



DEPUTY GENERAL MANAGER
CORPORATION FINANCE INVESTIGATION DEPARTMENT

SEBI/HO/CFID/SEC-3/OW/P/2023/32139/12

August 10, 2023

Noticee Nos.	Name of Entity	PAN of Entity	Address
1	M/s. Rana Sugars Limited	AABCR6744C	SCO 49 – 50, Sector 8 C Madhya Marg, Chandigarh 160009
2	Inder Pratap Singh Rana (Promoter and Managing Director)	AVNPS6106M	House No. 16 Sector - 4 Chandigarh - 160001
3	Ranjit Singh Rana (Promoter and Chairman)	ADXPS5464N	House No. 16 Sector - 4 Chandigarh - 160001
4	Veer Pratap Singh Rana (Promoter and Director)	BAFPS9170M	House No. 16 Sector - 4 Chandigarh - 160001
5	Gurjeet Singh Rana (Father of MD)	ADYPS5459E	House No. 16 Sector - 4 Chandigarh - 160001
6	Karan Pratap Singh Rana (Promoter and brother of MD)	BKYP55096P	House No. 16 Sector - 4 Chandigarh - 160001
7	Ms. Rajbans Kaur (Promoter and mother of MD)	AMVPK3864D	House No. 16 Sector - 4 Chandigarh - 160001
8	Preet Inder Singh Rana (Promoter and son of Chairman)	BKYP55068K	House No. 16 Sector - 4 Chandigarh - 160001
9	Ms. Sukhjinder Kaur (Promoter and Wife of Chairman)	AMVPK3867A	House No. 16 Sector - 4 Chandigarh - 160001
10	Manoj Gupta	AATPG 3850H	House No. 222 Sector - 6 Panchkula, Haryana - 134108
11	Flawless Traders Private Limited	AABCF1377M	SCO 116-117, 2 nd Floor, Sector 8-C Chandigarh 160009
✓ 12	Century Agros Private Limited	AABCC5773G	SCO 80-81, 3rd Floor, Sector 17-C Chandigarh 160017
13	Jay Aar Builders Private Limited	AAACJ4342B	Chamber - 110, First Floor SCO 1A, Sector -7c Chandigarh 160019
14	R J Texfab Private Limited	AACCR1544H	SCO 116-117, 2 nd Floor, Sector 8-C Chandigarh 160009
15	R G S Traders Private Limited	AACCR1293D	Chamber - 110, First Floor SCO 1A, Sector - 7 Chandigarh 160019

Sub: Show Cause Notice under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Rana Sugars Limited

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

1. Securities and Exchange Board of India (SEBI) conducted investigation into the affairs of Rana Sugars Limited (**the company/Rana Sugars/RSL**) for the period from financial year (FY) 2014-15 to financial year (FY) 2020-21 (hereinafter referred to as Investigation Period/IP).
2. SEBI investigation into the matter inter alia alleged that the company along with its promoter directors including its Managing Director, Chairman and their family members had devised a scheme to divert/siphon off the funds of the company using certain private limited companies indirectly controlled by the Managing Director of RSL and his family members. These private companies were not shown as related party even though these were indirectly controlled by the promoters of RSL including its Managing Director and consequently the transactions with these private companies were also not shown as related party transactions. The details in respect of the above are discussed in the paragraphs below:

Diversion/ Misutilisation of funds of the company (Rana Sugars Limited):

3. It was observed that Income Tax Department had stated that Rana Sugars Limited apparently diverted funds from RSL to the promoter directors and their family members through certain private limited companies which were allegedly controlled/connected to Rana Sugars Limited and their promoters. It was further alleged that these private limited companies had no business and were used as conduits to divert funds and to avoid the regulatory requirements of reporting.
4. During investigation, bank account statements for the investigation period pertaining to entities mentioned in the CEIB reference (**Annexure 1**) namely, Flawless Traders Private Limited (FTPL), Century Agros Private Limited (CAPL), Jay Aar Builders Private Limited (JABPL), R J Texfab Private Limited (RJTPL) and R G S Traders Private Limited (RGS Traders) (hereinafter collectively referred to as 'conduit entities') with Axis Bank were analysed to ascertain the allegations of diversion of funds from Rana Sugars Limited through the abovementioned companies to the individual promoter entities and their family members. The above mentioned companies were mentioned as shell companies in the Income Tax survey report, being in indirect control of the promoters of Rana Sugars or their relatives or connected persons.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

5. During investigation a direct, one to one fund transfer on the same day from Rana Sugars Limited to the individual promoter group entities via the conduit entities were observed. It was alleged that funds received from Rana Sugars in the accounts of the above mentioned private limited companies were then transferred to the individual entities belonging to the promoter and promoter group on the same day. A copy of the bank statements received from Axis Bank in respect of the aforesaid private limited companies along with analysis are placed at **Annexure 2** and a brief summary for the period from year 2014-2021 of the aforementioned period of the aforesaid transactions are as below:

Table 1				
Name of the entity that received funds from RSL	Amount (Rs.) received from RSL (2014-2021)	Name of entity to which funds received from RSL were transferred	Amount (Rs.) transferred to Individual entities	Nature of Relationship of the individuals with Rana Sugars Limited
Flawless Traders Private Limited Bank Account No. 912020044404859 with Axis Bank (27/08/2012 to 16/04/2019)	45,06,30,002	Ranjit Singh Rana	4,48,00,000	Chairman of RSL
		Gurjeet Singh Rana	15,42,00,000	Father of Rana Inder Pratap Singh (MD of RSL)
		Inder Pratap Singh Rana	2,05,00,000	MD of RSL
		Veer Pratap Singh Rana	60,00,000	Director of RSL
		Preet Inder Singh Rana	1,00,00,000	Brother of Rana Inder Pratap Singh
		Karan Pratap Singh Rana	40,00,000	Director of RSL
		Rajbans Kaur	23,00,000	Mother of Rana Inder Pratap Singh
		Total	24,18,00,000	
Century Agros Private Limited Bank Account No. 913020037979578 with Axis Bank (19/08/2013 to 25/09/2020)	11,03,93,216	Ranjit Singh Rana	1,25,00,000	Chairman of RSL
		Gurjeet Singh Rana	1,75,00,000	Father of Rana Inder Pratap Singh
		Rajbans Kaur	20,00,000	Mother of Rana Inder Pratap Singh
		Sukhjinder Kaur	20,00,000	Wife of Rana Ranjit Singh (Chairman)
		Total	3,40,00,000	
Jay Aar Builders Private Limited Bank Account No. 915020028149775 with Axis Bank (24/06/2015 to 25/01/2020)	4,52,93,065	Ranjit singh Rana	1,00,00,000	Director of RSL
		Inder Pratap Singh Rana	1,00,00,000	MD of RSL
		Veer Pratap singh Rana	1,00,00,000	Director of RSL
		Total	3,00,00,000	
	38,40,30,000	Gurjeet Singh Rana	1,63,00,000	Father of Rana Inder Pratap Singh

Show Cause Notice in the matter of Rana Sugars Limited





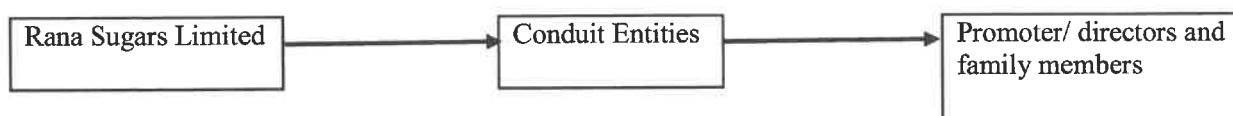
अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

R J Tex Fab Private Limited Bank Account No. 912020050100918 with Axis Bank (24/09/2012 to 04/07/2019)		Karan Pratap Singh Rana	55,00,000	Director of RSL
		Veer Pratap Singh Rana	1,00,00,000	Director of RSL
		Inder Pratap Singh Rana	2,35,00,000	MD of RSL
		Rajbans Kaur	31,50,000	Mother of Rana Inder Pratap Singh
		Sukhjinder Kaur	18,50,000	Wife of Rana Ranjit Singh (Chairman)
		Ranjit Singh Rana	11,54,75,000	Chairman of RSL
		Total	17,57,75,000	
R G S Traders Private Limited Bank Account No. 911020028718713 with Axis Bank (06/06/2011 to 30/09/2022)	119,30,70,646	Gurjeet Singh Rana	1,86,50,000	Father of Rana Inder Partap Singh
		Inder Pratap Singh Rana	1,50,00,000	MD of RSL
		Veer Pratap Singh Rana	33,00,000	Director of RSL
		Ranjit Singh Rana	90,00,000	Chairman of RSL
		Sukhjinder Kaur	23,00,000	Wife of Rana Ranjit Singh (Chairman)
		Total	4,82,50,000	
Grand Total	218,34,16,929		52,98,25,000	

6. It is alleged that Rana Sugars did not provide any supporting documents such as agreements etc. in support of its reply regarding the funds transfer to the private limited companies which it claimed to be business advances. Further it was observed that an amount of approximately Rs.165.36 crore was in continuous circulation amongst the entities namely, Rana Polycot Limited, RSL Distilleries Private Limited, Rana Informatics Private Limited, Rana Leathers Private Limited, R.G.S. Traders Private Limited, Rana Infrastructure Private Limited, Rana Power Limited, Kalinga Traders Private Limited, Superior Food Grains Private Limited Rana Energy Limited, Rana Green Power Limited, Laxmiji Sugars Mills Company Limited, Rana Logistics & Transport Private Limited, Karmganj Biofuels Private Limited, Buttar Biofuels Private Limited, Superior Biofuels Private Limited, Shree Ajudhia Sugar Mills Private Limited, Ajudhia Biofuels Private Limited, Erbir Ventures Private Limited etc. that were directly/indirectly connected and controlled by Promoters of RSL.

7. It was observed that one to one bank transactions consistently followed the following pattern.



Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

The aforementioned transactions are in the nature of fund diversions from the listed company to the related parties and family members of directors by disguising these transactions as business advances to the conduit entities.

Financials of the conduit entities:

8. Investigations alleged that the aforementioned private limited companies were not having regular business which is evident from perusal of their financial statements for the previous five financial years of those companies available as per the filings with MCA. A summary of the financial performance of the aforementioned companies for the past 5 financial years (FY 2016-17 to FY 2020-21) is given as below:

Name of company	Particulars	Table 2				
		Financial Years				
		2016-17	2017-18	2018-19	2019-20	2020-21
Flawless Traders Private Limited	Revenue	-	1,87,50,000	-	-	-
	Other Income	-	-	-	-	12,180
	Total Expenses	2,11,776	2,03,60,135	18,522	21,330	6,204
	Exceptional Item	-	-	-	-	(54,680)
	Employee expenses	-	-	-	-	-
	PAT	(211,776)	(1,610,135)	(18,522)	(21,330)	(48,704)
	Loans Taken	58,29,70,000	58,22,48,400	48,24,11,402	44,51,21,402	38,75,62,402
	Loans Given	35,80,60,000	35,82,14,663	25,45,85,663	22,58,31,000	16,82,72,000
	Net Worth	(2,44,993)	(18,55,129)	(18,73,651)	56,55,019	56,06,315
Century Agros Private Limited	Revenue	-	5,23,86,017	18,50,25,556	-	-
	Total Expenses	(2,07,038)	(5,43,19,726)	(18,52,16,169)	(3,47,435)	(75,545)
	Exceptional Item	-	-	-	-	(7,95,450)
	Employee expenses	-	-	3,35,434	2,55,519	-
	PAT	(2,07,038)	(19,33,709)	(1,90,613)	(3,47,435)	(8,70,995)
	Loans Taken	17,00,77,702	15,62,25,702	25,58,46,271	24,34,16,271	23,37,93,271
	Loans Given	30,71,38,342	30,70,38,342	28,08,38,342	26,62,67,476	25,65,43,758
	Net Worth	6,14,787	(13,18,922)	(15,09,535)	(18,56,970)	(27,27,965)
Jay Aar Builders Private Limited	Revenue	-	1,87,50,000	-	-	-
	Other Income	-	-	-	-	-
	Total Expenses	1,53,693	20,0,72,402	15,349	81,408	7,079
	Exceptional Item					26,598
	Employee expenses	-	-	-	-	-
	PAT	(1,53,693)	(13,22,402)	(15,349)	(80,390)	19,519
	Loans Taken	17,17,82,500	17,17,90,493	11,79,43,558	11,10,47,085	7,15,10,000
	Loans Given	17,16,72,500	17,18,95,455	11,64,05,455	11,61,82,500	76,6,27,560
	Net Worth	(67,878)	(13,90,280)	(14,05,630)	51,86,480	52,05,999
	Revenue	76,05,24,845	21,67,55,458	-	-	-

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

R J Texfab Private Limited	Other Income	-	-	-	-	3,43,753
	Total Expenses	76,03,66,597	21,66,43,709	7,11,528	2,66,869	8,906
	Exceptional Item					
	Employee expenses	4,99,982	1,64,500	1,81,200	1,66,100	-
	PAT	1,04,688	72,719	(7,11,528)	(2,66,869)	3,17,173
	Loans Taken	32,49,52,743	32,49,52,743	27,29,43,743	24,44,50,814	7,79,38,814
	Loans Given	44,67,07,821	49,82,57,821	49,41,57,821	48,98,57,821	47,74,68,821
	Net Worth	8,58,917	9,31,636	2,20,108	(46,761)	2,70,412
R G S Traders Private Limited	Revenue	123,89,74,195	23,72,02,775	41,77,60,550	1,21,99,800	0
	Other Income	0	5,69,759	0	0	2,68,95,756
	Total Expenses	123,83,28,417	23,82,36,038	41,54,48,286	1,21,73,176	3,87,943
	Exceptional Item	0	0	0	0	0
	Employee expenses	4,80,000	0	1,20,000	0	0
	PAT	6,30,961	(4,63,504)	23,12,264	(5,41,309)	2,32,17,449
	Loans Taken	54,45,58,999	13,21,82,067	13,21,82,067	10,77,32,067	93,78,231
	Loans Given	28,96,42,031	29,76,18,637	31,89,85,796	24,81,62,998	16,40,36,467
	Net Worth	(7,97,35,999)	(8,01,98,902)	(7,78,86,639)	(7,84,27,948)	(5,52,10,499)

The financial statements of the aforementioned entities are placed as **Annexure 3**.

9. The following observations are made from the table above:

- Flawless Traders Private Limited and Jay Aar Builders Private Limited have business in only one year. Further the reported revenue of Rs. 1,87,50,000 (round figure) appears to be non-genuine as it is very unlikely for two companies to have exactly the same sales figure and that too, to be a round figure. It is alleged that both the abovementioned companies have reported nil employee expenses even in the year when the aforesaid companies reported revenue from operations. It is very unlikely for any establishment to operate without having an employee. It is also alleged that both the above mentioned companies have reported losses over the period and were having substantial negative net worth during the period.
- It is observed that Century Agros Private Limited has reported revenue from operations only in 2 of the 5 financial years and in both the years it has incurred substantial losses. It has incurred losses in other years as well. CAPL's net worth is negative after FY 2016-17 and the same has increased substantially during the period.
- R J Texfab Private Limited has also reported revenue from operations in only 2 of the 5 financial years and in both the years, it has reported minimal profit in those 2 years and has incurred losses in the other years. It is observed that RJTPL has reported other income during FY 2020-21 and a negligible expenses resulting into a profit.
- It is observed that only R G S Traders Private Limited has reported revenue from operation on a regular basis (4 of the five financial years) and has incurred losses in 2

Show Cause Notice in the matter of Rana Sugars Limited



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

years. However, it has substantial negative net worth in all of the five financial years. However, it is noticed that R G S has reported employee expenses in only 2 of the 5 financial years. As mentioned earlier the operations of any establishment is suspicious if it has no employee or there is mismatch in the scale of operation and the corresponding employees or other expenses.

10. On perusal of financial statements of the above mentioned companies over the period, it is observed that the main activity of these companies which had no other business, seemed to be of borrowing and lending from and to companies/entities directly/indirectly related to Rana Sugars Limited. In view of the above discussions it is alleged that the above mentioned companies were operating as vehicles to create multiple layers to eliminate/blur the trail of funds diverted/transferred amongst various entities including individuals belonging to the promoter group directly or indirectly connected/associated / related to Rana Sugars Limited.
11. It is observed that the business advances that were provided to the conduit entities were interest free as the same were not in the nature of loan. It is noted that business advances are paid against goods or services to be received from an entity within a short time duration and to meet the working capital requirements of the providers of such goods or services. Further, the conduit entities to which business advances were provided by RSL had not shown any payment of interest on those advances and neither the conduit entities have accounted for any income from interest in respect of further advances provided to the individual entities belonging to the promoter group and other private limited companies indirectly controlled/connected/related to Rana Sugars Limited and its promoters. Further, the business advances paid to those private limited companies were further advanced to the individual promoter entities of RSL including its MD, Chairman, Executive Director and their family members. Therefore, it is alleged that the business advances provided to the private limited (conduit entities) were sham and was intended to be transferred further to the individuals and other entities directly/indirectly controlled by the promoters of RSL. Bank Statements of conduit entities showing funds transfers are at **Annexure 4**.
12. It is alleged that the interest free advances given as above were from the borrowings of Rana Sugars Limited from banks and other sources on which RSL had paid interest. It is noted that

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

had the above funds not been diverted, the borrowings of RSL would have been lesser to that extent and the consequent interest upon the same would have been avoided/saved. Further, it is noted that the interest free advances as mentioned above, remained outstanding and while no income was received/receivable on those advances, RSL continued to pay interest on the same for years from the profits of the company which supposedly belonged to the investors.

