BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/VV/NK/2022-23/18034-18054]

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

IN RESPECT OF:

Noticee No. & Name (PAN No)	Noticee No. & Name (PAN No.)
1. Hasti Finance Ltd. (AAACH7981E)	2. Chandrakant Baburao Tupe (AERPT6489B)
3. Nitin Prabhudas Somani (AAEPS5182P)	4. Sonal Somani (ALHPS9758D)
5. Salim Ismail Shaikh (ALEPS4089C)	6. Lucky Manoj Somani (BMRPS0728P)
7. Blue Sky Courier and Cargo Pvt. Ltd. (AABCB6999D)	8. Abbas Khan Chand Khan (AMFPK1852P)
9. Abhilasha Rathi (AHKPM5269N)	10. Pankaj Kumar Shiv Singh (BEUPS8932N)
11. Vinod Ramgahan Sharma (BWOPS4101D)	12. Salim Ismail Shaikh (ALEPS4089C)
13. Vijay Surendraprasad Singh (AJSPV8820C)	14. Satish Kumar (ALPPK9168D)
15. Nilesh Ratilal Gantra (AHIPG7146C)	16. Santosh Birendra Kumar (BARPK9928H)
17. Sumit Dilip Jain (AGWPJ6652M)	18. Finex Express Cargo Pvt. Ltd. (AABCF0584C)
19. Shirish Express Logistics Pvt. Ltd. (AAOCS2325K)	20. Fast Train Cargo Pvt. Ltd. (AAACF9293K)
21. Shree Fast Courier and Cargo Pvt. Ltd. (AAJCS4580K)	22. Fast Transport and Cargo Ltd. (ALEPS4089C)

IN THE MATTER OF M/S. HASTI FINANCE LTD.

BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) had conducted the Investigation to examine the preferential allotment process with respect to funding by Hasti Finance Ltd (hereinafter referred as **HFL/ the company/Noticee no. 1**), if any, to preferential allottees and to ascertain *inter-alia* whether there was

any violation of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred as "**SEBI (PFUTP) Regulations, 2003**"), during the period August 27, 2010 to August 31, 2015 (hereinafter referred to as '**Investigation Period or IP'**). However, wherever deemed necessary, reference has been made outside this period. Pursuant to the Investigation, SEBI initiated adjudication proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) against the following entities (hereinafter referred individually by their "**Name or Noticee No."** and collectively referred to as "**Noticees**") for violation of Section 12A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003:

a) The company i.e. Hasti Finance Ltd. and its Directors namely Mr. Nitin Prabhudas Somani, Mrs. Sonal Nitin Somani, Mr. Chandrakant Baburao Tupe and Mr. Salim Ismail Shaikh
b) Preferential allottees namely, Lucky Manoj Somani, Blue Sky Courier and Cargo Pvt. Ltd., Abbas Khan Chand Khan, Abhilasha Rathi, Pankaj Kumar Shiv Singh, Vinod Ramgahan Sharma, Salim Ismail Shaikh, Satish Kumar, Vijay Surendraprasad Singh, Nilesh Ratilal Gantra, Santosh Birendra Kumar and Sumit Dilip Jain.
c) Fast Train Cargo Pvt. Ltd., Shree Fast Courier and Cargo Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Fast Transport and Cargo Ltd., Shirish Express Logistics Pvt., who were the subsidiaries/associated/connected entities with HFL and facilitated the funding to the aforesaid allottees.

APPOINTMENT OF ADJUDICATING OFFICER

2.Undersigned is appointed as the Adjudicating Officer **(AO)** by SEBI vide order dated May 25, 2021 under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to conduct adjudication proceedings *inter-alia* in respect of the Noticees, in the manner specified under Rule

4 of the Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated November 17, 2021 (hereinafter referred to as **"SCN"**) was issued to the Noticees in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticees for the alleged violation of Section 12A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 by the Noticees.

4. The allegations levelled against the Noticees in the SCNs, *inter-alia*, mentioned as below-

3. Background of the company

a) *HFL was incorporated on August 16, 1994 and is mainly involved in the business of leasing, hire purchase, investment banking and was listed on BSE on March 24, 1995. As per BSE website, the registered address of HFL is No.14, Imperial Hotel Complex, Near Albert Cinema Hall, Whannels Road, Egmore, Chennai, TN 600 008. The company is listed only on BSE.*

b) Management of the company:

The details of the directors of HFL during the period August 27, 2010 to December 24, 2014.

