positions and therefore, they were the persons having key and active roles and responsibilities in deciding about the issuance and allotment of the preferential shares in the Company. Therefore, they are liable for the acts of Rajlaxmi with regard to the impugned preferential allotment. They have to perform their duties under obligations of trust and confidence to the Company or its shareholders. They are responsible under the duty of trust to the Company and its shareholders while dealing with monies of the Company; but they have brazenly failed in observing such duties. Further, in cases of fraud, it is settled position of law, the corporate veil can be lifted and the directors can be held liable for the fraud of the Company. Therefore, the Noticees No. 2 and 3 are liable for the fraud as found in this case.

24. The Noticees No. 4-11 have contended that they have cooperated and assisted the investigation by duly responding to the summons as detailed in Table 9. In this regard, I would like to refer paras 19 to 21 of this order, wherein, detail it has been discussed that these Noticees have provided a misleading statement of sale of shares of EIL instead of "*convertible warrants*" of EIL. Further, as supporting documents they have provided only the bank statements, which were found to be insufficient to substantiate their claims of sale of "*convertible warrants*" of EIL to Dhanprayog. Only in these proceedings, post hearing these Noticees have provided few of the documents, which I found are deficient to authenticate their claim of receipt of money from Dhanprayog in lieu of sale of "*convertible warrants*" of EIL, which ideally would have been converted into equity shares prior to 7-8 months of the transaction date. Considering the above facts, I found the contentions of the Noticees in this regard untenable.

25. The Noticees No. 4-11 have contended that the allegations levied against the Noticees are rooted in and premised on the benefit of hindsight. In this regard, I note that, the genesis of investigation in this case is rooted on a study carried out by a department of SEBI w.r.t. "*Anomalies in the price discovery of selected small stocks*" and Rajlaxmi was one of the Company among 17 companies. Further, a reference had been received by SEBI from Income Tax authorities, wherein, misuse of Stock Exchange mechanism for generating bogus LTCG was alleged against the Company. Thereafter, a detailed and extensive investigation has been carried out in this matter and after analyzing bank transactions of Company, allotteees, other related enties, preferential allotments, etc.; and after granting opportunity to submit desired information/ documents/ explanations, etc., charges has been framed in this case. Further, the attendant circumstances in this case indicate that these Noticees were aware of the fraudulent scheme and devise employed in the impugned preferential allotment and were known to ulterior motive of Noticees No. 1 - 3, 12 and 13. Instead they are found to be an integral part of the circumventing of the other allottees funds back to the Company through them. Considering these peculiar facts and circumstances of the case and above discussion, it is not correct to say that the instant adjudication of alleged violations in this case is in hindsight as sought to be contended by these Noticees. Therefore, the judgement of Hon'ble SAT in the matter of *Price Waterhouse & Co & Ors v. SEBI* (Appeal No. 6/2018) and judgement of Delaware Chancery Court in the matter *In Re Citigroup Inc. Shareholder Derivative Litigation* is squarely not applicable in this case. Thus, I reject contentions of these Noticees of proceeding in this case on the basis of hindsight bias.

26. The Noticees No. 4-11 have contended that the establishment of connection between the Company and preferential allottees as an eminent substance to frame charges under the PFUTP Regulations. Further, SEBI has not provided any evidence of any collusion between the Noticees and the Company and / or its Directors or promoter related entities or to provide any reason whatsoever for engaging in such transfer of funds, if any. In this regard, I note that, in para 18 above, it is discussed in detail that in a '*Preferential Allotment*' process, a specific identified group of people, who agrees on one-to-one basis with company and have prior understanding with the company are likely to be considered as allottees for an allotment on preferential basis. Further, the fund transactions among the Company, conduits, and these allottees and subsequent preferential allotments, clearly demonstrate existence of a fraudulent scheme in a closed group of the Noticees. I observe that the aforesaid inferences based on the fund transactions and subsequent preferential allotments of the Noticees are sufficient in

themselves to prove the charges of fraudulent activity and the mere absence of any other direct evidence cannot be a ground of exoneration, as held by Hon'ble Supreme Court in the matter of *SEBI Vs. Kishore R. Ajmera* [(2016) 6 SCC 368]. The Hon'ble Supreme Court further observed that – "*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.*"