13. Further, it is also observed that in all the conduit entities, the expenses in the years when the respective company had reported revenues from operations were almost equivalent to their revenues in the said financial years. It is alleged that the same may have been structured in such a way so that the companies do not have obligations to pay taxes. Further, all of the above mentioned private limited companies have taken and given loans and advances to the entities directly/indirectly connected/associated with Rana Sugars Limited. Further, there is no consistency in the items of income and expenditure over the period. For example, RGS Traders have paid interest on borrowing in the FY 2018-19 only. However, the details of borrowings in which the interest has been paid is not ascertainable as the summons issued to the company had returned undelivered and efforts to contact the company from other sources such as through RSL officials etc. failed.

14. In view of the above observations, it was alleged that the aforesaid private limited companies acted as conduits and has aided and abetted Rana Sugars Limited in the diverting the funds of RSL for the benefits of the promoters and promoter group entities.

Employee Directors in the Conduit entities:

15. The following table summarises the connection of Rana Sugars Limited with the conduit entities.

Table 3

Name of the Company	Name of Directors	Nature of control
Century Agros Private Limited	Past Directors Mr. Balaraj Singh (till 02.06.2017) Mr. Amit Bahadur (till 22.03.2017)	Past Directors of the company (Mr. Balaraj Singh, Mr. Amit Bahadur, Mr. Ajay Inder Majithia and Mr. Palakajhil Verghese (P V Mohan) were employees of Rana Sugars as confirmed by Employees Provident Fund Organisation (EPFO) vide letter dated

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

	Mr. Ajay Inder Majithia and Mr. Palakajhil Verghese (PV) Mohan Present Directors Mr. Chitaranjan Singh and Mr. Jiwan Singh	September 26, 2022 (Annexure 5). The above named past directors were also directors in Flawless Traders Private Limited where Mr. Chitaranjan Singh and Mr. Jiwan Singh are present directors. Mr. Chitaranjan Singh is also a director in Lakshmiiji Sugar Mills Private Limited which has been reported as a related party by Rana Sugars Limited.
Flawless Traders Private Limited	Past Directors Mr. Balaraj Singh (till 02.06.2017) Mr. Amit Bahadur (till 22.03.2017) Mr. Ajay Inder Majithia and Mr. Palakajhil Verghese (PV) Mohan Present Directors Mr. Chitaranjan Singh and Mr. Jiwan Singh	Past Directors of the company (Mr. Balaraj Singh, Mr. Amit Bahadur, Mr. Ajay Inder Majithia and Mr. Palakajhil Verghese (P V Mohan) were employees of Rana Sugars as confirmed by Employees Provident Fund Organisation (EPFO) vide letter dated September 26, 2022. The above named past directors were also directors in Century Agros Private Limited where Mr. Chitaranjan Singh and Mr. Jiwan Singh are present directors. Mr. Chitaranjan Singh is also a director in Lakshmiiji Sugar Mills Private Limited which has been reported as related party by Rana Sugars Limited.
Jay Aar Builders Private Limited	Mr. Ajit Singh, Mr. Sukhjeet Singh and Mr. Mahipal Singh	It is noted that Mr. Ajeet Singh and Mr. Sukhjeet Singh are also directors in R G S Traders Private Limited wherein the promoters including Chairman and Managing Director of Rana Sugars Limited were directors until the year 2015.
R J Texfab Private Limited	Mr. Balraj Singh and Mr. Amit Bahadur	Both the present directors are/were employees of Rana Sugars Limited as confirmed by EPFO vide letter dated September 26, 2022. RJTPL, as per the CEIB letter dated 19.01.2021 vide which information was shared by the Income Tax Department, has its office address at SCO 49-50, sector 8 C, Chandigarh which

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

		is the same as that of RSL.
Superior Food Grains Private Limited	Mr. Preet Inder Singh Rana and Mr. Karan Pratap Singh Rana.	Both are promoters and past directors of Rana Sugars Limited. Superior Food Grains Private Limited has also been reported as a related party of RSL.
Venus Pesticides Private Limited	Past Directors Mr. Balaraj Singh, Mr. Amit Bahadur, Mr. Ajay Inder Majithia and Mr. Palakajhil Verghese (PV) Mohan Present Directors Mr. Chitaranjan Singh and Mr. Jiwan Singh	Past Directors of the company [Mr. Balaraj Singh, Mr. Amit Bahadur, Mr. Ajay Inder Majithia and Mr. Palakajhil Verghese (PV) Mohan] were employees of Rana Sugars as confirmed by Employees Provident Fund Organisation (EPFO) vide letter dated 26/09/2022. The above named past directors were also directors in Flawless Traders Private Limited where Mr. Chitaranjan Singh and Mr. Jiwan Singh are present directors. Mr. Chitaranjan Singh is also a director in Lakshmiji Sugar Mills Private Limited which has been reported as related party by Rana Sugars Limited.
Camelot Exports Private Limited	Mr. Chitaranjan Singh and Mr. Bhagwan Singh	Mr. Chitaranjan Singh is also a directors in Flawless Traders Private Limited. Mr. Chitaranjan Singh is also a director in Lakshmiji Sugar Mills Private Limited which has been reported as related party by Rana Sugars Limited.
R G S Traders Private Limited	Mr. Ajit Singh and Mr. Sukhjeet Singh	Mr. Ajit Singh is also directors Jay Aar Builders Private Limited, Rana Infrastructures Private Limited and R J Texfab Private Limited. Mr. Sukhjeet Singh is also directors Jay Aar Builders Private Limited, Rana Sugar & Power Private Limited, Fortune Online Marketing Network Private Limited and Venus Pesticides Private Limited. Rana Infrastructure Private Limited has been shown as an associate company of

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

		Rana Sugars Limited and its directors are Inder Pratap Singh Rana and Veer Pratap Singh Rana. Past directors of R G S Traders Private Limited include Mr. Ajay Inder Majithia (employee of Rana Sugars Limited), Mr. Preet Inder Singh Rana and Mr. Ranjit Singh Rana, Mr. Inder Pratap Singh Rana (directors of Rana Sugars Limited). RGSTPL, as per the CEIB letter dated 19.01.2021 vide which information was shared by the Income Tax Department, has its office address at SCO 49-50, sector 8 C, Chandigarh which is the same as that of RSL.
--	--	--

- a) It is observed from the CEIB letter dated 19.01.2021 (**Annexure 1**) vide which information was shared by the Income Tax Department that Flawless Traders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited were having common auditor, M/s Kansal Singla and Associates which was being run by Mr. T N Singla. The auditor of these companies admitted that the aforesaid companies were being controlled by Mr. Inder Pratap Singh Rana (MD of RSL). It is also observed from the aforesaid letter that Mr. Pradeep Singhal and Mr. Krishan Saini, employees of RSL (handling accounts of RSL) also admitted that the said companies were controlled by Mr. Inder Pratap Singh Rana.
- b) The Company had admitted that Mr. Krishan Saini and Mr. Pradeep Singhal were employees of Rana Sugars Limited but did not mention Mr. Amit Bahadur as an employee. However, it is observed that Employees Provident Fund Organisation (EPFO) vide letter dated September 26, 2022 informed that Mr. Amit Bahadur (PAN: ARRPB5393B) was employed with Rana Power Limited which is disclosed as an associate company by Rana Sugars Limited in its Annual Report. As per the MCA filings, it is observed that Mr. Amit Bahadur is one of the present directors of R J Texfab Private Limited and was also a director in Century Agros Private Limited and Flawless Traders Private Limited during year 2015-2017. EPFO vide the abovementioned letter dated September 26, 2022 further informed that Mr. Balraj Singh (PAN:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

AQKPS9679K), Mr. Ajay Inder Majithia, Mr. Palakuzhil Verghese Mohan alias P. V. Mohan and Mr. Dinesh Kumar Sharma (Dinesh Sharma) were also employees of Rana Sugars Limited.

- c) It is further alleged that Mr. Balraj Singh was director in R J Texfab Private Limited, Century Agros Private Limited, Flawless Traders Private Limited and Rana Sugar & Power Private Limited. Mr. Ajay Inder Majithia was director in Century Agros Private Limited, R J Texfab Private Limited, Rana Sugar & Power Private Limited, Flawless Traders Private Limited, R G S Traders Private Limited and Lakshmi Sugar Mills Company Limited etc. Mr. Palakuzhil Verghese Mohan alias P. V. Mohan was director in Century Agros Private Limited, R J Texfab Private Limited, Rana Sugar & Power Private Limited Flawless Traders Private Limited and Lakshmi Sugar Mills Company Limited. Multiple summonses issued in this regard by the Investigating Authority to the aforementioned persons for personal appearance were not complied with on medical grounds.
- d) Therefore, from the above, it is alleged that companies such as Century Agros Private Limited, R J Texfab Private Limited, Jay Aar Builders Private Limited, R G S Traders Private Limited and Flawless Traders Private Limited were indirectly controlled by Rana Sugars Limited and their promoters/directors.
- e) **The presence of interrelationships amongst the aforementioned companies and their directors with Rana Sugars Limited and its promoters/directors provides circumstantial evidence giving preponderance of probability that these companies (conduit entities) were/are in fact ‘related’ to RSL as the directors of RSL could exercise control over the activities of those companies by exercising control over the directors of the conduit entities by virtue of their employment/association with RSL or its connected/related entities. By virtue of this control, these conduit entities should have been treated as a related party under Section 2(76) of the companies Act 2013. The section is reproduced as follows:**

As per section 2 (76) of Companies Act 2013 “related party”, with reference to a company, means:

- (i) a director or his relative;*
- (ii) a key managerial personnel or his relative;*
- (iii) a firm, in which a director, manager or his relative is a partner;*

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

- (iv) *a private company in which a director or manager is a member or director;*
- (v) *a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;*
- (vi) *anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;*
- (vii) *any person on whose advice, directions or instructions a director or manager is accustomed to act:*

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) *any company which is— (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary;*
- (ix) *such other person as may be prescribed;*

f) Hence it is alleged that the directors of these conduit entities being earlier employees of RSL consequently, were under the management or control/influence of RSL. Therefore, RSL should have complied with the provisions of Companies Act, 2013 and Regulations made thereunder and SEBI Act, 1992 and SEBI (LODR) Regulations, 2015 which are applicable to Related Parties including but not limited to consolidation of financial statements and disclosures of applicable related party transactions etc. However, RSL did not disclose them as a related party in the Annual Reports of RSL. The following were observed in the published financial statements/Annual Reports of RSL in this connection.

- i. Conduit entities were not disclosed as a related party by RSL from the date of incorporation of these entities to till date. The said non-disclosure is not in compliance of various regulations pertaining to Related Party Transactions.
- ii. The non-disclosure by RSL also resulted in withholding material financial information from the shareholders of RSL in respect of the conduit entities, fund diversion to the related parties including promoters and their family members and the details of disbursement of crore of rupees as business advances without any interest. It is therefore alleged that the same is within the definition of “fraud” as defined under Regulation 2(1)(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Securities Market) Regulations, 2003. The aforesaid findings prima facie comes within the ambit of Section 12A of SEBI Act 1992 read with Regulation 3 & 4 read with Regulation 2 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

Analysis of submissions of RSL on repayment of advances:

16. RSL vide letter dated July 27, 2022 (**Annexure 6**) has stated that the aforesaid private limited companies have refunded the aforesaid business advances since the business transactions against which the amounts were advanced did not materialize. The company in support of the same has provided certificates from Ashwani K Gupta, Chartered Accountants who is also its statutory auditor, certifying that the funds advanced have been returned to RSL and that there is no outstanding as on March 31, 2022. The certificate further states that no amounts have been written off in respect of the aforesaid entities.
17. Ashwani K Gupta and Associates had provided certificates in respect of 6 companies namely Flawless Traders Private Limited, R J Texfab Private Limited, Camelot Exports Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited and Venus Pesticides Private Limited and has stated that the certificates were provided based on verification of ledger account statements and bank account statements of the company. From the said certificates, it is observed that majority of the transactions have occurred from FY 2013-14 onwards. It is also observed that Ashwani K Gupta has provided the documents which he relied upon while issuing the aforesaid certificates to RSL in respect of the repayment of the business advances. From the said documents it is observed that some documents are claimed to be bank statements have no details of the bank, the account number, customer Id, address, bank stamps etc.. However, some of the transactions pertaining to Flawless Traders Private Limited mentioned in the documents provided by Ashwani K Gupta, Chartered Accountants, has been cross verified to be correct from the independently sourced bank statements of RSL from Zila Sahakari Bank Limited and UCO Bank. However, in respect of other conduit entities the transactions mentioned in the documents provided could not be cross verified. The documents submitted by Ashwani K Gupta is placed at **Annexure 7**. As mentioned earlier the company has provided only partial information and documents. Further

Show Cause Notice in the matter of Rana Sugars Limited



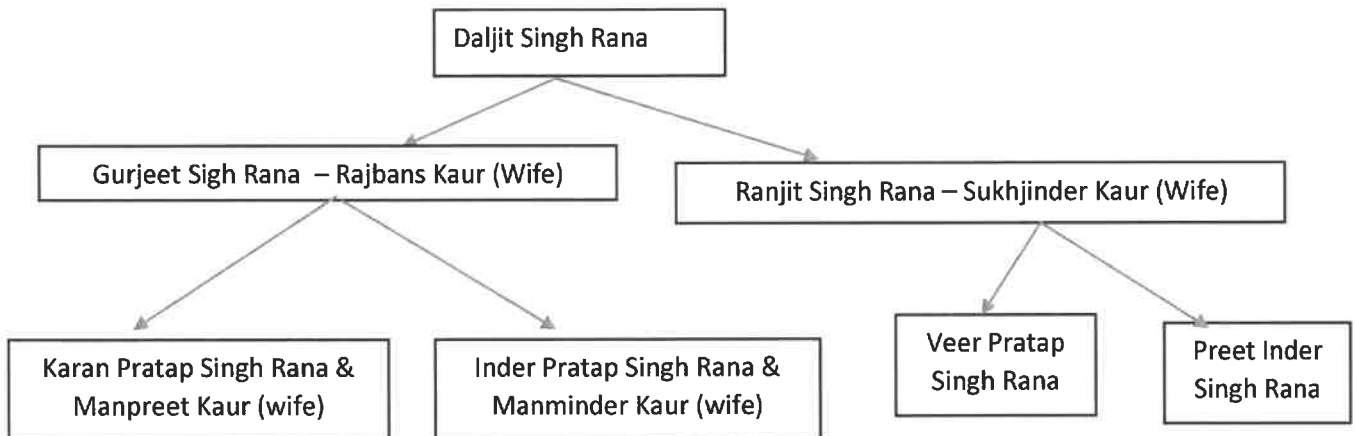


it is alleged from the ledger statements provided by the company that many of the receipts and payments have been recorded through journal voucher (book entries) without movement of funds to and from accounts of the company. It is alleged that in some cases rights have also been assigned in favour of the company by the other private limited company to whom business advances were given by Rana Sugars Limited. In view of the above, it is alleged that the claim by Rana Sugars Limited that the alleged business advances were refunded by the private limited companies are not correct. The role of each entities in the diversion of funds of Rana Sugars Limited is discussed in below paragraphs.