Directors of the Company

Sr. No.	***Name of Directors***	***PAN***	***Date of Appointment***	***Date of Cessation***	***MD/WTD/Independent Director***
1	*Mr. Chandrakant Baburao Tupe*	*AERPT6489B*	*28.08.2009*	*12.12.2011*	*Whole Time Director*
2	*Mr. Salim Ismail Shaikh*	*ALEPS4089C*	*28.08.2009*	*-*	*Whole Time Director*
3	*Mr. Nitin Prabhudas Somani*	*AAEPS5182P*	*29.09.2009*	*-*	*Managing Director*
4	*Mrs. Sonal Nitin Somani*	*ALHPS9758D*	*29.09.2009*	*-*	*Whole Time Director*
5	*Mr. Nizamuddin M Shaikh*	*BOJPS0545E*	*16.11.2010*	*31.07.2012*	*Independent Director*

6	*Mr. Paresh Devidas Davada*	*ADGPD7044Q*	*16.11.2010*	*12.12.2011*	*Independent Director*
7	*Mr. Vilas Shankar Daware*	*AOZPD4521J*	*16.11.2010*	*-*	*Independent Director*
8	*Mr. Vishal Buddhdev*	*ALWPB3209R*	*16.11.2010*	*-*	*Independent Director*
9	*Mr. Manoj Kumar Padhy*	*AIUPP9912G*	*04.08.2012*	*-*	*Independent Director*

c) ***Shareholding Pattern*** *(Source: BSE website)*

The quarterly shareholding pattern (SHP) during the IP was as follows:

Particulars	***Quarter ended Sep-10***			***Quarter ended Dec-10***			***Quarter ended Mar-11***		
	No. of share holders	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***
Promoter Holding	*2*	*2218848*	*48.00*	*2*	*2218848*	*48.00*	*2*	*2218848*	*48.00*
Non Promoter Holding	*1114*	*2403752*	*52.00*	*1101*	*2403752*	*52.00*	*1060*	*2403752*	*52.00*
Total share capital	*1116*	*4622600*	*100.00*	*1103*	*4622600*	*100.00*	*1062*	*4622600*	*100.00*

Particulars	***Quarter ended Jun-11***			***Quarter ended Sep-11***			***Quarter ended Dec-11***			***Quarter ended Mar-12***		
	No. of share holders	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***
Promoter Holding	*4*	*3973848*	*40.33*	*4*	*3973848*	*40.33*	*4*	*3973848*	*40.33*	*4*	*3973848*	*40.33*
Non Promoter Holding	*1080*	*5880452*	*59.67*	*1041*	*5880452*	*59.67*	*988*	*5880452*	*59.67*	*959*	*5880452*	*59.67*
Total share capital	*1084*	*9854300*	*100.00*	*1045*	*9854300*	*100.00*	*992*	*9854300*	*100.00*	*963*	*9854300*	*100.00*

Particulars	***Quarter ended Jun-12***			***Quarter ended Sep-12***			***Quarter ended Dec-12***			***Quarter ended Mar-13***		
	No. of share holders	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***	***No. of share holders***	***No. of shares***	***%***
Promoter Holding	*5*	*4482246*	*45.49*	*4*	*4481246*	*45.48*	*4*	*4482246*	*45.49*	*4*	*4931019*	*45.49*
Non Promoter Holding	*828*	*5372054*	*54.51*	*863*	*5373054*	*54.52*	*876*	*5372054*	*54.51*	*917*	*5908711*	*54.51*
Total share capital	*833*	*9854300*	*100.00*	*867*	*9854300*	*100.00*	*880*	*9854300*	*100.00*	*921*	*10839730*	*100.00*

Particulars	Quarter ended Jun-13			Quarter ended Sep-13			Quarter ended Dec-13			Quarter ended Mar-14		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Promoter Holding	4	4931019	45.49	4	4931614	45.50	4	4931614	45.50	4	4931614	45.50
Non Promoter Holding	921	5908711	54.51	920	5908116	54.50	922	5908116	54.50	923	5908116	54.50
Total share capital	925	10839730	100.00	924	10839730	100.00	926	10839730	100.00	927	10839730	100.00