27. In the instant case, I am of the opinion that attendant circumstances discussed in detail in above paras of this order exhibits an apparent motive of the Noticees to give a false expression of capital infusion in the Company via impugned preferential allotment. Therefore, once the Noticees has been found to have indulged in such fraudulent activity in impugned preferential allotment of the Company, they are liable for their acts and omissions. I have perused the judgements of *Pine Animation (Supra)* and *Nishith Shah HUF (Supra)* and I note that the judgement of Nishith Shah can be easily differentiated from the instant case on the basis of facts, as same is related to trading activity, where a buyer and seller relationship has been discussed. Further, in *Pine Animation (Supra)* case the connection role among 114 entities has been discussed in terms of price/ volume manipulation and similarly, in the matters *Umang Dhanuka & Ors (Supra)* and *Ravindra Kumar Grover & Ors. (Supra),* the preferential allottees roles has been discussed in terms of price / volume manipulation. I note that there is no such charge of price / volume manipulation or trading in the scrip of the Company before me in this case and therefore the aforesaid judgement does not squarely applicable in this case. In view of the above and attendant circumstances of this case, I found the contentions of these Noticees as not tenable. Considering the facts and circumstances of the case, I am of the opinion that by indulging in such fraudulent scheme, the Noticees have violated the provisions of Sections 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulation 3(b), (c), (d) and 4(1) of the PFUTP Regulations.

28. In view of the discussion so far in this order, I found that the Noticees No. 1 and its executive directors Noticees No. 2 and 3, along with conduits i.e. Noticees No. 12 and 13 and preferential

allottees i.e. Noticees No. 4 – 11, have devised a fraudulent scheme for circumventing the fund of the Company, which it have received from other allottees to give an illusory impression of capital infusion through impugned preferential allotment. Further, these Noticees have hampered the investigation by not providing the desired information/ documents/ explanations sought *via* summons by IA. Therefore, for such fraudulent and non-supportive acts of these Noticees, I hold Noticees No. 1 to 13 liable for penalty under Sections 15A(a) and 15HA of the SEBI Act as applicable at the relevant time. The said provision of aforesaid sections reads as under: -

SEBI Act

Penalty for failure to furnish information, return, etc.

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

(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

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 twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.*

29. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. The factors stipulated in Section 15J of the SEBI Act reads as follows: -

15J - Factors to be taken into account by the adjudicating officer
While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -
(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investor/+s 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 of an adjudicating officer 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;

30. In this case, from the material available on record, the extent of loss suffered by the investors as a result of the default in this case cannot be computed. The Company (Noticee No. 1) and its management (Noticees No. 2 and 3) have played integral role in creating a scheme and device, wherein, the Company has routed the fund received from other preferential allottees through conduits Dhanprayog, Noticee No. 12 and Shivaangan, Noticee No. 13 and funded the allottees Noticees No. 4 – 11 for subscribing to the preferential issue of the Company and thus, perpetrated such fraud on investors by giving an impression of capital infusion through preferential allotment and therefore, limited the genuine capital infusion of amount upto Rs 2.80 crore (i.e. Rs 35 lakh contribution through 8 allottees - Noticees No. 4 – 11). These Noticees also hampered and hindered the process of investigation by failing to furnish the information related to nature and purpose of transfer of funds and investment sale related details sought by the investigating authority through summons.