18. It is alleged that funds were diverted from Rana Sugars Limited for the benefit of individual entities belonging to the promoter group of Rana Sugars Limited with help of certain private limited companies which were controlled by the promoters' of Rana Sugars directly/indirectly through employees etc. A summary of the role of various persons are given as below:

Role of Directors/ promoters and family members:

The family tree of Rana Group showing their individual members is described as follows:



It is alleged that Mr. Gurjeet Singh Rana and wife Rajbans Kaur, Mr. Ranjit Singh Rana and wife Sukhjinder Kaur along with Mr. Inder Pratap Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Veer Pratap Singh Rana and Mr. Preet Inder Singh Rana were active participants and recipients of fund diverted by Rana Sugars Limited. The role of each of the family members are discussed in the below paragraphs.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Mr. Inder Pratap Singh Rana:

- a) Mr. Inder Pratap Singh Rana is the Managing Director of Rana Sugars Limited. He was one of the promoters and was holding approximately 11.68% shares of Rana Sugars Limited. Besides Rana Sugars Limited, he is also a director in Rana Informatics Limited, Rana Polycot Limited, Erbir Ventures Private Limited and Rana Infrastructures Private Limited. He is also past director of Superior Foodgrains Private Limited, Rana Power Limited, RSL Distilleries Private Limited, R G S Traders Private Limited and Lakshmiji Sugar Mills Company Private Limited.
- b) He is one of the major beneficiaries of the diversion of funds by Rana Sugars Limited. Mr. Inder Pratap Singh Rana had received approximately Rs. 6.90 crore from Rana Sugars Limited (Rs. 2.05 crore through Flawless Traders Private Limited, Rs. 1.00 crore through Jay Aar Builders Private Limited, Rs. 2.35 crore through R J Texfab Private Limited and Rs. 1.50 crore through R G S Traders Private Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Please refer to **Annexure 2** for bank statements received directly from the bank along with analysis. The funds were transferred by Rana Sugars Limited to the private limited companies and thereafter to individual promoter entities.
- c) Information in respect of the above funds transfers and other issues in connection with the present investigation was sought vide summons dated July 5, 2022, July 8, 2022, November 9, 2022 and January 11, 2023 and emails dated August 23, 2022, September 22, 2022 and subsequent reminders dated September 28, 2022 and October 4, 2022. However, no information was received. Mr. Inder Pratap Singh Rana had recorded his statement before the Investigating Authority and submitted that the money received by him and his family members and relatives were on account of business advances for supply of sugarcane seeds. He further submitted that the details of the repayment shall be provided by October 5, 2022. However, he has not provided any information in respect of the same.
- d) Mr. Inder Pratap Singh Rana in his statement (**Annexure 8**) submitted that his family members were into the production of high quality sugarcane seeds and that they contracted with the private limited companies for supply of sugarcane seeds. Those private limited companies were to further sale the aforesaid sugarcane seeds to Rana Sugars Limited. From the above

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

statements of Mr. Inder Pratap Singh Rana, it is gathered that the Rana family members were seller of the sugarcane seed and RSL was the buyer and the transactions were to be routed through the conduit entities. Similarly, in respect of the funds, it is understood from the statement of Mr. Inder Pratap Singh Rana that Rana Sugars Limited gave business advances to the private limited companies and the same were transferred to the individual family members of the Chairman and Managing Directors of Rana Sugars Limited and to other private limited companies which were directly /indirectly controlled by them or some person connected/associated with them. Further as confirmed by Mr. Inder Pratap Singh Rana that the transactions in respect of which the supposed business advances were given did not materialise and therefore the business advances were refunded. Therefore, it is alleged that the involvement of conduit entities was mere sham and with intent of breaking the trail of the funds being diverted.

- e) Having regard to the fact that these private limited companies were not having regular business as discussed in above paragraphs, the funds diverted in guise of business advances as claimed by Rana Sugars Limited is not acceptable. It is admitted that the transactions between Rana Sugars Limited and the conduit entities did not materialise. It is further noted as per the statements made by some of the employees of RSL (some of them were directors in some of the conduit entities) before the Income Tax Authorities during the survey operations u/s 132 of the Income Tax Act, that the conduit entities were controlled by Mr. Inder Pratap Singh Rana, MD of RSL. However, these entities did not appear before the Investigating Authority to record their statements during investigation citing age and health problems etc. The summons issued to the directors of these conduit entities returned undelivered. Further, involvement of a third party (the private limited companies that did not have any regular business of its own) in the alleged contract to supply sugarcane seeds by the individual promoter group entities is not tenable. It is alleged that no documents have been provided in respect of the above contract or agreement either by the individual promoter entities or by Rana Sugars Limited. The only explanation that suffice here is that Rana Sugars Limited transferred the funds to these private limited companies (conduit entities) and these private limited companies further transferred to the individual entities. Had the funds been given directly to the individual entities (other than these business transactions) an obligation would be cast on RSL to disclose it as Related Party

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Transaction. Further the amount would have been shown as receivable from those entities in the books of RSL till the time it was received or adjusted and it would have been in the constant watch of the lenders /regulators and investors.

- f) However, RSL has avoided the above, by involving the private limited companies controlled through RSL employees appointed as the directors on the board of those companies, which in turn immediately transferred the funds to the individual promoter entities. Further, the loans and advances by the private limited companies, that were disguised as unconnected, were beyond the lens of the lenders/investors and regulators as well.
- g) Further, summons issued to the private limited companies had returned undelivered and the individual entities had not provided any information to the summons issued in the matter.
- h) Therefore, the above statements by Mr. Inder Pratap Singh Rana is without substance. Further, it is noted that Mr. Inder Pratap Singh Rana did not provide replies to most of the questions during the statement recording and had submitted that he would provide the same later. He failed to submit any documents or information post his statement recording with respect to his involvement in various committees of Rana Sugars Limited, details of unsecured loans and advances to and from Rana Sugars Limited and to and from private limited companies, GST records, information regarding his employees who were directors in the private companies details of promoter and promoter group entities etc. He stated in respect of some questions that he would provide the details by September 26, 2022 and in respect of the others by October 5, 2022. However, he failed to provide the said information despite several emails and summons even after approximately 6 months of the summons and reminders issued. In view of the above, it is observed that the funds from Rana Sugars Limited had been diverted for the benefit of the promoter and their family members as brought out in the foregoing paragraphs.

Mr. Ranjit Singh Rana:

- i) Mr. Ranjit Singh Rana is the Chairman of Rana Sugars Limited. He is also the uncle of Mr. Inder Pratap Singh Rana (Managing Director). He was also a director in R G S Traders Private Limited and Lakshmiiji Sugar Mills Private Limited. He is one of the major beneficiaries of the diversion of funds by Rana Sugars Limited. Mr. Ranjit Singh Rana had received approximately

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Rs. 19.18 crore from Rana Sugars Limited (Rs. 4.48 crore through Flawless Traders Private Limited, Rs. 1.25 crore through Century Agros Private Limited, Rs. 1.00 crore through Jay Aar Builders Private Limited, Rs. 11.55 crore through R J Texfab Private Limited and Rs. 0.90 crore through R G S Traders Private Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Summons dated July 6, 2022, August 25, 2022, September 12, 2022 and January 16, 2023 were issued for information and personal appearance before the IA. However, no response was received from him. Further, statement of Mr. Inder Pratap Singh Rana (authorised representative) did not provide any information with regard to the funds transferred either to him or to any other members whom he represented before the Investigating Authority. his statement is placed as **Annexure 8**.

Mr. Gurjeet Singh Rana:

- j) Mr. Gurjeet Singh Rana is the founder of Rana Group. He is father of Mr. Inder Pratap Singh Rana (MD of Rana Sugars Limited). He is one of the major and largest beneficiaries of the diversion of funds by Rana Sugars Limited. Mr. Gurjeet Singh Rana had received approximately Rs. 20.67 crore from Rana Sugars Limited (Rs. 15.42 crore through Flawless Traders Private Limited, Rs. 1.75 crore through Century Agros Private Limited, Rs. 1.63 crore through R J Texfab Private Limited and Rs. 1.87 crore through R G S Traders Private Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Mr. Gurjeet Singh Rana was summoned vide summons dated July 8, 2022, September 12, 2022, November 10, 2022 and January 11, 2023. However, no response was received from him. The statement of Mr. Inder Pratap Singh Rana (authorised representative of Mr. Gurjeet Singh) before the Investigating Authority is placed as **Annexure 8**.

Mr. Veer Pratap Singh Rana:

- k) Mr. Veer Pratap Singh Rana is one of the directors of Rana Sugars Limited. He is also brother of Mr. Inder Pratap Singh Rana (MD of Rana Sugars Limited). He is one of the major beneficiaries of the diversion of funds by Rana Sugars Limited. Mr. Veer Pratap Singh Rana had received approximately Rs. 2.93 crore from Rana Sugars Limited (Rs. 0.60 crore through Flawless Traders Private Limited, Rs. 1.00 crore through Jay Aar Builders Private Limited, Rs. 1.00 crore through R J Texfab Private Limited and Rs. 0.33 crore through R G S Traders Private

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Summons dated July 6, 2022, August 25, 2022, September 12, 2022 and January 16, 2023 were issued for information and personal appearance before the IA. However, no response was received from him. Further, statement of Mr. Inder Pratap Singh Rana (authorised representative) did not provide any information with regard to the funds transferred either to him or to any other members whom he represented before the Investigating Authority. The statement of Mr. Inder Pratap Singh Rana (appeared as authorised representative of Mr. Veer Pratap Singh) before the Investigating Authority is placed as **Annexure 8**.

Mr. Preet Inder Singh Rana:

- 1) Mr. Preet Inder Singh Rana is a relative (cousin brother) of Mr. Inder Pratap Singh Rana (MD of Rana Sugars Limited). He is son of Mr. Ranjit Singh Rana (chairman of Rana Sugars Limited) and brother of Mr. Karan Pratap Singh Rana. He is one of the major beneficiaries of the diversion of funds by Rana Sugars Limited. Mr. Preet Inder Singh Rana had received approximately Rs. 1.00 crore from Rana Sugars Limited (Rs. 1.00 crore through Flawless Traders Private Limited) through the private limited company indirectly controlled by the promoters of Rana Sugars Limited. Mr. Preet Inder Singh Rana was summoned to provide information/clarification vide summons dated January 16, 2023 in respect of the findings brought out and communicated to him. However, no response was received from him. Please refer to **Annexure 8** for statement of Mr. Inder Pratap Singh Rana (who appeared as the authorised representative of Mr. Preet Inder Singh Rana) before the Investigating Authority. As mentioned above, neither Mr. Inder Pratap Singh Rana had submitted any documents or information post his statement recording nor Mr. Preet Inder Singh Rana respond to the summons issued to him. In view of no response from him it is understood that Mr. Preet Inder Singh Rana has no explanation/clarification to provide and that he accepts the findings brought out and communicated to him vide the aforementioned summons.

Mr. Karan Pratap Singh Rana:

- m) Mr. Karan Pratap Singh Rana is one of the former directors of Rana Sugars Limited. He is also brother of Mr. Inder Pratap Singh Rana (MD of Rana Sugars Limited). He is one of the major beneficiaries of the diversion of funds by Rana Sugars Limited. Mr. Karan Pratap Singh Rana

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

had received approximately Rs. 95 lac from Rana Sugars Limited (Rs. 40 lac through Flawless Traders Private Limited and Rs. 55 lac through R J Texfab Private Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Mr. Karan Pratap Singh Rana was summoned to provide information/clarification vide summons dated July 8, 2022, November 10, 2022 and January 16, 2023 in respect of the findings brought out and communicated to him. However, no response was received from him. Please refer to **Annexure 8** for statement of Mr. Inder Pratap Singh Rana (who appeared as the authorised representative of Mr. Karan Pratap Singh Rana) before the Investigating Authority. As mentioned above, neither Mr. Inder Pratap Singh Rana had submitted any documents or information post his statement recording nor Mr. Karan Pratap Singh Rana respond to the summons issued to him. In view of no response from him it is understood that he has no explanation/clarification to provide and that he accepts the findings brought out and communicated to him vide the aforementioned summons.

Ms. Rajbans Kaur Rana:

- n) Ms. Rajbans Kaur Rana is ex-director of Rana Sugars Limited and mother of Mr. Inder Pratap Singh Rana (MD of Rana Sugars Limited). She was also a director in Superior Foodgrains Private Limited. She is one of the major beneficiaries of the diversion of funds by Rana Sugars Limited. Ms. Rajbans Kaur Rana received approximately Rs. 75 lac from Rana Sugars Limited (Rs. 23 lac through Flawless Traders Private Limited, Rs. 20 lac from Century Agros Private Limited and Rs. 32 lac through R J Texfab Private Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Ms. Rajbans Kaur Rana was summoned to provide information/clarification vide summons dated July 8, 2022, November 10, 2002 and January 16, 2023 in respect of the findings brought out and communicated to her. However, no response was received from her. Please refer to **Annexure 8** for statement of Mr. Inder Pratap Singh Rana (authorised representative of Ms. Rajbans Kaur) before the Investigating Authority. As mentioned above, neither Mr. Inder Pratap Singh Rana had submitted any documents or information post his statement recording nor did Ms. Rajbans Kaur respond to the summons issued to her. In view of no response from her it is understood

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

that she has no explanation/clarification to provide and that she accepts the findings brought out and communicated to her vide the aforementioned summons.

Ms. Sukhjinder Kaur:

- o) Ms. Sukhjinder Kaur is wife of Mr. Ranjit Singh Rana (Chairman of Rana Sugars Limited) and a relative of Mr. Inder Pratap Singh Rana (MD of Ran Sugars Limited). She is also a director in Laksmiji Sugar Mills Private Limited which is disclosed as a related party. She is one of the beneficiaries of the diversion of funds by Rana Sugars Limited. Ms. Sukhjinder Kaur received approximately Rs. 61.50 lac from Rana Sugars Limited (Rs. 18.50 lac through R J Texfab Private Limited, Rs. 23 lac through R G S Traders Private Limited and Rs. 20 lac from Century Agros Private Limited) through various private limited companies indirectly controlled by the promoters of Rana Sugars Limited. Ms. Sukhjinder Kaur was summoned to provide information/clarification vide summons dated January 16, 2023 in respect of the findings brought out and communicated to her. However, no response was received from her. Please refer to **Annexure 8** for statement of Mr. Inder Pratap Singh Rana (authorised representative of Ms. Sukhjinder Kaur) before the Investigating Authority. As mentioned above, neither Mr. Inder Pratap Singh Rana had submitted any documents or information post his statement recording nor did Ms. Sukhjinder Kaur respond to the summons issued to her. In view of no response from her it is understood that Ms. Sukhjinder Kaur has no explanation/clarification to provide and that she accepts the findings brought out and communicated to her vide the aforementioned summons.

Analysis of role of conduit entities

Flawless Traders Private Limited ('FTPL')

- a) It is alleged that FTPL was incorporated in the year 2006 with authorised Capital of Rs. 1,00,000/- having its registered address at SCO 51-52, Sector 8-C, Chandigarh -160008. However, as per the CEIB letter dated 19.01.2021 vide which information was shared by the Income Tax Department, FTPL has its office address at SCO 49-50, Sector 8 C, Chandigarh which is the same as that of RSL. It is alleged that Flawless Traders Private Limited is indirectly connected to Rana Sugars Limited. However, FTPL is not disclosed as a related party in the

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

financial statements of RSL. FTPL's present directors, Mr. Chitaranjan Singh and Mr. Jiwan Singh are also directors in Century Agros Private Limited (CAPL). As per the company master database of the MCA database, FTPL's email id is jiwangill49@gmail.com. It is also observed from the MCA database that the past directors of FTPL namely, Mr. Balraj Singh (FY 2016-17), Mr. Amit Bahadur (FY 2015-17), Mr. Ajay Inder Majithia (FY 2006-16) and Mr. Palakuzhil Verghese (P V Mohan) (FY 2006-15) were employees of Rana Sugars Limited which has been confirmed by EPFO letter dated September 26, 2022. Letter received from EPFO is enclosed as **Annexure 5**. It is also observed that the total shares of FTPL are held by Mr. P V Mohan and Mr. Ajay Inder Majithia in equal quantity (5000 shares each). Shareholding pattern of FTPL placed at **Annexure 9**. Please refer to **table 2** on page 5, for a brief summary of the financial statements (**Annexure 3**) of FTPL.