Particulars	Quarter ended Jun-14			Quarter ended Sep-14			Quarter ended Dec-14			Quarter ended Mar-15		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Promoter Holding	4	4931614	45.50	4	4931614	45.50	4	4931614	45.50	4	4948064	45.65
Non Promoter Holding	938	5908116	54.50	958	5908116	54.50	950	5908116	54.50	950	5891666	54.35
Total share capital	942	10839730	100.00	962	10839730	100.00	954	10839730	100.00	954	10839730	100.00

Particulars	Quarter ended Jun-15			Quarter ended Sep-15		
	No. of share holders	No. of shares	%	No. of share holders	No. of shares	%
Promoter Holding	4	4948064	45.65	4	4948064	45.65
Non Promoter Holding	955	5891666	54.35	972	5891666	54.35
Total share capital	959	10839730	100.00	976	10839730	100.00

d) Changes to share capital of HFL

It was observed that the share capital of the company underwent changes during the investigation period due to the following corporate actions:

e) Issue of Warrants

On January 12, 2011, HFL allotted 52,31,700 warrants each convertible into equity share of Rs. 10/- to 3 promoters and 28 non-promoters at a premium of Rs.17/- per warrant.

The warrants were converted into equity shares on various dates as mentioned in the table below:

Sr. No.	No. of shares allotted	Allotment date	Date of listing
1	522000	08/04/2011	18/04/2012

2	*1043100*	*29/04/2011*	*18/04/2012*
3	*1695600*	*14/05/2011*	*18/04/2012*
4	*1971000*	*27/06/2011*	*22/05/2012*

*Consequently, the total shares increased from 4622600 in quarter ended March 2011 to 9854300 in quarter ended June 2011. It was observed that the company disclosed the same to BSE. (The details are placed at **Annexure 2**).*

f) ***<u>Bonus issue of shares</u>***
*There was an allotment of bonus shares in the ratio 1:10 i.e., 1 equity share for every 10 equity shares held by the shareholders on March 13, 2013. Consequently, the total shares increased from 9854300 in quarter ended December 2012 to 10839730 in quarter ended March 2013. It was observed that the company disclosed the same to BSE. (The details are placed at **Annexure 3**).*

g) ***<u>Promoters during the investigation period</u>***

As can be seen from the Shareholding pattern at point 4 above, the no. of shareholders in the promoter category underwent changes during the investigation period. Following are the promoters of HFL, holding shares under promoter category during the Investigation Period:

<u>Promoters of HFL during the investigation period</u> *(Source: BSEindia.com)*

Sl. No.	***Name of Promoter***	***PAN***
1.	*Nitin Prabhudas Somani*	*AAEPS5182P*
2.	*Sonal Nitin Somani*	*ALHPS9758D*
3.	*Manoj Prabhudas Somani*	*AWAPS9725L*
4.	*Lucky Manoj Somani*	*BMRPS0728P*

h) ***<u>Issue of Warrants on preferential basis convertible into equity shares</u>:*** *(Source: BSE website, HFL email dated December 14, 2020 and January 29, 2021)*

As per BSE website and BSE email dated November 20, 2020 and HFL email dated December 14, 2020 and January 29, 2021, HFL had issued warrants on preferential basis, convertible into equity shares on January 12, 2011.
In the said issuance, 52,31,700 warrants were issued to 3 promoters and 28 non-promoters.
*Copy of emails are placed at **Annexure 4.***

i) ***<u>Details of entities having common directors/promoters:</u>***
*HFL vide its email dated January 29, 2021 and February 02, 2021 (copy of the email placed at **Annexure 5**) provided the details of other companies wherein the directors of HFL were also directors of those companies, during the period August 27, 2010 to December 24, 2014. The details of the same are as follows:*