31. Accordingly, it is incumbent upon SEBI to take stern view with regard to the market abuse and fraudulent practices, particularly when persons tasked with protecting the interest of the company and its shareholders are themselves involved in perpetrating fraud. Noticee No. 2 and 3 being the part of management of the Company and in charge of day-to-day affairs of the Company are also responsible for fraudulent and unfair practices undertaken by the Company in this case. In my considered opinion the deliberate defiance and indulgence in fraudulent activity by the persons - who being in charge of affairs of the Company holding fiduciary duties towards investors - should be dealt with sternly and the penalty in such cases should serve as effective deterrence.

32. With regard to imposition of penalty, the Noticees No. 4 - 11 has relied upon the judgment of Hon'ble SAT in the matter of *Piramal Enterprises Limited (Supra)* and *P.G Electroplast and others (Supra).* I have perused the aforesaid judgement and I note that in both the cases, there involves some sensitive information and the violations in the cases have been found to be technical and venial in nature, however, I failed to understand that, how a fraudulent act can fall under the realms of a technical and venial breach, as contended by these Noticees. I found such contentions of the Noticees to be frivolous.

33. It is also to be kept in mind that the misappropriation of the Company's fund is a heinous act, and thus, same need to be dealt sternly and suitably penalized. However, while so holding I am also mindful of the fact that the instant proceedings have been initiated in July, 2021 much

after the preferential allotment in questions i.e. March 02, 2013. Considering the nature of violation in this case such delay in enforcing the provisions of law or such quantity of shares and their market value, in my view, would not hinder imposition of monetary penalty lest it should lead to compromising with the aforesaid purpose of effective deterrence and the perpetrator of such fraud would enjoy the benefits at the peril of the Company and its shareholders. While no direction to refund such monies to the Company or cancellation of shares allotted in the impugned preferential allotment are possible in the instant proceedings, the leniency to exonerate the violators merely on account of delay in initiation of these proceedings be against the very objective of penal provisions under sections 15A(a) and 15HA of the SEBI Act. Although such delay and quantity / value of shares could be considered as a mitigating factor while adjudging the quantum of penalty.

34. In terms of the principle prescribed under section 15J and striking a balance between the gravity of default and mitigating factors as aforesaid, I deem that following penalty on the Noticees No. 1 – 13 would be commensurate with the violation committed by them and therefore, by exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules and considering the 15J factors, I hereby impose penalty of Rs. 40,00,000/- (Rupees Forty Lakh Only) jointly and severally upon the Noticees *viz.* Rajlaxmi Industries Limited (Noticee No. 1), Mr. Aditya Jaipuria (Noticee No. 2), Mr. Rahul Jagnani (Noticee No. 3), Mr. Deepak Agarwal (Noticee No. 4), Mr. Deepak Kumar (HUF) (Noticee No. 5), Mr. Dilipp Agarwal (Noticee No. 6), Mr. Dilipp Agarwal (HUF) (Noticee No. 7), Ms. Priti Agarwal (Noticee No. 8), Ms. Sabita Agarwal (Noticee No. 9), Mr. Sita Ram Agarwal (Noticee No. 10), Ms. Vibha Agarwal (Noticee No. 11), Dhanprayog Vintrade Pvt. Ltd. (Noticee No. 12) and Shivaangan Vintrade Pvt. Ltd. (Noticee No. 13).

35. The Noticees shall remit / pay the said total amount of penalty within 45 days of receipt of this order by way online payment on SEBI website at following tabs on SEBI website www.sebi.gov.in – ENFORCEMENT -> Orders ->Orders of AO -> Pay Online or by way of using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html.In case you face any difficulties in payment of penalties, you may contact the support at portalhelp@sebi.gov.in .

36. The said confirmation of e-payment made in the format as given in table below should be sent to "*The Division Chief, EFD 1- DRA-II, Securities and Exchange Board of India, SEBI Bhavan, Plot*

no. C- 4 A, "G" Block, BandraKurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1	Case Name	
2	Name of the 'Payer/Noticee'	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for(like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

37. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

38. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: April 11, 2022
Place: Mumbai

Vijayant Kumar Verma
Adjudicating Officer