- b) It is observed that Flawless Traders Private Limited had reported revenue from operations in FY 2017-18 only, out of the previous five financial years and had also reported major expenses in that same year. It is observed that sales in a round figure (Rs. 1,87,50,000) is very unlikely. In other financial years the company had no income either from operation or otherwise and the expenses reported were also minimal and there were no employee expenses as well. It is also noted that it did not have any fixed assets. Further, in all of the five financial years the company had reported losses and had negative net worth in three of the five financial years. It is also noted that major activity of the company was of lending and borrowings to companies and individuals directly/indirectly associated/connected with Rana Sugars Limited. It is also observed from the financial statements of FTPL that it had non-current investments mainly in the shares of companies that were directly/indirectly connected/associated with Rana Sugars Limited. It is alleged that during the investigation period approximately 45.06 crore was received from and Rs. 13.89 crore was paid to Rana Sugars Limited. Of the above transaction, direct one to one fund transfer with various individual promoter entity was noted in respect of approximately Rs. 24.18 crore. A summary of the same has been given in table no. 1 above.
- c) It is also observed FTPL has substantial investments in other companies associated with Rana Sugars Limited which is again indicative of its connection with RSL. A company which has no regular business and source of revenue but has substantial investments in the group companies

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

of RSL for years further indicate that the entity is controlled indirectly by the promoters of RSL. The details of which are as below:

Table - 4

Investments in shares of Rana Group of companies	2016-17	2017-18	2018-19	2019-20	2020-21
Rana Sugars Limited	10,55,087	10,55,087	10,55,087	10,55,087	10,55,087
Rana Polycot Limited	15,28,90,000	15,28,90,000	15,28,90,000	15,28,90,000	15,28,90,000
Lakshmiji Sugar Mills Co. Limited	7,09,00,000	7,09,00,000	7,09,00,000	7,09,00,000	70,9,00,000

- d) Therefore, it is alleged that having no fixed assets and employee expenses demonstrate that FTPL had no regular business and had acted as a medium or vehicle to Rana Sugars Limited in diverting the funds to the promoters/directors and their relatives and companies under the management/control of these relatives.
- e) Rana Sugars in response to the summons issued, vide letter dated July 27, 2022 has submitted ledger account (enclosed as **Annexure 6**) of FTPL in its books of account along with a certificate from its statutory auditor. However, it has not provided bank statement reflecting the transactions /amount appearing in the ledger as an evidence of actual movement of funds. A summary of the ledger transactions of FTPL provided by Rana Sugars Limited are as under:

Table - 5

Financial Year	Amount Paid to FTPL (Rs.)	Amount Received from FTPL (Rs.)	Closing Balance (Rs.)
Opening Balance			2,00,00,000
2011-12	1200	1200	2,00,00,000
2012-13	-	-	2,00,00,000
2013-14	9,02,00,000	6,70,00,000	4,32,00,000
2014-15	29,87,38,000	2,81,00,000	31,38,38,000
2015-16	2,29,00,000	60,00,000	33,07,38,000
2016-17	4,37,92,002	-	37,45,30,002
2017-18	13,400	-	37,45,43,402
2018-19	-	3,78,29,000	33,67,14,402
2019-20	-	10,00,000	33,57,14,402
2020-21	-	6,79,07,000	26,78,07,402
2021-22	-	25,33,01,000	1,45,06,402
Total	45,56,44,602	46,11,38,200	

- f) From the above table it is seen that RSL had a receivable of approximately Rs. 2 crore from FTPL at the beginning of FY 2011-12 and has further advanced Rs. Rs.45.56 crore during the period from FY 2011-12 to FY 2017-18 which is approximately similar to the amount of Rs. 45.06 traced to the Axis Bank account no. 912020044404859 of FTPL (**Annexure 10**) as Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

mentioned in table 2 above. Further, it is seen from the abovementioned bank account statement of FTPL with Axis Bank and bank account statement of Rana Sugars with Zila Sahkari Bank Limited and UCO Bank that the funds transferred during FY 2019-20, 2020-21 and 2021-22 by FTPL has been received by Rana Sugars Limited. Further, it is alleged from the above table that RSL has advanced Rs.29.87 crore to FTPL during FY 2014-15, which remained unpaid and was claimed to have been repaid in FY 2021-22 and Rs. 1.45 crore is outstanding at the end of FY 2021-22. However, RSL failed to provide any bank account statements or any other documentary evidence to support this claim of repayment. Therefore, the unverified amount has not been considered as repaid.

- g) It is further noted that Rana Sugars Limited itself was borrowing funds for its operations during the aforesaid period. Therefore, the interest free advances given to the other entities which remained outstanding for years was a fraud on the investors of RSL. It is to be noted that FTPL had not provided for payment of interest in its financial statements and neither it had received any interest from the advances given further to other entities. It is noted that had the above funds not being diverted, the borrowings of RSL would have been lesser to that extent and consequent interest upon the same would have been avoided/saved. The above act on the part of Rana Sugars and its management had created undue and extra burden on the financials of the company, which ultimately resulted in erosion of wealth of the investors of Rana Sugars Limited. Since RSL has not provided the details of the borrowings and the interest paid, interest at the rate of 12% p.a. has been taken in accordance with section 28A of the SEBI act, 1992. The table below gives details of year wise outstanding balance of advances of FTPL considering and including the alleged interest lost due to the aforesaid for the investigation period:

Table -6

Financial Year	Amount paid by RSL (Rs.)	Amount repaid by FTPL (Rs.)	Outstanding Balance including previous years' interest (Rs.)	Interest (Rs.)
2014-15	29,37,38,000	2,81,00,000	29,16,22,000	3,49,94,640
2015-16	2,29,00,000	60,00,000	34,35,16,640	4,12,21,996
2016-17	4,37,92,002	-	42,85,30,638	5,14,23,676
2017-18	-	-	47,99,54,315	5,75,94,517
2018-19	-	3,78,29,000	49,97,19,833	5,99,66,380
2019-20	-	-	55,96,86,213	6,71,62,345

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

2020-21	-	6,05,00,000	56,63,48,558	6,79,61,827
2021-22	-	24,62,41,000	38,80,69,385	4,65,68,326
2022-23	-	30,00,000	43,16,37,712	5,17,96,525
			Total interest (2014-15 to 2022-23)	47,86,90,235

From the above, it is observed that RSL has allegedly lost approximately Rs. 47,86,90,236 as interest on the interest free advances over the period (FY 2014-15 to 2022-23) to FTPL at the cost of investors' interest.

- h) It is worth mentioning here that the summons issued to FTPL has returned undelivered. Further, the summons sent to the directors also returned undelivered. Further, Mr. Inder Pratap Singh Rana during his statement recording before the IA (Investigating Authority) had assured that he will inform them and provide their contact details and also tell them to receive and reply to the summons. However, he did not provide any details in this respect. Further, the summons sent to FTPL post the statement recording of Mr. Inder Pratap Singh also returned undelivered.
- i) In view of the above, it is alleged that CAPL has aided and abetted in siphoning off of the funds from RSL and been used as a conduit entity by the promoters and management of Rana Sugars Limited to divert funds from Rana Sugars Limited to the promoters and their relatives and to entities controlled by them.

Century Agros Private Limited ('CAPL')

- a) Century Agros Private Limited was incorporated with RoC Chandigarh in the year 1996 with authorised capital of Rs. 5,00,000/-. The paid up capital of CAPL is Rs. 1,70,000/-. It is also observed that the total shares of CAPL are held by Mr. P V Mohan and Mr. Ajay Inder Majithia in equal quantity (8500 shares each). Shareholding pattern of CAPL placed at **Annexure 11**. Century Agros Private Limited is indirectly connected to Rana Sugars Limited. However, CAPL is not disclosed as a related party by RSL in its financial statements. The directors of CAPL Mr. Chitaranjan Singh and Mr. Jiwan Singh are also directors in Flawless Traders Private Limited, Venus Pesticides Private Limited, Camelot Exports Private Limited, Rana Infrastructures Private Limited, Lakshmiji Sugar Mills Company Private Limited and Rana Sugars & Power Private Limited (part of Rana Group of companies). It is also observed that the email id of CAPL, jiwangill49@gmail.com is same as that of Flawless Traders Private

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Limited. It is also observed from the MCA database that Mr. Balraj Singh (FY 2016-17), Mr. Amit Bahadur (FY 2015-17), Mr. Ajay Inder Majithia (FY 2004-16) and Mr. Palakuzhil Verghese (P V) Mohan (FY 2004-15) were employees of Rana Sugars Limited. It is also observed that the total shares of CAPL are held by Mr. P V Mohan and Mr. Ajay Inder Majithia in equal quantity (8500 shares each). It is also observed from the CEIB letter dated 19.01.2021, FTPL has its office address at SCO 49-50, Sector 8 C, Chandigarh which is the same as that of RSL. Therefore, CAPL can also be said to be having common address with RSL. Please refer to **table 2** for a brief summary of the financial statements (**Annexure 3**) of CAPL.

- a) Century Agros Private Limited had reported revenue from operations in only FY 2017-18 and FY 2018-19 out of the previous five financial years and had also reported major expenses in the same years. In other financial years the company had no income either from operation or otherwise and the expenses reported were also minimal. Further CAPL had reported employee expenses of Rs. 3.35 lac and Rs. 2.55 lac in the FY 2017-18 and FY 2018-19 respectively. Further it is also alleged that no employee expenses have been incurred during FY 2016-17 FY 2017-18 and FY 2020-21 which raises the question that how the company made revenue of Rs.5.23 crore in FY 2017-18 without employees. It is also noted that CAPL did not have any fixed assets because there were no depreciation charged to the accounts. Further, in all of the five financial years, the company had reported losses and had negative net worth in four of the five financial years. It is also noted that major activity of the company was of lending and borrowings to companies and individuals directly/indirectly associated/connected with Rana Sugars Limited. It is observed that the loans given by CAPL always exceed the loans taken by it. It is noted that for a company without revenue or any profit giving loans in excess of the loans taken by it shows a neglect to the primary business of trade and indicates that it is for other purposes.
- b) It is also observed that CAPL had substantial non-current investments mainly in the shares of companies that were directly/indirectly connected/associated with Rana Sugars Limited. A company which has no regular business and source of revenue but has substantial investments in the group companies of RSL for years is another evidence to prove that the entities is controlled indirectly by promoters of RSL. The details are as per the table below:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table - 7

Investments in shares of Rana Group of companies	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY2020-21
Lakshmiiji Sugar mills Company Limited	5,49,50,000	5,49,50,000	5,49,50,000	5,49,50,000	5,49,50,000
Rana Polycot Limited	2,62,00,000	2,62,00,000	2,62,00,000	2,62,00,000	2,62,00,000

- c) It is observed from analysis of bank statement of CAPL (Axis Bank Account No - 913020037979578) for the period from 19-08-2013 to 31-12-2022 (**Annexure 12**) that Rs. 11.03 crore was received from Rana Sugars Limited of which in respect of Rs. 3.40 crore, direct one to one transfer on the same date to individual promoter entities as detailed in the earlier paragraphs was alleged.
- d) Rana Sugars in response to the summons issued, vide letter dated July 27, 2022 has submitted ledger account of CAPL (**Annexure -6**) in its books of account along with a certificate from its statutory auditor. However, it has not provided bank statement reflecting the transactions /amount appearing in the ledger as an evidence of actual movement of funds. A summary of the ledger transactions of CAPL as provided by RSL are as under:

Table - 8

Financial Year	Amount Paid to CAPL (Rs.)	Amount Received from CAPL (Rs.)	Closing Balance (Rs.)
Opening Balance			-3,88,99,388
2011-12	1,40,40,200	6,05,31,200	-8,53,90,388
2012-13	-	5,20,000	-8,59,10,388
2013-14	1,58,50,000	55,000	-7,01,15,388
2014-15	3,40,00,000	0	-3,61,15,388
2015-16	6,82,11,055	6,70,00,000	-3,49,04,333
2016-17	1,50,46,749	20,00,000	-2,18,57,584
2017-18	1,00,000	0	-2,17,57,584
2018-19	20,00,000	0	-1,97,57,584
2019-20	1,01,85,866	3,80,000	-99,51,718
2020-21	7,04,51,718	8,70,71,534	-2,65,71,534
2021-22	2,65,72,000	466	0
Total	25,64,57,588	21,75,58,200	

- e) From the above table it is observed that RSL had approximately Rs. 3.88 crore payable to CAPL at the beginning of FY 2011-12. RSL has further during the period from FY 2011-12 to FY 2021-22 has advanced approximately 25.64 crore to CAPL and received back approximately Rs. 21.75 crore. Further, it is observed from ledger account of CAPL with Rana Sugars Limited

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

that of the Rs. 21.75 crore paid by CAPL, Rs. 8.71 (approx.) represents unsecured loan to Camelot Exports Private Limited which has been assigned to CAPL and there is no actual flow of funds. it is to be noted that RSL has paid approximately Rs. 25.64 crore of which Rs. 8.71 crore receivable from CEPL was assigned. CEPL was itself in distress and not having regular business activity or other source of revenue. Therefor chances of recovery or receipt from CEPL was remote. In such case, the assignment of receivable from CEPL by CAPL was nothing but sham and fraud. Rana Sugars Limited despite several summons for information, did not provide bank statements showing the corresponding entries of the ledger in the bank statements to verify the genuineness of the entries in the party ledger. However, RSL has not provided any bank account statements to support its claim of receipt. Therefore, the unverified amount has not been considered due to failure on the part of the company to provide documentary evidence.

- f) It is observed that the outstanding balance as per the above table at the end of FY 2019-20 was Rs. (-)99,51,718/-. Further during FY 2020-21 Rs. 7,04,51,718 was received from RSL in lieu of which CAPL assigned the unsecured loan (receivable) of Rs. 8,70,71,534/- from Camelot Exports Private Limited realisable value of which was uncertain since Camelot Exports Private Limited had no regular business and source of revenue. Thus, in respect of Rs. 8,70,71,534, there was no actual fund flow but only book entries and therefore the same was a sham and fraud on investors and to misguide the investigation. Considering the above, revised table is as under:

Table - 9

Financial Year	Amount paid by RSL	Amount repaid by CAPL	Closing Balance (Rs.)
2018-19			-1,97,57,584
2019-20	1,01,85,866	3,80,000	-99,51,718
2020-21	7,04,51,718		6,05,00,000
2021-22	2,65,72,000	-	8,70,72,000
2022-23	-		8,70,72,000

- g) It is alleged that the amount of Rs. 8,70,71,534 was outstanding from FY 2020-21. It is further noted that RSL itself was borrowing funds for its operations during the aforesaid period. Therefore, the interest free advances given to the other entities which remained outstanding for

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

years was a fraud on the investors of RSL. It is to be noted from the financial statements that CAPL had not provided for payment of interest and neither had it received any interest as observed from the advances given further to other entities please refer to **Annexure 2** for financial statements. Since RSL has not provided the details of the borrowings and the interest paid, interest at the rate of 12% p.a. has been taken in accordance with section 28A of the SEBI act, 1992. The table below gives details of year wise outstanding balance of advances of CAPL considering and including the alleged interest lost due to the aforesaid for the investigation period.

Table -10

Financial Year	Amount paid by RSL (Rs.)	Amount repaid by CAPL (Rs.)	Outstanding Balance including previous year's interest (Rs.)	Interest (Rs.)
2018-19			-1,97,57,587	
2019-20	1,01,85,866	3,80,000	-99,51,718	-11,94,206
2020-21	7,04,51,718		5,93,05,793	71,16,695
2021-22	2,65,72,000		9,29,94,489	1,11,59,339
2022-23	-		10,41,53,827	1,24,98,459
		Total Interest		3,07,74,493.29

From the above it is alleged that RSL has lost approximately Rs. 3,07,74,493/- as interest on the interest free advances over the period given by RSL to CAPL at the cost of investors of RSL.

- h) It is worth mentioning here that the summons issued to CAPL has returned undelivered. Further, the summons sent to the directors also returned undelivered. Further, Mr. Inder Pratap Singh Rana, MD of RSL, during his statement recording before the IA had assured that he will inform these private limited companies and provide their contact details and also tell them to receive and reply to the summons. However, he did not provide any details. Further, the summons sent to CAPL post statement recording of Mr. Inder Pratap Singh also returned undelivered.
- i) In view of the above, it is alleged that CAPL has aided and abetted in siphoning off of the funds from RSL and been used as a conduit entity by the promoters and management of Rana Sugars

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Limited to divert funds from Rana Sugars Limited to the promoters and their relatives and to entities controlled by them.