S. No.	***Promoter/Director of HFL***	***Name of company in which he holds directorship***

1	*Nitin Prabhudas Somani (Promoter)*	*1. Fast Train Cargo Ltd.* *2. Shree Fast Courier & cargo Pvt. Ltd.* *3. Fast Air Cargo Pvt. Ltd.* *4. Fast Realty Pvt. Ltd.* *5. Shabd Brahma Developers Pvt. Ltd.* *6. First International Hotels Pvt. Ltd.* *7. Shreefast Logistics Pvt. Ltd.* *8. Eswar Air Freight Pvt. Ltd.* *9. NST Realty Pvt. Ltd.* *10. Kisan Commodities Pvt. Ltd.* *11. Genio Kids Education India Pvt. Ltd.* *12. S BE Developers Pvt. Ltd.* *13. High Speed Cargo Pvt. Ltd.* *14. Leo Estates Pvt. Ltd.* *15. Somani Realty Pvt. Ltd.* *16. Cosper Finvest Pvt. Ltd.*
2	*Sonal Nitin Somani (Promoter)*	*1. Fast Train Cargo Ltd.* *2. Shree Fast Courier & Cargo Pvt. Ltd.* *3. Fast Realty Pvt. Ltd.* *4. Finex Software Solutions Pvt. Ltd.* *5. First International Hotels Pvt. Ltd.* *6. Shreefast Logistics Pvt. Ltd.* *7. Kisan Commodities Pvt. Ltd.* *8. Fast Agrifarms Pvt. Ltd.* *9. Genio Kids Education India Pvt. Ltd.* *10. STN Developers Pvt. Ltd.* *11. Fast Rail Cargo Pvt. Ltd.* *12. Somani Realty Pvt. Ltd.* *13. Cosper Finvest Pvt. Ltd.*
3	*Chandrakant Baburao Tupe (Director)*	*1. STA Logistics Pvt. Ltd.*
4	*Salim Ismail Shaikh (Director)*	*1. Fast Train Cargo Ltd.* *2. Eswar Air Freight Private Ltd.* *3. FTC Transport Services Pvt. Ltd.*
5	*Nizamuddin Shaikh*	*1. ABN Wealth (India) Pvt. Ltd.* *2. ABN Realty (India) Pvt. Ltd.* *3. Stanford Capital (India) Pvt. Ltd.* *4. Tarurus Resources Pvt. Ltd.*

6	*Paresh Devidas Davada*	*1. Shirish Express Logistics Pvt. Ltd.* *2. Finex Express Cargo Pvt. Ltd.* *3. Fast Train Cargo Ltd.*
7	*Vishal Buddhadev*	*1. Spider Display Systems Pvt. Ltd.* *2. Spider Prints Pvt. Ltd.*

HFL vide its email dated January 29, 2021, also provided the details of subsidiary companies of HFL as on Dec 24, 2014. The same are as follows:

S.No.	***Name of Company***	***PAN***	***List of Directors***
1.	*Shirish Express Logistics Pvt. Ltd.*	*AAOCS2325K*	*1. Janardan Lorekar* *2. Jitesh Pandey* *3. Paresh Devidas Davada*
2.	*Finex Express Cargo Pvt. Ltd.*	*AABCF0584C*	*1. Durgesh Sonkar* *2. Radhakrishna Biswaray* *3. Paresh Devidas Davada*
3.	*Spider Display Systems Pvt. Ltd.*	*AALCS6483K*	*1. Manoj Prabhudas Somani* *2. Vishal Buddhdev*
4.	*Spider Prints Pvt. Ltd.*	*AALCS3943E*	*1. Neil Parikh* *2. Vishal Buddhdev*

*It is observed that Hasti Finance Limited in its Annual Report - 2010-11 (**Annexure 6**) disclosed the following:*

i. *Finex Express Cargo Pvt. Ltd., Shirish Express Logistics Pvt. Ltd. and Spider Prints Pvt. Ltd. were the subsidiaries of Hasti Finance Ltd. during the investigation period.*

ii. *Fast Train Cargo Pvt. Ltd., Shree Fast Courier & Cargo Pvt. Ltd., Fast Transport & Cargo Ltd. were the associated entities of Hasti Finance Ltd. during the investigation period.*

3. *Based on findings, Investigation has made following observations:*

<u>Fund Flow Analysis</u>

a. *To investigate whether the company/promoters/directors funded the allottees for subscribing to the preferential issue, the following bank accounts were examined for trailing fund movement, if any from company to allottee:*

i. *the statements of bank account(s) of the company, to which the amounts were credited from the preferential allottees,*

ii. *statements of bank account(s) of the preferential allottees from which the amounts were debited* for the aforesaid preferential allotments,

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

b. For establishing fund trail, only those transactions have been considered wherein the account balance of the recipient, immediately prior to receiving funds, was lower than the fund received in the concerned transaction.

c. In case of such entities/ allottees whose account balance prior to the day of transaction was lower than the concerned transaction, 3 (three) layers of bank transactions have been examined. Further, wherever required, existence of common directors among the corporate HFL, entities funding the allottees at the third layer and entities that received funds from HFL was also examined.

d. Accordingly, bank statements of all the 31 allottees in the warrants issue were examined regarding fund flow, as enumerated above. The findings in respect of each of these allottees have been summarized in the table below:

Fund Analysis for Preferential Allotment of shares issued on 12.01.2011:

List of preferential allottees along with findings of investigation:

Sl. No.	Name of the allottee	PAN	No. of Shares allotted	Amount received from company/related entities
1	Manoj Prabhudas Somani, Promoter	AWAPS9725L	2,25,000	No adverse inference
2	Lucky Manoj Somani, Promoter	BMRPS0728P	90,000	Rs.18,22,500/- towards conversion of warrants into equity shares
3	Sonal Nitin Somani, Promoter	ALHPS9758D	14,40,000	No adverse inference
4	Salim Ismail Shaikh	ALEPS4089C	2,25,000	Rs.45,56,250/- towards conversion of warrants into equity shares
5	ABN Realty (India) Pvt. Ltd.	AAHCA5220E	4,41,000	No adverse inference
6	Satish Kumar	ALPPK9168D	2,25,000	Rs.15,18,750/- towards subscription of warrants
7	Anil Motiram Chavan	AJDPC4494Q	2,25,000	No adverse inference
8	Bandu Prasad Ingole	AAQPI9520D	2,16,000	No adverse inference
9	Vijay Surendraprasad Singh	AJSPV8820C	2,16,000	Rs.1,90,000/- towards subscription of warrants
10	Sangeeta Manjay Singh	CCZPS1222H	1,71,000	No adverse inference
11	Chhotu Ramgahan Sharma	AMTPC8027G	1,71,000	No adverse inference
12	Nilesh Ratilal Gantra	AHIPG7146C	1,71,000	Rs.10,00,000/- towards subscription of warrants
13	Devarajam Laxman Adepu (HUF)	AAFHD1939L	1,17,000	No adverse inference

14	Blue Sky Courier and Cargo Pvt. Ltd.	AABC6999D	1,17,000	Rs.8,69,250/- towards conversion of warrants into equity shares
15	Santosh Birendra Kumar	BARPK9928H	1,11,600	Rs.22,59,900/- towards conversion of warrants into equity shares
16	Maneesha Saurab	BXFPS5330A	1,11,600	No adverse inference
17	Seema Durgesh Sonkar	BJHPS4349M	90,000	No adverse inference
18	Vinod Ramgahan Sharma	BWOPS4101D	90,000	Rs.18,22,500/- towards conversion of warrants into equity shares
19	Abhilasha Maheshwari (now Rathi)	AHKPM5269N	90,000	Rs.8,22,500/- towards conversion of warrants into equity shares
20	Pankaj Kumar Shiv Singh	BEUPS8932N	1,80,000	Rs.18,22,500/- towards conversion of warrants into equity shares
21	Abbas Khan Chand Khan	AMFPK1852P	90,000	Rs.18,22,500/- towards conversion of warrants into equity shares
22	Chippa Mohd. Yusuf Sharif	AGOPC5888Q	90,000	No adverse inference
23	Pankaj Jivraj Khajanchi	AABPK8404F	54,000	No adverse inference
24	Mamta Jivraj Khajanchi	AABPK5710C	54,000	No adverse inference
25	Vishwas Jivrak Khajanchi	AABPK8403C	54,000	No adverse inference
26	Meeta Vishwas Khajanchi	AAEPM5488N	54,000	No adverse inference
27	Cotton Cottage India Pvt. Ltd.	AADCC3829K	54,000	No adverse inference
28	Sumit Dilip Jain	AGWPJ6652M	45,000	Rs. 9,11,250/- towards conversion of warrants into equity shares
29	Jamnabai Jethmal Jain	AAEPJ0316B	16,200	No adverse inference
30	Priyanka Janardan Lorekar	AEOPL5761R	15,300	No adverse inference
31	Jethmal L Jain (HUF)	AAEHJ4554L	9,000	No adverse inference