Jay Aar Builders Private Limited ('JABPL')

- a) Jay Aar Builders Private Limited is indirectly connected to Rana Sugars Limited. The directors of JABPL are Mr. Ajit Singh and Mr. Sukhjeet Singh and Mr. Mahipal Singh was one of the past directors. Mr. Ajit Singh and Mr. Sukhjeet Singh are also directors in R G S Traders Private Limited whose past directors were Mr. Ranjit Singh Rana (Chairman of Rana Sugars), Mr. Preet Inder Singh Rana, Mr. Inder Paratp Singh Rana (MD of Rana Sugars) etc. Further Mr. Sukhjeet Singh having DIN 02558824 is also a director in R G S Traders Private Limited, Rana Sugars and Power Limited and Venus Pesticides Private Limited. Similarly, Mr. Ajit Singh having DIN 0258824 holds directorship in R G S Traders Private Limited, Rana Infrastructure Private Limited and R J Texfab Private Limited. As per the MCA database it is also observed that Jay Aar Builders Private Limited and R G S Traders Private Limited have common address i.e. Chamber - 110, First Floor SCO 1A, Sector - 7 Chandigarh 160019. However, as per the CEIB letter dated 19.01.2021 vide which information was shared by the Income Tax Department, FTPL has its office address at SCO 49-50, Sector 8 C, Chandigarh which is the same as that of RSL. Therefore, it may said that Jay Aar Builders Private Limited also has the same address as that of RSL. A summary of the financial statements (**Annexure 3**) of JABPL may be seen from Table 2.
- b) Jay Aar Builders Private Limited had also reported revenue from operations only in the FY 2017-18 and had no other income in any of the five financial years. It is also observed that the JABPL had reported major expenses in the FY 2017-18 and in other financial years it had reported minimal expenses. The company had not incurred/ reported any employee expenses in any of the five financial years as well. It is also noted that it did not have any fixed assets because there was no depreciation charged to the accounts. Further, in all of the five financial years the company had reported losses and had negative net worth in three of the five financial years. It is also noted that major activity of the company was of lending and borrowings to the companies and individuals directly/indirectly associated/connected with Rana Sugars Limited.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- c) It is observed from analysis of bank account statement of account no. 915020028149775 (**Annexure 13**) with Axis Bank for the period from 24/06/2015 to 15/01/2020 that JABPL has received Rs.4.52 crore from Rana Sugars Limited and paid back Rs.4.27 crore to Rana Sugars Limited. It is alleged that JABPL had made one to one transfer of Rs. 3 crore (Rs. 1 crore each to Mr. Inder Pratap singh Rana, Mr. Veer Pratap Singh Rana and Mr. Ranjit Singh Rana). It is also alleged that approximately Rs. 2.99 crore was received from Mr. Gurjeet Singh which was repaid to Rana Sugars Limited. Similarly, Rs. 10 Lac and Rs. 5 lac received from Ms. Rajbans Kaur and Mr. Inder Pratap Singh Rana respectively were also repaid to Rana Sugars Limited. On perusal of JABPL ledger submitted by Rana Sugars Limited vide letter dated July 27, 2022 (**Annexure – 6**), it is observed that RSL has given advances to JABPL. The analysis of ledger of JABPL is as under:

Table -11

Financial Year	Amount Paid to JABPL (Rs.)	Amount Received from JABPL (Rs.)	Closing Balance (Rs.)
Opening Balance			-
2011-12	600	600	-
2012-13	300	300	-
2013-14	-	-	-
2014-15	-	-	-
2015-16	2,20,00,000	-	2,20,00,000
2016-17	3,62,93,065	-	5,82,93,065
2017-18	7993	-	5,83,01,058
2018-19	-	3,35,40,000	2,47,61,058
2019-20	-	2,23,973	2,45,37,085
2020-21		2,45,37,085	-
Total	5,83,01,958	5,83,01,958	

- d) From the above table, it is observed that RSL has given advances to JABPL to the tune of Rs.5.83 crore. Further, it is also observed that Rs. 2.45 crore given by RSL to JABPL remain outstanding for 4 years. Further it is observed that even though RSL has submitted that JABPL has repaid Rs. 2.45 crore in FY 2020-21, it has not provided any evidence in respect of the same. Rana Sugars Limited did not provide the bank statements showing the corresponding entries of the ledger in the bank statements to verify the genuineness of the entries in the party ledger. However, RSL has not provided any bank account statements to support its claim of receipt. Therefore, the unverified amount has not been considered due to failure on the part of the company to provide documentary evidence.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- e) It is further noted that Rana Sugars Limited itself was borrowing funds for its operations during the aforesaid period. Therefore, the interest free advances given to the other entities which remained outstanding for years was a fraud on the investors of RSL. It is to be noted that JABPL had not provided for payment of interest in its financial statements and neither had it received any interest from the advances given further to other entities. Since RSL has not provided details of borrowings and the interest paid, interest at the rate of 12% p.a. has been taken in accordance with section 28A of the SEBI act, 1992 (Annexure 14). The table below gives details of year wise outstanding balance of advances of JABPL considering and including the alleged interest lost due to the aforesaid for the investigation period:

Table -12

Financial Year	Amount paid by RSL	Amount repaid by JABPL	Balance including interest of PY	Interest
Opening Balance				-
2014-15		-	-	-
2015-16	90,00,000	90,00,000	-	-
2016-17	3,62,93,065	-	3,62,93,065	43,55,168
2017-18	-	-	4,06,48,232	48,77,788
2018-19	-	3,30,40,000	1,24,86,020	14,98,322
2019-20	-	2,23,973	1,37,60,370	16,51,244
2020-21	-		1,54,11,614	18,49,394
2021-22			1,72,61,008	20,71,321
2022-23			1,93,32,329	23,19,880
		Total Interest	2014-15 to 2022-23	1,86,23,117

From the above it is alleged that RSL has lost approximately Rs. 1,86,23,117 /- as interest on the interest free advances over the period (FY 2014-15 to FY 2022-23) to JABPL at the cost of investors of RSL.

- f) It is worth mentioning here that the summons issued to JABPL had returned undelivered. Further, the summons sent to the directors also returned undelivered. Further, Mr. Inder Pratap Singh Rana during his statement recording before the IA had assured that he will inform them and provide their contact details and also tell them to receive and reply to the summons. However, he did not provide any details. Further, the summons sent to JABPL post statement recording of Mr. Inder Pratap Singh also returned undelivered.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

- g) It is also alleged from JABPL's financial that despite NIL revenue and no business for FY 2016-17, FY 2018-19, FY2019-20 and FY2020-21, Rana Sugars Limited has given advances of Rs. 5.83 crore (as per the ledger provided by RSL) to JABPL. Therefore, it is alleged that JABPL has aided and abetted in siphoning off of the funds from RSL and been used as a conduit entity by the promoters and management of Rana Sugars Limited to divert funds from Rana Sugars Limited to the promoters and their relatives and to entities controlled by them.

R J Texfab Private Limited ('RJTPL')

- a) It is alleged that RJTPL is a part of Rana Group Companies, incorporated in 1998 for carrying on business of purchase, sell, of textile fabrics. Its present directors are Mr. Balraj Singh and Mr. Amit Bahadur who were the employees of Rana Sugars Limited during the investigation period. Its past directors include Mr. Ajay Inder Majithia, Mr. Palakuzhil Verghese Mohan (both employees of Rana Sugars Limited), Mr. Veer Pratap Singh Rana and Mr. Karan Pratap Singh Rana (directors of Rana Sugars Limited). A brief summary of the financial performance (**Annexure 3**) of RJTPL during the period from FY 2016-17 to FY 2020-21 may be seen from table 2.
- b) It is observed table 2 that R J Texfab Private Limited reported revenues from operations only in the FY 2016-17 and FY 2017-18 and thereafter had not reported any business activity. Major expenses of the company corresponded with the business activity reported during FY 2016-17 and FY 2017-18. The company had incurred losses in two of the five financial years. In other financial years the company had no income either from operation or otherwise and the expenses reported were minimal. It is also noted that it did not have any fixed assets because there was no depreciation charged to the accounts. It is also noted that the major activity of the company was of lending and borrowings to the companies and individuals directly/indirectly associated/connected with Rana Sugars Limited. It is also observed that RJTPL had non-current investments mainly in the shares of companies that were directly/indirectly connected/associated with Rana Sugars Limited. A company which has no regular business and source of revenue but has substantial investments in the group companies of RSL for years is another evidence to prove that the entities is controlled indirectly by promoters of RSL. Details are as given below:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table - 13

Investments in shares of Rana Group of companies	2016-17	2017-18	2018-19	2019-20	2020-21
Rana Polycot Limited	16,76,00,000	17,18,95,000	19,06,93,500	19,39,93,500	19,39,93,500
Lakshmiji Sugar Mills Co. Limited	6,76,00,000	6,76,00,000	6,76,00,000	6,76,00,000	6,76,00,000
Total	23,52,00,000	23,94,95,000	25,82,93,500	26,15,93,500	26,15,93,500

- c) It is alleged from analysis of Bank account statement of account no. 912020050100918 with Axis Bank (**Annexure 15**) during the period from 24-09-2012 to 04-07-2019 that RJTPL Rs.38.49 crore were received from Rana Sugars Limited and Rs.22.73 crore were paid back to Rana Sugars Limited. It is further alleged that funds received from Rana Sugars in bank account of RJTPL were transferred to the below entities on the same day from 2012 to 2016:

Table - 14

Money received from Rana Sugars Ltd transferred to the below Entities	Amount (Rs.)	Relationship
Rana Ranjit Singh	11,54,75,000	Director in Rana Sugars
Rana Inder Pratap Singh	2,35,00,000	Director in Rana Sugars
Rana Veer Pratap Singh	1,00,00,000	Director in Rana Sugars
Rana Gurjeet Singh	1,63,00,000	Father of MD in Rana Sugars
Rana Karan Partap Singh	55,00,000	Director in Rana Sugars
Rajbans Kaur	31,50,000	Mother of MD in Rana Sugars
Sukhjinder Kaur	18,50,000	Wife of Mr. Ranjit Singh (Chairman of RSL)
Total	17,57,75,000	

- d) It is also observed that approximately Rs. 61 lac was repaid by Mr. Gurjeet Singh Rana and the same were transferred to Rana Sugars Limited. Similarly, Rs. 20 lac and Rs. 10 lac was repaid by Mr. Karan Pratap Singh Rana and Mr. Inder Pratap Singh Rana respectively which were repaid to Rana Sugars Limited.
- e) On perusal of RJTPL ledger submitted by the Rana Sugars Limited vide letter dated July 27, 2022 (**Annexure-6**) it is alleged that RSL has given advances to RJTPL. The analysis of ledger of RJTPL is as under:

Table - 15

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Financial Year	Amount Paid to RJTPL (Rs.)	Amount Received from RJTPL (Rs.)	Closing Balance (Rs.)
Opening Balance			10,19,13,045
2011-12	4,125	3,03,70,000	7,15,47,170
2012-13	1531	2,99,51,531	4,15,97,170
2013-14	5,00,00,000	4,08,03,000	5,07,94,170
2014-15	24,75,35,000	1,48,00,000	28,35,29,170
2015-16	7,29,00,000	8,78,25,000	26,86,04,170
2016-17	1,42,95,000	1,07,50,000	27,21,49,170
2017-18	-	-	27,21,49,170
2018-19	8,85,000	4,25,45,000	23,04,89,170
2019-20		2,31,13,428	20,73,75,742
2020-21	-	17,86,68,000	2,87,07,742
2021-22	-	2,87,07,742	0
Total	38,56,20,656	48,75,33,701	

- f) From the above table, it is observed that RSL had an outstanding debit balance of approximately 10.19 crore at the beginning of FY 2011-12. RSL has further advanced approximately Rs. 38.56 crore during the period from FY 2011-12 to FY 2018-19 and RSL has claimed to have received back approximately Rs.48.75 crore and at the end of FY 2021-22 it has nil outstanding balance. However, RSL has not provided any bank account statements to support its claim of receipt. Therefore, the unverified amount has not been considered due to failure on the part of the company to provide documentary evidence.
- g) It is further noted that Rana Sugars Limited itself was borrowing funds for its operations during the aforesaid period. Therefore, the interest free advances given to the other entities which remained outstanding for years was a fraud on the investors of RSL. It is to be noted that RJTPL had not provided for payment of interest in its financial statements and neither had it received any interest from the advances given further to other entities. The table below gives details of year wise outstanding balance of advances by RSL to RJTPL and the interest lost/paid due to the aforesaid. Since RSL has not provided the details of the borrowings and the interest paid, an adhoc rate of interest at the rate of 12% p.a. has been taken in accordance with section 28A of the SEBI act, 1992. The table below gives details of year wise outstanding balance of advances of RJTPL considering and including the alleged interest lost due to the aforesaid for the investigation period:

Table - 16

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Financial Year	Amount paid by RSL	Amount repaid by RJTPL	Balance including interest of PY	Interest
Opening Balance			7,15,47,170	85,85,660
2012-13	-	2,99,50,000	5,01,82,830	60,21,939
2013-14	5,00,00,000	4,08,03,000	6,54,01,770	78,48,212
2014-15	24,75,35,000	1,48,00,000	30,59,84,982	3,67,18,198
2015-16	7,27,00,000	8,78,25,000	32,75,78,180	3,93,09,382
2016-17	1,37,95,000	1,12,50,057	36,94,32,504	4,43,31,901
2017-18	-	-	41,37,64,405	4,96,51,729
2018-19	-	4,25,45,000	42,08,71,133	5,05,04,536
2019-20	-	1,33,428	47,12,42,241	5,65,49,069
2020-21	-	-	52,77,91,310	6,33,34,957
2021-22	-	-	59,11,26,267	7,09,35,152
2022-23	-	-	66,20,61,420	7,94,47,370
Total Interest			2014-15 to 2022-23	49,07,82,294

- h) From the above it is alleged that RSL has lost approximately Rs. 49,07,82,294/- (from FY 2014-15 to FY 2022-23) as interest on the interest free advances over the period (FY 2014-15 to FY 2022-23) to RJTPL at the cost of investors of RSL. Further it is alleged that even though the company has submitted that it has repaid the entire outstanding balance in FY 2021-22, it has not provided any evidence in respect of the same. Rana Sugars Limited did not provide the bank statements showing the corresponding entries of the ledger in the bank statements to verify the genuineness of the entries in the party ledger.
- i) It is worth mentioning here that the summons issued to RJTPL had returned undelivered. Further, the summons sent to the directors also returned undelivered. Further, Mr. Inder Pratap Singh Rana during his statement recording before the IA had assured that he will inform them and provide their contact details and also tell them to receive and reply to the summons. However, he did not provide any details. Further, the summons sent to RJTPL post statement recording of Mr. Inder Pratap Singh also returned undelivered. It is also observed from RJTPL's financial that RJTPL has shown nil revenue from FY 2018-19 to FY2020-21. It is seen from the table that despite having no business activities RSL has advanced so much money to RJTPL which was further used to transfer the funds to individual promoter entities of Rana Sugars and other group companies controlled by them directly/indirectly. Therefore, it is alleged that

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

RJTPL has aided and abetted in siphoning off of the funds from RSL and been used as a conduit entity by the promoters and management of Rana Sugars Limited to divert funds from Rana Sugars Limited to the promoters and their relatives and to entities controlled by them.

R G S Traders Private Limited (RTPL/R G S)

- a) It is alleged that R G S Traders Private Limited is a part of Rana Group Companies. Its present directors are Mr. Ajeet Singh and Mr. Sukhjeet Singh who were also directors in Jay Aar Builders Private Limited, R J Texfab Private Limited and Venus Pesticides Private Limited. Its past directors include Mr. Ajay Inder Majithia (employee of Rana Sugars Limited), Mr. Preet Inder Singh Rana and Mr. Ranjit Singh Rana, Mr. Inder Pratap Singh Rana (directors of Rana Sugars Limited). It is also observed from the CEIB letter dated 19.01.2021 vide which information was shared by the Income Tax Department, R G S has its office address at SCO 49-50, Sector 8 C, Chandigarh which is the same as that of RSL. A brief summary of the financial performance (**Annexure 3**) of R G S during the period from FY 2016-17 to FY 2020-21 may be seen from table 2.
- b) R G S Traders Private Limited had reported revenue from operation in four of the five previous financial years. It did not show any revenue from operation in FY 2020-21 however, it has reported other income of Rs. 2.69 crore which is more than its revenue (Rs. 1.22 crore) from operation in FY 2019-20. It is also observed that the company has shown employee expenses only in two of the five financial years. Further, the company has no other fixed assets except land. It is also observed that the company had negative net worth in all the five financial years. It is observed from the profit and loss accounts of the company that it had neither paid nor received any interest on the borrowing and lending of loans and advances. Further it is alleged that the other income in the FY 2020-21 represents write back of sundry creditors.
- c) It is observed from the statement of bank account no. 911020028718713 of R G S with Axis Bank (**Annexure 16**) for the period from 13/06/2011 to 04/04/2022 that approximately Rs. 119.30 crore was received from Rana Sugars Limited and Rs. 23.71 crore was repaid during the period. It is alleged that direct one to one fund transfers to the individual entities belonging to the promoters and their relatives in respect of approximately Rs. 4.82 crore. The details are given as below:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table - 17

Money received from Rana Sugars Ltd transferred to the below Entities	Amount (Rs.)	Relationship
Rana Ranjit Singh	90,00,000	Director in Rana Sugars
Rana Inder Pratap Singh	1,50,00,000	Director in Rana Sugars
Rana Veer Pratap Singh	33,00,000	Director in Rana Sugars
Rana Gurjeet Singh	1,86,50,000	Father of MD in Rana Sugars
Sukhjinder Kaur	23,00,000	Wife of Mr. Ranjit Singh (Chairman of RSL)
Total	4,82,50,000	

- d) It is also observed that approximately Rs. 45 lac was repaid by Mr. Ranjit Singh Rana and the same were transferred to Rana Sugars Limited. Similarly, Rs. 14 lac and Rs. 25 lac was repaid by Mr. Preet Inder Singh Rana and Mr. Veer Pratap Singh Rana respectively which were repaid to Rana Sugars Limited.
- e) It is further noted that Rana Sugars Limited itself was borrowing funds for its operations during the aforesaid period. Therefore, the interest free advances given to other entities which remained outstanding for years was a fraud on the investors of RSL. It is to be noted that R G S had not provided for payment of interest in its financial statements and neither had it received any interest from the advances given further to other entities. The table below gives details of year wise outstanding balance of advances by RSL to R G S and the interest lost/paid due to the aforesaid. Since RSL has not provided the details of the borrowings and the interest paid, an adhoc rate of interest at the rate of 12% p.a. has been taken in accordance with section 28A of the SEBI act, 1992. The details are as per the table below:

Table - 18

Financial Year	Amount paid by RSL	Amount repaid by R G S	Balance including interest of PY	Interest
Opening Balance				
2010-11				
2011-12	8,03,80,000	99,00,000	7,04,80,000	84,57,600
2012-13	4,44,67,304		2,34,04,904	1,48,08,588
2013-14	14,60,85,964	50,00,000	27,92,99,456	3,35,15,934
2014-15	29,64,61,277	17,88,76,571	43,04,00,097	5,16,48,011
2015-16	76,26,81,488	7,24,88,350	1,17,22,41,246	14,06,68,949
2016-17	70,84,20,029	4,37,60,000	1,97,75,70,226	23,73,08,427
2017-18	1,03,55,000	1,15,00,000	2,21,37,33,653	26,56,48,038
2018-19	7,43,76,774	33,69,16,061	2,21,68,42,404	26,60,21,088

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

2019-20	-	15,72,90,000	2,32,55,73,493	27,90,68,819
2020-21	-	-	2,60,46,42,312	31,25,57,077
2021-22	-	-	2,91,71,99,389	35,00,63,926
2022-23	-	-	3,26,72,63,316	39,20,71,598
		Total Interest		2,35,18,38,060

f) From the above it is alleged that RSL has lost approximately Rs. 229,50,55,937/- (from FY 2014-15 to FY 2022-23) as interest on the interest free advances over the period to R G S at the cost of investors of RSL. It is noted that Rana Sugars Limited has not provided any explanation/clarification to the transaction with R G S Traders Private Limited. Further, summons issued to R G S returned undelivered. It is to be noted that RGS was reported as a related party by RSL in the Annual Report of RSL for FY 2010-11 when Mr. Inder Pratap Singh Rana, Mr. Ranjit Singh Rana and Mr. Preet Inder Singh Rana were directors. Thereafter, Mr. Ajay Inder Majithia (employee) of RSL was appointed as a director. However, RGS was not shown as a related party thereafter, even though Rana Sugars Limited and its management was exerting control over R G S Traders through its employees who were directors in the company (R G S). Therefore, it is alleged that R G S has aided and abetted in siphoning off of the funds from RSL and been used as a conduit entity by the promoters and management of Rana Sugars Limited to divert funds from Rana Sugars Limited to the promoters and their relatives and to entities controlled by them.

Role of Mr. Manoj Gupta CFO of the company during the relevant period (from FY 2015-16 to 02/04/2019)

19. Mr. Manoj Gupta was CFO of RSL during the relevant period. It is observed from his resignation letter to the company provided in response to the summons issued to him that he resigned from the company on April 2, 2019. It is observed that he was with company for the last 26 years. It is observed from his reply dated July 6, 2022 (**Annexure-17**) that he was not involved in the day to day finances of the company and that he was only looking after the availing of credit facility by the company. Further he has stated that he was not aware of financial transactions with other private limited companies such as Century Agros Private

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

Limited, Flawless Traders Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited, Superior Food Grains Private Limited, Venus Pesticides Private Limited and Camelot Exports Private Limited. It is to be noted that being CFO of RSL, he was responsible for approval of all financial transaction of the company. A CFO is responsible for the entire finances of the company. Further, when he certifies that the financial statements are free from misstatements and misrepresentation, he provides an assurance with regard to the financial affairs of the company to the investors and other stakeholders. It is observed that he was a signatory to the financial statements of the company until FY 2017-18. Further, by his act, has played fraud on the investors and other stakeholders of the company. Therefore, his reply is just an afterthought to absolve himself from the wrongs done by him in collusion with the MD, Chairman and Director of RSL and their relatives. Therefore, it is alleged that he was fully aware and in the know of the all the financial transactions/transfer of funds from RSL to the private companies controlled by the promoters of RSL including the conduit entities.

20. Under Regulation 17(8) of SEBI (LODR) Regulations, 2015, the Chief Executive Officer ('CEO') and the Chief Financial Officer ('CFO') shall provide a compliance certificate to the Board of Directors. Further, under Regulation 33(2)(a) of SEBI (LODR) Regulations, 2015, it is duty of the CEO and CFO of the listed entity to certify that the published financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading while placing the financial results.
21. It is observed from the Annual Report from FY 2010-11 to FY 2017-18 that Mr. Manoj Gupta was CFO of RSL and has certified /given CEO/CFO certification as required under Regulation 17(8) of SEBI (LODR) Regulations, 2015 and he was also a signatory to the financial statements for the investigation period until FY 2017-18 that are misstated in view of the diversion of funds from RSL. It is also alleged that the CFO, Mr. Manoj Gupta had certified /given CFO certification with respect to materially untrue financial statements for the investigation period till FY 2017-18; there by failing to comply with Regulation 17(8) read with part B of Schedule II and Regulation 33(2)(a) of SEBI (LODR) Regulations, 2015.
22. The provisions of Regulation 30 of SEBI (LODR), 2015 provides for disclosures of events

Show Cause Notice in the matter of Rana Sugars Limited





with (Part A) and without (Part B) application of guidelines for materiality which inter-alia includes “*Fraud/defaults by promoter or key managerial personnel or by listed entity or arrest of key managerial personnel or promoter*”. Therefore, it is observed that the CFO was under an obligation to disclose the above mentioned fraud (diversion and siphoning) committed by the directors and their relatives. However, he failed to do so.

23. In view of the above, the CFO Mr. Manoj Gupta has violated the provisions of Regulations 3(c)&(d), 4(1), 4(2)(f) & (k) of SEBI (PFUTP) Regulations, 2003 read with Section 12A(b)&(c) read with Regulations 17(8) read with Part B of Schedule II, 23(2), 23(4), 23(9), 30(2), 30(3), 33(1)(c), 33(2)(a), 34(3) read with Part A of Schedule V, 34(3) read with clause (2)(b) and (3)(c) of part C of Schedule V and 48 of SEBI (LODR) Regulations, 2015.

Scheme to divert funds from RSL to Individual promoter entities

24. In view of the discussions in the foregoing paragraphs it is alleged that approximately Rs. 52.98 crore was diverted to the directors and promoters of Rana Sugars Limited and their relatives by using some private limited companies as vehicle for the aforesaid diversion. Further, Rs. 165.36 crore was in continuous circulation amongst various entities connected/controlled directly/indirectly by the promoters of RSL. These companies apparently had no business and were engaged mainly in routing of funds from one company to the other which is evident from the outstanding loans and advances in their financial statements and the transactions in their bank account. The aforesaid companies have aided and abetted Rana Sugars Limited in the diversion of funds of the listed company for the benefits of the said promoter, directors and their relatives. While RSL claimed that the money was repaid during FY 2021-22, it did not produce /submit any evidence/documents other than the ledger in the books of RSL and a certificate from its auditor in respect of the said claim.

25. This scheme of diversion devised by the Promoters cum Directors including the Managing Director also misrepresented the financials of the company since the funds diverted to the promoter directors and their relatives were reported as genuine business advances to third parties which camouflaged the related party transactions. By camouflaging the above related party transactions, the company escaped /circumvented the legal requirements of reporting of such transactions as RPT (Related Party Transactions). The above scheme denied the investors,

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

the real state of affairs prevailing in RSL. By the above, RSL further escaped the rigors of the provisions of SEBI (LODR) Regulations and various corporate governance norms that were to be followed by RSL with respect to transactions with the related parties. In view of the above, it is alleged that the above acts of the company (RSL), its Directors, Chairman, Managing Director and other KMPs has acted as fraud upon the public shareholders and other investors who may have relied upon these misrepresented financial statements to invest or keep invested in the shares of RSL.

26. The bank accounts of the conduit entities namely Flawless Traders Private Limited (Bank Account No. 912020044404859 with Axis Bank from 27/08/2012 to 16/04/2019), Century Agros Private Limited (Bank Account No. 913020037979578 with Axis Bank from 19/08/2013 to 25/09/2020), Jay Aar Builders Private Limited (Bank Account No. 915020028149775 with Axis Bank from 24/06/2015 to 25/01/2020) R J Texfab Private Limited (Bank Account No. 912020050100918 with Axis Bank from 24/09/2012 to 04/07/2019) R G S Traders Private Limited (Bank Account No. 911020028718713 with Axis Bank from 06/06/2011 to 30/09/2022) were perused. It is alleged that RSL transferred approximately Rs. 45.06 crore to FTPL, Rs. 11.03 crore to CAPL, Rs. 4.52 crore to JABPL, Rs. 38.40 crore to RJTPL and Rs. 119.30 crore to R G S Traders (please refer to table 3) during the investigation period. It is noted that the amount transferred to the aforesaid entities is material owing to fact that these entities were having very small scale of business operations and also did not have regular business income over the years. Further, the entities also had negative net worth and were continuously incurring losses which also raised suspicion over their ability to repay the said amounts. Please refer to table 4 for brief financial summary of the abovementioned companies. Owing to the aforesaid adverse business conditions and also considering the fact that said entities did not have any fixed assets of the conduit entities, the large sum of money transferred/diverted by RSL to the aforesaid entities were beyond their repayment capacity in the normal course of business and the same were material enough to put a strain on the finances of RSL.

27. In view of the above, it is alleged that:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

- a) RSL has violated the provisions of Section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) & (k) of SEBI (PFUTP) Regulations 2003 and read with Regulations 4(1)(c) and 4(1)(e) read with Regulation 5 of SEBI (LODR) Regulations 2015 and also read with Regulation 4(1)(a), (b), (g), (h), (j), 4(2)(e)(i), 33(1)(c) & 48 of SEBI (LODR) Regulations 2015.
- b) Mr. Inder Pratap Singh Rana violated the provisions of Section 12A(b), (c) of the SEBI Act 1992 and Regulations 3(c) & (d) read with 4(1), 4(2)(f) & (k) of SEBI (PFUTP) Regulations 2003 and read with 4 (1)(c) and 4 (1)(e) of SEBI (LODR) Regulations 2015 read with Section 27 (1) and (2) of the SEBI Act, 1992.
- c) Mr. Ranjit Singh Rana and Mr. Veer Pratap Singh Rana have violated the provisions of section 12A(b) and (c) of the SEBI Act 1992 and Regulations 3(c) & (d) read with 4(1), 4(2)(f) & (k) of SEBI (PFUTP) Regulations 2003 and read with 4(1)(c) and 4(1)(e) of SEBI (LODR) Regulations 2015 read with section 27 (2) of the SEBI Act, 1992.
- d) Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have violated the provisions of section 12A(b) and (c) of the SEBI Act 1992 and Regulations 3(c) & (d) read with 4(1), 4(2)(f) & (k) of SEBI (PFUTP) Regulations 2003
- e) Mr. Manoj Gupta CFO of the company has violated the provisions of Regulations 3(c)&(d), 4(1), 4(2)(f) and (k) of SEBI (PFUTP) Regulations, 2003 read with Section 12A(b)&(c) of the SEBI Act, 1992, Regulations 17(8) read with Part B of Schedule II, 23(2), 23(4), 23(9), 30(2), 30(3), 33(1)(c), 33(2)(a), 34(3) read with Part A of Schedule V, 34(3) read with clause (2)(b) and (3)(c) of part C of Schedule V and 48 of SEBI (LODR) Regulations, 2015.
- f) Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited have indulged into fraudulent and manipulative scheme devised by them to divert the funds from Rana Sugars Limited thereby violating the provisions of section 12A(b) and (c) of the SEBI Act 1992 and Regulations 3(c) & (d) read with 4(1), 4(2)(f) & (k) of SEBI (PFUTP) Regulations 2003.

Show Cause Notice in the matter of Rana Sugars Limited





Non-furnishing of information:

28. During the course of investigation, it was observed that Rana Sugars Limited had transferred large sum of money to some companies related/connected directly/indirectly which apparently had no regular business activities or source of revenue. The money so transferred were subsequently routed to individual entities including Chairman, Ranjit Singh Rana, Managing Director, Inder Pratap Singh Rana and their close relatives. In this regard summons were issued to the company (Rana Sugars Limited) and other individuals including the Chairman and the Managing Director. It may be noted that the company provided only few information and did not provide majority of information crucial for conclusion of the investigation.

Rana Sugars Limited

- a) First summons to the company was issued on June 24, 2022 to which the company replied vide letter dated July 4, 2022 seeking more time to reply. Thereafter, another summons was issued on July 5, 2022 wherein the queries to the summons dated June 24, 2022 were reiterated and was advised to reply by July 19, 2022. The company vide letter dated July 21, 2022 replied to B (i), B(viii), B(xi), C(i), C(ii) and C(v) of the summons dated July 5, 2022 and June 24, 2022 and did not reply to B (ii) to B (vii), B(ix) to B(xii) and C(iii) and C(iv). The company vide letter dated July 27, 2022 also submitted ledger account of the 7 entities to whom the company had given loan and advances along with auditor certificate certifying that the amount has been repaid by the company. However, it is seen that the aforesaid auditor certificate is not backed by supporting bank statements reflecting the said transactions. The remaining information was not provided.
- b) Thereafter another summon dated August 23, 2022 was issued to the company. The company vide letter dated August 31, 2022 replied to the summon dated August 23, 2022 providing reply to queries in (provided only the ledger) B (ii), B(iii), B(viii) and C(iii) but did not reply to B(i), B(iv) to B(vii) and C(i) and C(ii) and D. Thereafter, another summon dated September 6, 2022 was issued to the company. The company vide letter dated September 15, 2022 replied to the summons dated September 6, 2022 providing reply/information in respect of point no. 1) and did not reply to point no. 2).





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

- c) Thereafter another summon dated September 16, 2022 was issued to the company. The company did not reply to the above summon. Thereafter, another summon dated November 3, 2022 was issued to the company providing details of all the information/queries sought till date and the information/reply provided by the company and also advising the company to provide replies/information in respect of the queries/information not replied/provided. The company replied vide letter dated November 30, 2022. In the abovementioned reply the company did not provide reply to point no. 1. 1) to 3), 2. 1) to 4), 3. 1) & 2), 4 B. i, second part of ii, v, 4. C. i and ii and 4 D, 5 B. i,vi, 5 C. iii, iv, v, reply to point no. 6 (all queries) and point no. 7. The above mentioned queries were more crucial and relevant to the present investigation which was not provided by the company. The aforementioned summons issued contains details of information summoned earlier but not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 18**.
- d) From the above, it is alleged that the company despite numerous opportunity, has not provided information which are crucial/necessary/relevant for conclusion of the investigation. Therefore, it is concluded that the company has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons issued to it. Therefore, the company has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992.

Inder Pratap Singh Rana

- e) A summon dated July 6, 2021 was issued to Mr. Inder Pratap Singh Rana for personal appearance before the Investigating Authority. however, no response was received from him. Thereafter another summon dated July 8, 2022 was issued to Mr. Inder Pratap Singh Rana seeking information with respect to funds received from various entities connected to Rana Sugars Limited directly/indirectly. However, no reply was received from him. Thereafter another summons dated August 25, 2022 was issued to Mr. Inder Pratap Singh Rana for personal appearance before the IA. However, he did not appear on the scheduled date. Another summon dated September 12, 2022 was issued to him for personal appearance. Thereafter, pursuant to the aforesaid multiple summons requiring him to appear in person to record his statement in connection the investigation before the investigating Authority, he appeared in

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

person on September 21, 2022 and recorded his statement before the Investigating Authority. However, during the said statement recording, in response to many questions put to him by the Investigating Authority, he stated that he would reply latest by October 5, 2022. Therefore vide email dated September 22, 2022 he was emailed the list of questions which he did not reply during the statement recording and undertook to reply later as mentioned above. The above email was followed by reminder emails dated September 28, 2022 and October 4, 2022. However, no reply was received from him in the matter. Thereafter, another summon was issued on November 9, 2022 providing details of all the information/queries sought till date. Thereafter another summons dated January 11, 2023 was issued to him. However, no reply was received from him in response to any of the summons or emails issued/sent to him in the matter.

- f) From the above, it is alleged that Rana Inder Pratap Singh, despite numerous opportunity, has not provided information which are crucial/necessary/relevant for conclusion of the investigation. Therefore, it is concluded that he has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons and emails sent as mentioned above. Therefore Rana Inder Pratap Singh has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992. The summons issued contains details of information not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 19**.