Entity wise analysis of allotment of warrants and conversion of warrants into equity shares:

a. The bank statements of all the entities were analysed and no adverse inference was observed against few allottees namely Sonal Nitin Somani, ABN Realty (India) Pvt. Ltd., Devarajam Laxman Adepu (HUF), Pankaj Jivraj Khajanchi, Mamta Khajanchi, Vishwas Jivraj Khajanchi, Meeta Vishwas Khajanchi, Cotton Cottage India Pvt. Ltd., Jamnabai Jethmal Jain, Jethmal L Jain (HUF), Manoj Prabhudas Somani, Sangeeta Manjay Singh, Maneesha Saurab, Chippa Mohd. Yusuf Sharif, Priyanka Janardan Lorekar, Anil Motiram Chavan, Bandu Parlad Ingole, Chhotu Ramgahan Sharma and Seema Durgesh Sonkar.

b. With respect to rest of the allottees, it was observed that Hasti Finance Ltd. directly/indirectly funded them towards subscription of warrants and/or their conversion into equity shares. Accordingly, entity wise analysis of allotment of warrants and conversion of warrants into equity shares by these allottees is elaborated in the subsequent para. It may be noted that only those transactions have been elaborated below wherein it was observed that Hasti Finance Ltd.

directly/indirectly funded the allottees for subscription of warrants and/or conversion of warrants into equity shares.

i. ***Lucky Manoj Somani (BMRPS0728P)*** *was allotted 90,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 08, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 06, 2011 by paying Rs.6,07,500/-. Rest of the amount to be paid by the allottee (Rs. 18,22,500/-) was paid on March 29, 2011 for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee was analysed, which is described as under:

On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at ***Annexure 2****), it was observed that Lucky Somani paid Rs.18,22,500/- to HFL on March 29, 2011 towards conversion of warrants into equity shares.*

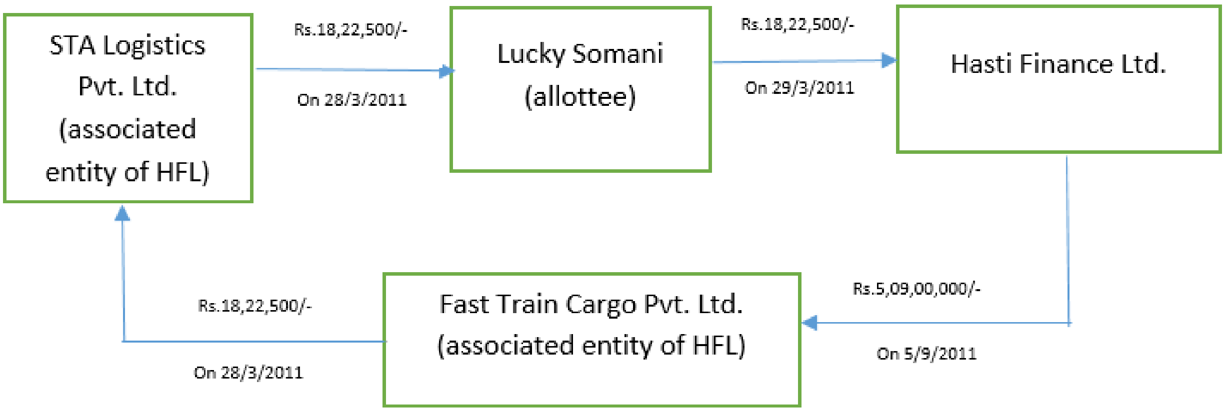
On analysing his bank statement, it was observed that Lucky Somani paid Rs. 18,22,500/- on March 29, 2011 from his A/c. No. 001801533190 (ICICI Bank) for conversion of warrants into equity shares. It was further observed that his account balance was Rs.1,998/- as on March 27, 2011 and he received Rs.10,02,375/- and Rs.8,20,125/- (amounting to Rs.18,22,500/-) from STA Logistics Pvt. Ltd. (A/c No.:0726102000001519, IDBI Bank) (associated entity of HFL) on March 28, 2011.
Bank statements of STA Logistics (associated entity of HFL) were also analysed.