Gurjeet Singh Rana

- g) A summon dated July 8, 2022 was issued to Mr. Gurjeet Singh Rana seeking information with respect to funds received from various entities connected to Rana Sugars Limited directly/indirectly. However, no reply was received from him. Thereafter, a summons dated September 12, 2022 was issued to Mr. Gurjeet Singh Rana to appear in person before the IA. In response to the aforesaid summons for personal appearance before the Investigating Authority, he was represented by Mr. Inder Pratap Singh Rana before the Investigating Authority on September 21, 2022. However, during the said statement recording, in response to many questions put to him by the Investigating Authority, he stated that he would reply latest by October 5, 2022. Therefore, vide email dated September 22, 2022, Mr. Inder Pratap Singh Rana was emailed the list of questions which he did not reply during the statement recording

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

and undertook to reply later as mentioned above. The above email was followed by reminder emails dated September 28, 2022 and October 4, 2022. However, no reply was received from Mr. Inder Pratap Singh Rana on his behalf in the matter. Thereafter, another summon was issued to Mr. Gurjeet Singh Rana on November 10, 2022. However, Mr. Gurjeet Singh Rana did not respond to the aforesaid summons dated July 8, 2022 and November 10, 2022. Thereafter another summons dated January 11, 2023 was issued to him. Mr. Gurjeet Singh Rana did not respond to any of the summons issued to him.

- h) From the above, it is alleged that Mr. Gurjeet Singh Rana, despite numerous opportunity, has not provided information which are crucial/necessary/relevant for conclusion of the investigation. He did not even bother to respond to the summons issued by the IA. Therefore, it is concluded that he has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons and emails sent as mentioned above. Therefore Mr. Gurjeet Singh Rana has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992. The summons issued contains details of information not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 20**.

Karan Pratap Singh Rana

- i) A summon dated July 6, 2021 was issued to Mr. Karan Pratap Singh Rana for personal appearance before the Investigating Authority. However, no response was received from him. Thereafter another summon dated July 8, 2022 was issued to Mr. Karan Pratap Singh Rana seeking information with respect to funds received from various entities connected to Rana Sugars Limited directly/indirectly. However, no reply was received from him. Thereafter another summons dated August 25, 2022 was issued to Mr. Karan Pratap Singh Rana for personal appearance before the IA. However, he did not appear on the scheduled date. Thereafter another summon dated September 12, 2022 was issued to him for personal appearance. Thereafter, pursuant to the aforesaid multiple summons requiring him to appear in person to record his statement in connection the investigation before the Investigating Authority, Mr. Inder Pratap Singh Rana appeared in person on September 21, 2022 and represented him before the Investigating Authority. However, in response to many questions

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

put to him by the Investigating Authority, Mr. Inder Pratap Singh stated that he would reply latest by October 5, 2022. Therefore, vide email dated September 22, 2022, Mr. Inder Pratap Singh was emailed the list of questions which he did not reply during the statement recording and undertook to reply later as mentioned above. The above email was followed by reminder emails dated September 28, 2022 and October 4, 2022. However, no reply was received from Mr. Inder Pratap Singh in the matter. Thereafter, another summon was issued to Mr. Karan Pratap Singh Rana on November 10, 2022. Another summons was issued to Mr. Karan Pratap Singh on January 11, 2023. However, Mr. Karan Pratap Singh Rana did not respond to any of the aforesaid summons issued to him.

- j) From the above, it is alleged that Mr. Karan Pratap Singh Rana, despite numerous opportunity, has not provided information which are crucial/necessary/relevant for conclusion of the investigation. Therefore, it is concluded that he has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons and emails sent as mentioned above. Therefore Mr. Karan Pratap Singh Rana has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992. The summons issued contains details of information not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 21**.

Ms. Rajbans Kaur Rana

- k) A summon dated July 8, 2022 was issued to Ms. Rajbans Kaur Rana seeking information with respect to funds received from various entities connected to Rana Sugars Limited directly/indirectly. However, no reply was received from her. Thereafter, summons dated August 25, 2023 was issued to her to appear in person before the Investigating Authority and to answer all the questions put to her by the Investigating Authority. However, she did not respond to the summons. Thereafter another summons dated September 12, 2022 was issued to her for personal appearance before the Investigating Authority pursuant to which she was represented by Mr. Inder Pratap Singh Rana before the Investigating Authority on September 21, 2022. However, in response to many questions put to Mr. Inder Pratap Singh, he stated that he would reply latest by October 5, 2022. Therefore, vide email dated September 22, 2022, the unanswered questions were emailed. The above email was followed by reminder emails dated

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

September 28, 2022 and October 4, 2022. However, no reply was received from Mr. Inder Pratap Singh in the matter. Thereafter, summonses dated November 10, 2022 and January 11, were issued to Ms. Rajbans Kaur Rana on. However, Ms. Rajbans Kaur did not respond to the aforesaid summonses.

- l) From the above, it is alleged that Ms. Rajbans Kaur Rana, despite numerous opportunity, has not provided information which are crucial/necessary/relevant for conclusion of the investigation. Therefore, it is concluded that she has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons and emails sent as mentioned above. Therefore Ms. Rajbans Kaur Rana has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992. The summons issued contains details of information not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 22**.

Ranjit Singh Rana

- m) A summon along with a covering letter dated July 6, 2022 was issued to Mr. Ranjit Singh Rana for personal appearance and information with respect to funds received from various entities connected to Rana Sugars Limited directly/indirectly. However, no response was received from him. Thereafter, another summons dated August 25, 2022 along with covering letter date August 26, 2022 was issued to him for personal appearance and record his statements before the Investigating Authority. He did not respond to the said summons as well. Thereafter another summons dated, September 12, 2022 was issued to him. However, he did not respond to any of the summons. Subsequently Mr. Inder Pratap Singh appeared on September 21, 2022 to record his statements before the Investigating Authority and stated that he was representing Mr. Ranji Singh also along with his other family members. However, he did not provide any information with respect to the transactions of Mr. Ranjit Singh. Thereafter another summons dated January 16, 2023 was issued to Mr. Ranjit Singh giving details of fund transaction with various private limited companies which were conduit entities. However, he did not respond to the said summons as well.
- n) From the above, it is alleged that Mr. Ranjit Singh Rana, did not bother to respond to the numerous opportunities and multiple summons issued and which were duly delivered in

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

accordance with the provisions of the SEBI Act, 1992 and the Rules and Regulations made thereunder. The above act and attitude of Mr. Ranjit Singh Rana shows the disregard he has for law of the land. Since he did not respond and provide information which were crucial/necessary/relevant for conclusion of the investigation, the investigation was completed with lot of difficulty and with whatever information that could be gathered from the third party and independent sources which included majorly banks. Therefore, it is concluded that he has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons and emails sent as mentioned above. Therefore Mr. Ranjit Singh has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992. The summons issued contains details of information not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 23**.

Veer Pratap Singh Rana

- o) A summon dated July 6, 2022 with cover letter was issued to Mr. Veer Pratap Singh Rana for personal appearance and information with respect to funds received from various entities connected to Rana Sugars Limited directly/indirectly. However, no response was received from him. Thereafter, another summons dated August 25, 2022 along with cover letter dated August 26, 2022 was issued to him for personal appearance and record his statements before the Investigating Authority. He did not respond to the said summons as well. Thereafter another summons dated, September 12, 2022 was issued to him. However, he did not respond to any of the summons. Subsequently Mr. Inder Pratap Singh appeared on September 21, 2022 to record his statements before the Investigating Authority and stated that he was representing Mr. Mr. Veer Pratap Singh also along with his other family members. However, he did not provide any information with respect to the transactions of Mr. Veer Pratap Singh. Thereafter, another summons dated January 16, 2023 was issued to Mr. Veer Pratap Singh giving details of fund transaction with various private limited companies which were conduit entities. However, he did not respond to the said summons as well.
- p) From the above, it is alleged that Mr. Veer Pratap Singh, did not bother to respond to the numerous opportunities and multiple summons issued and which were duly delivered in

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

accordance with the provisions of the SEBI Act, 1992 and the Rules and Regulations made thereunder. The above act and attitude of Mr. Veer Pratap Singh shows the disregard he has for law of the land. Since he did not respond and provide information which were crucial/necessary/relevant for conclusion of the investigation, the investigation was completed with lot of difficulty and with whatever information that could be gathered from the third party and independent sources which included majorly banks. Therefore, it is concluded that he has not co-operated with the ongoing investigation and therefore has not provided information sought vide various summons and emails sent as mentioned above. Therefore Mr. Veer Pratap Singh has not complied with the summons and thereby has violated the provisions of section 11 C (2), 11 C (3) read with section 11 (2) of the SEBI Act, 1992. The summons issued contains details of information not provided. Copies of summons issued along with proof of delivery are placed at **Annexure 24**.

Non-disclosure of related party transactions with certain entities:

29. The reporting requirement for disclosures of related party and related party transactions by listed companies arise from the provisions of Accounting Standard 18 (AS 18) issued by the Institute of Chartered Accountants of India (ICAI). The provisions of AS 18 were applicable until FY 2017-18 and thereafter the provisions of Ind AS 24 became applicable from FY 2018-19. The provisions, clause 21 of AS 18 required all listed companies to disclose names of the related party and nature of the related party relationship irrespective of whether there have been transaction with the related party. The provisions, clause 23 further illustrated/mentioned the disclosure requirements in case where there was a transaction with the related party.
30. During investigation, it was observed that there were some companies which were connected/related to Rana Sugars Limited either directly or indirectly. However, the annual report of Rana Sugars Limited had no disclosure with respect to those entities or transaction. It is also alleged that there was inconsistency in reporting and disclosing the details of related party in the Annual Report i.e. certain entities reported in a particular financial year were not reported in the next financial year. Extract of Annual Report from FY 2010-11 to FY 2020-21 is at **Annexure 25**.
31. It is also alleged that RSL vide letter dated September 30, 2021 has submitted the following details regarding related party transaction for the financial year 2016.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Details of related party transactions for FY 2016-17		Purchase during the year	Sales During the Year	(INR in Lakhs)	
Particulars	Opening Balance			Net Fund Paid/ (Received)	Closing Balance
Superior Foods Grains Private Limited	(186.30)	-	-	59.03	(127.27)
Rana Informatics Private Limited	-	-	-	37.95	37.95
Lakshmiiji Sugar Mills Company Limited	111.71	-	-	(111.71)	-

It is alleged that Superior Foods Grains Private Limited, Rana Informatics Private Limited & Lakshmiiji Sugar Mills Company Limited were reported as associates by RSL in its Annual Report for the financial year 2016-17. However, RSL did not disclose the transaction with those entities as related party transaction in the Annual Report for the FY 2016-17 as required under Regulation 34(3) r/w disclosures specified in Schedule IV of LODR Regulations. Further RSL has also not disclosed the transactions / fund transfers with the conduit entities, supposedly related parties operated through the employees of RSL. It is observed that in most cases the money that were transferred from RSL to various third party companies were transferred to the family members of promoters of RSL on the same day, ruling out any possibility of genuine business transfers. No explanations have been offered in the annual reports with respect to the inconsistencies. Further, the companies such as Century Agros Private Limited, Flawless Traders Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited which are controlled indirectly by Rana Sugars Limited and its promoters and the family members of promoters, however they are also not disclosed as Related Party in any of the financial years.

32. In view of the discussions and deliberation in the foregoing paragraphs it is alleged that Rana Sugars Limited along with Mr. Inder Pratap Singh Rana (Managing Director), Mr. Ranjit Singh Rana (Chairman), Mr. Veer Pratap Singh Rana and his family members along with certain private limited companies namely, Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited devised a scheme to siphon off the funds from Rana Sugars Limited by routing the same through some private limited companies as business advances. It is to be noted here that the aforesaid companies were not having a regular business, had no regular employees, had no assets, and had continuous negative net worth etc. and were continuously incurring losses which created the suspicion about the entities continuing to be going concern. The management of the company

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

which included Mr. Inder Pratap Singh Rana (Managing Director), Mr. Ranjit Singh Rana (Chairman), Mr. Veer Pratap Singh Rana decided to give business advances to the above mentioned companies (conduit entities) ignoring the aforesaid aspects mentioned above. These conduit entities further provided business advances to the individuals belonging to the promoter group of Rana Sugars Limited including Mr. Inder Pratap Singh Rana, Mr. Ranjit Singh Rana and Mr. Veer Pratap Singh Rana and their relatives. It is alleged that approximately Rs. 52.98 crore of funds from Rana Sugars Limited were diverted through the conduit entities to the promoter and their relatives including the Managing Director, Chairman and Director and their close relatives such as father, mother, brother and wife.

33. It is further noted that Rana Sugars Limited itself was borrowing funds for its operations during the aforesaid period. It is noted that the business advances that were provided to the conduit entities were interest free as the same were not in the nature of loan. Further, the conduit entities to which business advances were provided had not shown any payment of interest on those advances and neither the conduit entities have accounted for any income from interest in respect of the advances provided to the individual entities belonging to the promoter group and other private limited companies indirectly connected/related to Rana Sugars Limited and its promoters. It is noted that the interest free advances given as above were from the borrowings of Rana Sugars Limited from banks and other sources on which RSL had paid interest. It is noted that had the above funds not being diverted, the borrowings of RSL would have been lesser to that extent and the consequent interest upon the same would have been avoided/saved. Further, it is noted that the interest free advances as mentioned above, remained outstanding and while no income was received/receivable on those advances, RSL continued to pay interest on the same for years from the profits of the company which supposedly belonged to the investors.
34. RSL has submitted that the business advances provided to the company have been received and that there was no outstanding at the end of FY 2021-22. However, the company has not provided any evidence of receipt of money by RSL except the ledgers and a certificate from its auditor. It is noted that some of the transactions pertaining to Flawless Traders Private Limited mentioned in the documents provided by Ashwani K Gupta, Chartered Accountants, has been cross verified to be correct from the independently sourced bank statements from Zila Sahakari Bank Limited and UCO bank of RSL. However, in respect of other conduit entities the transactions mentioned in the
-
- Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

documents provided could not be cross verified. Further, since the company has not provided the supporting documents in the form of bank statements to cross verify the claim of receipts by RSL, the receipts and payments appearing in the respective bank accounts of CAPL, JABPL, RJTPL and RGS Traders have been considered as payment and repayment of business advances by RSL. Further, it is also noted that RSL was borrowing funds from banks for its working capital other requirements and simultaneously it was also giving interest free business advances to entities which reportedly had no regular business or other source revenue. RSL was asked to provide year wise details of borrowings and interest expenditure in respect of the same. However, RSL has not provided the information despite several summons and reminder summons. Further, for the purpose of calculation of interest that could have been avoided or potentially earned on the interest free business advances provided to the entities, the information provided by RSL and the receipts and payments alleged in the bank accounts with Axis Bank of the entities obtained directly from the bank has been considered.

35. Further, from the said ledgers also it is alleged that an amount of approximately Rs. 1.45 crore is outstanding as on March 31, 2022 from Flawless Traders Private Limited and another Rs. 8.71 crore receivable from Century Agros Private Limited has been adjusted by assignment of obligation from Camelot Exports Private Limited without actual flow of funds. It is noted that the documents also alleged that the documents received from the auditors based on which he had certified seems to be lacking authenticity. However, even for the argument sake it is assumed that the business advances were received back, still the company has suffered actual losses on account of the interest paid by the company on the borrowings (secured and unsecured) availed by it during the period when the business advances remained outstanding. Further, there is no evidence that the money received by the individual entities were actually repaid by them. It is further understood that the business advances which remained outstanding for years with any income from the conduit entities and the payment of interest for years on the borrowings by RSL, was a fraud on the investors of RSL by the management of RSL (MD, Chairman and Director). The above act on the part of Rana Sugars and its management had created undue and extra burden on the financials of the company, which ultimately resulted in erosion of wealth of the investors of Rana Sugars Limited.
36. It is alleged that during investigation direct one to one fund diversion was traced in respect of approximately Rs. 52.98 crore which were diverted to the individual entities belonging to the

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

promoter group including the Chairman, MD and Executive Director. The individual entities have not replied and the summons issued to the conduit entities did not get delivered despite assurance by MD of RSL. Further, RSL has not provided bank account statement to support its claim about the receipt of money from the said entities.

37. It is noteworthy to reiterate that RSL was borrowing funds from banks and paying interest on those borrowed funds and simultaneously, the funds were diverted as business advances and further siphoned off by the promoter entities. The table below gives It is noted that RSL had submitted that the amount given as business advances to the conduit entities have been refunded by them and that there is no outstanding at the end of March 31, 2022. The company in support has provided a certificate from its auditor which tabulates year wise outstanding advances provided by RSL to the conduit entities.

Table -20

Year	FTPL		CAPL		JABPL		RJTPL		RGS Traders	
	Outstan ding		Outstan ding		Outstan ding		Outstandi ng		Outstandi ng	
	Advance	Interest	Advance	Interest	Advance	Interest	Advance	Interest	Advance	Interest
2014-15	29.16	3.50	-	-	-	-	30.60	3.67	43.04	5.16
2015-16	34.35	4.12	-	-	-	-	32.76	3.93	117.22	14.07
2016-17	42.85	5.14	-	-	3.63	0.44	36.94	4.43	197.76	23.73
2017-18	48.00	5.76	-	-	4.06	0.49	41.38	4.97	221.37	26.56
2018-19	49.97	6.00	-	-	1.25	0.15	42.09	5.05	221.68	26.60
2019-20	55.97	6.72	-	-	1.38	0.17	47.12	5.65	232.56	27.91
2020-21	56.63	6.80	5.93	0.71	1.54	0.18	52.78	6.33	260.46	31.26
2021-22	38.81	4.66	9.30	1.12	1.73	0.21	59.11	7.09	291.72	35.01
2022-23	43.16	5.18	10.42	1.25	1.93	0.23	66.21	7.94	326.73	39.21
Total		47.87		3.08		1.86		49.08		229.51

Total approximate loss of interest @12% 331.39

38. It is alleged from the above that interest free business advances from FY 2015-16 provided by RSL to the its connected entities has resulted in opportunity loss to the investors of RSL since the aforesaid amount could not be deployed for earning in the normal course of business. The above loss of interest calculated at the rate of 12% p.a. (rate of 12% is in accordance with section 28A of the SEBI Act, 1992) is pegged at Rs. 331.39 crore. Further the company has paid interest on its

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

borrowings which could have been avoided had the amount not been given as interest free business advances.

39. Thus, In view of the discussions and deliberations in the above paragraphs, it is alleged that Rana Sugars Limited along with Mr. Inder Pratap Singh Rana (Promoter & Managing Director), Mr. Ranjit Singh Rana (Promoter & Chairman), Mr. Veer Pratap Singh Rana (Promoter & Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision.

Further, RSL has not disclosed in its Annual report, the related party relationship with certain entities which were controlled indirectly by the Promoters including Managing Director, the Chairman and Executive Director of RSL and had acted as conduits in diverting funds of RSL. RSL also did not disclose the details of related party transaction (submitted to SEBI vide reply dated September 30, 2021) with Superior Foods Grains Private Limited, Rana Informatics Private Limited & Lakshmiji Sugar Mills Company Limited in the Annual Report for financial year 2016-17 as required under Regulation 34(3) r/w disclosures specified in Schedule IV of LODR Regulations.

Further, RSL has also not submitted complete information sought vide various summons issued to it during investigation. The lack of co-operation by RSL during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying and sourcing information from other sources.

40. In view of the above, it is alleged that:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

- a) Rana Sugars Limited has violated the provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 read with Regulations 4(1)(c), 4(1)(e) read with Regulation 5 of SEBI (LODR) Regulations, 2015 and also read with Regulations 4(1)(a), (b), (g), (h), (j), 4(2)(e)(i), 33(1)(c), 34 (3) & 48 of SEBI (LODR) Regulations 2015. RSL has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992
- b) Mr. Inder Pratap Singh Rana (Promoter & Managing Director) along with RSL, Mr. Ranjit Singh Rana (Promoter & Chairman), Mr. Veer Pratap Singh Rana (Promoter & Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Mr. Inder Pratap Singh Rana has not submitted complete information sought vide various summons issued to him during investigation. Mr. Inder Pratap Singh Rana did not provide even that information which he assured and undertook to provide during his statement recording before the Investigating Authority. The lack of co-operation by Mr. Inder Pratap Singh Rana during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying and sourcing information from other sources. In view of the above, Mr. Inder Pratap Singh Rana (Promoter and MD of RSL) has violated the provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 read with Regulations 4(1)(c), 4(1)(e) of SEBI (LODR) Regulations, 2015 read with Regulations 4(1)(a), (b), (g), (h), (j), 4(2)(e)(i), 33(1)(c) & 48 of SEBI (LODR) Regulations 2015 read with section 27(1) and (2) of SEBI Act, 1992 and has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

- c) Mr. Ranjit Singh Rana (Promoter and Chairman, RSL) along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Veer Pratap Singh Rana (Promoter & Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Mr. Ranjit Singh Rana has not submitted any information sought vide various summons issued to him during investigation and therefore has not co-operated in the investigation. The lack of co-operation by Mr. Ranjit Singh Rana (Promoter & Chairman, RSL) during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying and sourcing information from other sources. In view of the above, Mr. Ranjit Singh Rana has violated the provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 read with Regulations 4(1)(c), 4(1)(e) of SEBI (LODR) Regulations, 2015 read with section 27(2) of SEBI Act, 1992 and has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992.
- d) Mr. Veer Pratap Singh Rana (Promoter & Director) along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Mr. Veer Pratap Singh Rana has not submitted any information sought vide various summons issued to him during investigation and therefore has not co-operated in the investigation. The lack of co-operation by Mr. Veer Pratap Singh Rana (Promoter & Director, RSL) during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying and sourcing information from other sources. By the above, Mr. Veer Pratap Singh Rana has violated provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 read with Regulations 4(1)(c), 4(1)(e) of SEBI (LODR) Regulations, 2015 read with section 27(2) of the SEBI Act, 1992 and has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992.

- e) Mr. Gurjeet Singh Rana (father of MD of RSL) along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman), Mr. Veer Pratap Singh Rana (Promoter Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Mr. Gurjeet Singh Rana has not submitted any information sought vide various summons issued to him during investigation and therefore has not co-operated in the investigation. The lack of co-operation by Mr. Gurjeet Singh Rana (Promoter & Director, RSL) during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

and sourcing information from other sources. In view of the above, Mr. Gurjeet Singh Rana has violated provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 and has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992.

- f) Mr. Karan Pratap Singh Rana, relative of MD of RSL along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Veer Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Mr. Karan Pratap Singh Rana has not submitted any information sought vide various summons issued to him during investigation and therefore has not co-operated in the investigation. The lack of co-operation by Mr. Karan Pratap Singh Rana (Promoter) during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying and sourcing information from other sources. In view of the above, Mr. Karan Pratap Singh Rana has violated provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 and has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992.
- g) Ms. Rajbans Kaur, mother of MD of RSL along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman) Mr. Veer Pratap Singh Rana (Promoter Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Ms. Rajbans Kaur Rana has not submitted any information sought vide various summons issued to her during investigation and therefore has not co-operated in the investigation. The lack of co-operation by Ms. Rajbans Kaur Rana (Promoter) during the investigation process has created un-necessary delays and hurdles in the investigations and has also resulted in difficulties in arriving at a logical conclusion by relying and sourcing information from other sources. By the above, Ms. Rajbans Kaur has violated provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 and has also violated the provisions of section 11C(2), 11C(3) read with section 11 (2) of the SEBI Act, 1992.

- h) Mr. Preet Inder Singh Rana, relative of MD of RSL along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman), Mr. veer Pratap Singh Rana (Promoter Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Mr. Preet Inder Singh Rana has not submitted any information pursuant to the summons issued to him during investigation and therefore has not co-operated in the investigation. In view the aforesaid, he has violated provisions of section 12A(b) and (c)

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003.

- i) Ms. Sukhjinder Kaur, wife of chairman of RSL and relative of MD of RSL along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman), Mr. Veer Pratap Singh Rana (Promoter & Director) along with the conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, and Ms. Rajbans Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Further, Ms. Sukhjinder Kaur has not responded to the summons issued to her. In view of the above, She has violated provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003.
- j) Mr. Manoj Gupta CFO of RSL up to FY 2017-18 has along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman) and Mr. Veer Pratap Singh (Promoter & Director) have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. Mr. Manoj Gupta had also certified/given CFO certification under Regulations 17(8) of the SEBI (LODR) Regulations, 2015. Further, he was signatory to the financial statements and had also certified given CFO certification with respect to materially untrue financial statements up to FY 2017-18. In view of the above, Mr. Manoj Gupta has violated the provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

(PFUTP) Regulations, 2003, Regulations 17(8) read with Part B of Schedule II, 23(2), 23(4), 23(9), 30(2), 30(3), 33(1)(c), 33(2)(a), 34(3) read with Part A of Schedule V, 34(3) read with clause (2)(b) and (3)(c) of part C of Schedule V and 48 of SEBI (LODR) Regulations, 2015.

- k) The conduit entities (Flawless Traders Private Limited, Century Agros Private Limited, Jay Aar Builders Private Limited, R J Texfab Private Limited and R G S Traders Private Limited) along with RSL, Mr. Inder Pratap Singh Rana (Promoter & MD, RSL), Mr. Ranjit Singh Rana (Promoter & Chairman) Mr. Veer Pratap Singh (Promoter& Director) and the relatives (promoter and promoters group) of the Managing Director and Chairman of RSL namely Mr. Gurjeet Singh Rana, Mr. Karan Pratap Singh Rana, Mr. Preet Inder Singh Rana, Ms. Rajbans Kaur and Ms. Sukhjinder Kaur have devised and were part of the scheme to divert and siphon off the funds from Rana Sugars Limited. The aforesaid scheme misrepresented the financials of the Company and denied the investors, information about the real state of affairs prevailing in RSL. By the above, they have played fraud upon the shareholders and other investors of Rana Sugars Limited and denied them the opportunity of an informed decision. In view of the above, the conduit entities have violated provisions of section 12A(b) and (c) of the SEBI Act 1992 read with Regulations 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003.

41. The Noticees 1 to 4 are therefore, called upon to show cause as to why appropriate directions under section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with section 15A(a), 15HA and 15 HB of SEBI Act 1992. The Noticees 5 to 7 are therefore called upon to show cause as to why appropriate directions under section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with section 15A(a) and 15HA of SEBI Act 1992. The Noticees 8 and 9 are therefore called upon to show cause as to why appropriate directions under section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with section 15HA of SEBI Act 1992. The Noticee 10 is therefore called upon to show cause as to why appropriate directions under section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with section 15HA and 15 HB of SEBI Act 1992. The Noticees 11 to 15 are therefore called upon to show cause as to why appropriate directions under section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with section 15HA of SEBI Act 1992.

42. The relevant text of the SEBI Act, 1992, SEBI (PFUTP) Regulations, 2003 and SEBI (LODR)

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Regulations, 2015 are as below:

➤ **SEBI Act, 1992**

POWERS AND FUNCTIONS OF THE BOARD

Functions of Board.

11(2) *Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for—*

(e) *prohibiting fraudulent and unfair trade practices relating to securities markets;*

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.;*

Contravention by companies.

27. (1) *Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished*

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

- (2) *Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.*

Explanation: For the purposes of this section,—

(a) *“company” means any body corporate and includes a firm or other association of individuals; and*

(b) *“director”, in relation to a firm, means a partner in the firm.*

PROHIBITION OF MANIPULATIVE AND DECEPTIVE DEVICES, INSIDER TRADING AND SUBSTANTIAL ACQUISITION OF SECURITIES OR CONTROL

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

12A. No person shall directly or indirectly—

- (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;*

SEBI (Prohibition Of Fraudulent And Unfair Trade Practices Relating To The Securities Market) REGULATIONS, 2003

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

**PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE
SECURITIES MARKET**

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (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:*
 - (f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*
 - (k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;*

SEBI (LODR) Regulations, 2015

PRINCIPLES GOVERNING DISCLOSURES AND OBLIGATIONS OF LISTED ENTITY

Principles governing disclosures and obligations.

- 4. (1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:**

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
- (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
- (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
- (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
- (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
- (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
- (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.
4. (2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.
- (e) **Disclosure and transparency:** The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:
- (i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

COMMON OBLIGATIONS OF LISTED ENTITIES

General obligation of compliance.

5. *The listed entity shall ensure that key managerial personnel, directors, promoters or any other person dealing with the listed entity, complies with responsibilities or obligations, if any, assigned to them under these regulations.*

Board of Directors

- 17(8) *The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II*

Related party transactions.

- 23(2) *All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity:*

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) *the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;*
- (b) *a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;*
- (c) *with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;*

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

(d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

23(4) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

23(9) The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023

Disclosure of events or information.

30(2) *Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.*

30(3) *The listed entity shall make disclosure of events specified in Para B of Part A of Schedule III, based on application of the guidelines for materiality, as specified in sub-regulation (4).*

Financial results.

33.(1) *While preparing financial results, the listed entity shall comply with the following:*

(c) *The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India:*

Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.

33.(2) *The approval and authentication of the financial results shall be done by listed entity in the following manner:*

(a) *The quarterly financial results submitted shall be approved by the board of directors:*

Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading

Annual Report.

34.(3) *The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.*





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Accounting Standards.

48. *The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.*

43. The alleged violation of the said provisions, if proved, makes the Noticees liable for appropriate directions and penalty under the provisions of sections 11(1), 11(4), 11(4A), 11(B1) and 11(B2) read with Sections 15 A(a), Section 15HA and 15HB of the SEBI Act – 1992. The text of the said provision is reproduced below:

Securities and Exchange Board of India Act, 1992:

Liability for monetary penalty for fraudulent and unfair trade practices.

11.(1) *Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.*

11.(4) *Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely:—*

(a) *suspend the trading of any security in a recognised stock exchange;*

(b) *restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;*

(c) *suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;*

(d) *impound and retain the proceeds or securities in respect of any transaction which is under investigation;*

(e) *attach, for a period not exceeding ninety days, bank accounts or other property of any*

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply:

Provided further that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached];

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation :

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.]

(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H,

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

15HA and 15HB after holding an inquiry in the prescribed manner.]

[Power to issue directions and levy penalty].

11B.(1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,—

- (i) in the interest of investors, or orderly development of securities market; or*
- (ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or*
- (iii) to secure the proper management of any such intermediary or person, it may issue such directions,—*
 - (a) to any person or class of persons referred to in section 12, or associated with the securities market; or*
 - (b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.]*

Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.]

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 or who

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be 104[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

44. The written submissions of the Noticees if any, should reach the undersigned, at the address given below within 21 days from the date of receipt of this notice, failing which it shall be presumed that you have no reply to submit and the matter shall be proceeded on the basis of the material available on record. Further, you are advised to send the soft copy of your reply via e-mail at deepeshmu@sebi.gov.in

Securities and Exchange Board of India
SEBI Bhavan II
Plot No. C7, 'G' Block
Bandra Kurla Complex, Bandra (East)
Mumbai- 400 051

45. If personal hearing before the Whole Time Member, SEBI is desired, it shall be indicated in the reply accordingly. The Noticees are advised to keep SEBI informed about the change in their correspondence address, if any, till the proceedings in the extant matter are complete.

46. The documents relied upon in the notice have been annexed as per the list of enclosures.

Deepesh MU

Encl: CD containing

Show Cause Notice in the matter of Rana Sugars Limited





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- Annexure -1** - CEIB Reference in the matter of Rana Sugars Limited
- Annexure -2** - Soft copy of Bank Statement received from Axis Bank Limited along with analysis of funds movement and interest calculation (approximate)
- Annexure -3** - Financial Statements of Conduit entities
- Annexure -4** – Bank Statement of Conduit entities
- Annexure -5** - Letter received from EPFO dated September 26, 2022.
- Annexure -6** - Reply dated July 27, 2022 received from Rana Sugars Limited
- Annexure -7** - Reply received vide email from Ashwani K Gupta (Chartered Accountants), Statutory Auditor
- Annexure -8** - Statement of Rana Inder Pratap Singh recorded before the IA.
- Annexure -9** - Shareholding pattern of Flawless Traders Private Limited
- Annexure -10** - Axis Bank Account No. 912020044404859 Flawless Traders
- Annexure -11** - Century Agros Shareholding Pattern
- Annexure -12** - Axis Bank Account No. 913020037979578-19-08-2013to31-12-2022 Century Agros
- Annexure -13** - Axis Bank Account No. 915020028149775-24-06-2015to15-01-2020 Jay Aar Builders
- Annexure -14** - Jay Aar Builders Private Limited -Interest Calculation
- Annexure -15** - Axis Bank Account No. 912020050100918 R J Texfab Private Limited
- Annexure -16** - Axis Bank Account No. 911020028718713 R G S Traders Private Limited
- Annexure -17** - Reply received from Mr. Manoj Gupta (CFO) dated July 6, 2022
- Annexure -18** - Copies of Summons issued to Rana Sugars Limited along with delivery proof
- Annexure -19** - Copies of Summons issued to Mr. Inder Pratap Singh Rana with delivery proof
- Annexure -20** - Copies of Summons issued to Mr. Gurjeet Singh Rana with delivery proof
- Annexure -21** - Copies of Summons issued to Mr. Karan Pratap Singh Rana with delivery proof
- Annexure -22** - Copies of Summons issued to Ms. Rajbans Kaur with delivery proof
- Annexure -23** - Copies of Summons issued to Mr. Ranjit Singh Rana with delivery proof
- Annexure -16** Copies of Summons issued to Mr. Veer Pratap Singh Rana with delivery proof
- Annexure -25** - Extract of Annual Report

Show Cause Notice in the matter of Rana Sugars Limited