On analysing the bank statements of STA Logistics Pvt. Ltd. (A/c No.:0726102000001519, IDBI Bank), it was observed that its account balance was Rs.10,000/- as on March 27, 2011, and the entity received Rs. 9,02,500/- and Rs.9,20,000/- (amounting to Rs.18,22,500/-) from Fast Train Cargo Pvt. Ltd. on March 28, 2011. It is observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh were the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

It is therefore alleged that Hasti Finance Ltd. used STA Logistics (associated entity of HFL) and Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by STA Logistics Pvt. Ltd. (associated entity of HFL) and Fast Train Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7-A.***

The pictorial representation of the fund flow is as follows:



ii. ***Blue Sky Courier and Cargo Pvt. Ltd. (AABCB6999D)*** *was allotted 1,17,000 equity shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 08, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company, on January 08, 2011 by paying Rs.7,89,750/- to HFL. Rest of the amount to be paid by the allottee (Rs. 23,69,250/-) was paid to HFL on March 19, 2011 (Rs.15,00,000/-) and on March 29, 2011 (Rs.8,69,250/-) for conversion of said warrants into equity shares.

Fund flow for the payment made by the allottee was analysed, which is described as under:

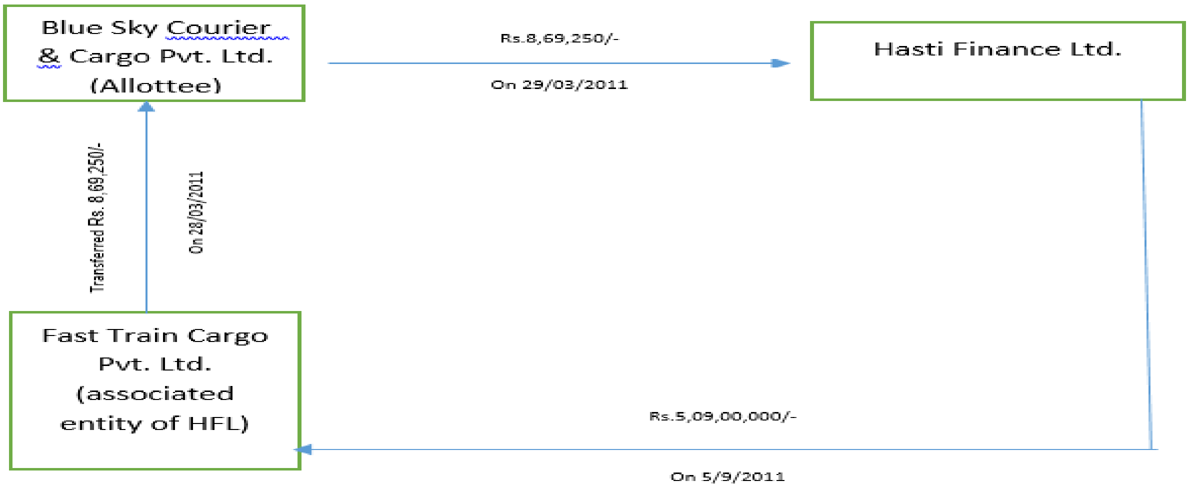
On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and email dated December 12, 2020 & Feb 27, 2021 respectively (copy of emails placed at ***Annexure 2****), it was observed that Blue Sky Couriers & Cargo Pvt. Ltd. paid Rs.15,00,000/- on March 19, 2011 and Rs.8,69,250/- on March 29, 2011 to HFL towards conversion of warrants into equity shares.*

It was observed that the allottee paid Rs.8,69,250/- to Hasti Finance Ltd. on March 29, 2011 from its A/c. No. 05412000001391 (HDFC Bank). Its account balance was Rs.2,07,233/- on March 28, 2011 and it received Rs.8,69,250/- from Fast Train Cargo Pvt. Ltd. (A/c No.:02400430002399, HDFC Bank) (associated entity of HFL) on March 28, 2011. It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh were the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to the bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

It is therefore alleged that Hasti Finance Ltd. used Fast Train Cargo Pvt. Ltd (associated entity of HFL) for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Fast Train Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7-B.***

The pictorial representation of the fund flow is as follows:



iii. ***Abbas Khan Chand Khan (AMFPK1852P)*** *was allotted 90,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 08, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee (Abbas Khan) subscribed to the warrants issued by the company on January 10, 2011 by paying Rs.6,07,500/- to HFL. Rest of the amount to be paid by the allottee (Rs. 18,22,500/-) was paid on March 29, 2011 for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee were analysed, which is described as under:

On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at ***Annexure 2****), it was observed that Abbas Khan paid Rs.18,22,500/- to HFL on March 29, 2011.*

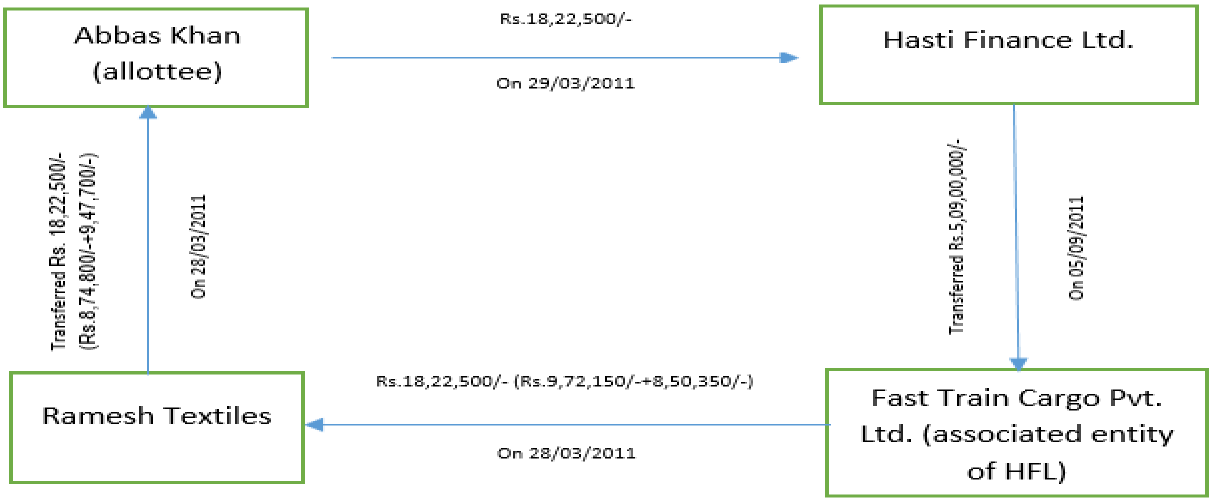
On analysing his bank statement, it was observed that Abbas Khan paid Rs. 18,22,500/- on March 29, 2011 from his A/c. No. 624201503835 (ICICI Bank) for conversion of warrants into equity shares. It was further observed that his account balance was Rs.10,888/- as on March 27, 2011 and he received Rs.8,74,800/- and Rs.9,47,700/- (amounting to Rs.18,22,500/-) from Ramesh Textiles (A/c No. 55912010001895, IDBI Bank) on March 28, 2011.

Bank statements Ramesh Textiles were also analysed.

On analysing the bank statements of Ramesh Textiles (A/c No. 55912010001895, IDBI Bank), it was observed that its account balance was nil as on March 27, 2011, and the entity received Rs. 9,72,150/- and Rs.8,50,350/- (amounting to Rs.18,22,500/-) from Fast Train Cargo Pvt. Ltd. on March 28, 2011. It is observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh were the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

*It is therefore alleged that Hasti Finance Ltd. used Ramesh Textiles and Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Ramesh Textiles and Fast Train Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as **Annexure 7-C**.*
The pictorial representation of the fund flow is as follows:



iv. ***Abhilasha Rathi (AHKPM5269N)** was allotted 90,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 29, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee (Abhilasha Rathi) subscribed to the warrants issued by the company on January 06, 2011 by paying Rs.6,07,500/- to HFL. Rest of the amount to be paid by the allottee (Rs. 18,22,500/-) was paid on April 26, 2011 for conversion of said warrants into equity shares.

Fund flow for the payment made by the allottee was analysed, which is described as under:

On analysing the bank statement of the allottee (A/c no: 003-348562-006, HSBC Bank), it was observed that she paid Rs. 10,00,000/- and Rs.8,22,500/- (amounting to Rs. 18,22,500/-) on April 26, 2011 to HFL for conversion of warrants into equity shares. It was further observed that her account balance was Rs.3,96,679/- as on April 17, 2011 and she received Rs.7,00,000/- and Rs.2,50,000/- on April 18, 2011 and April 19, 2011 respectively, from Devesh Rathi (A/c No.:623505384894, ICICI Bank) and Rs.8,22,500/- from STA Logistics Pvt. Ltd. on April 26, 2011.

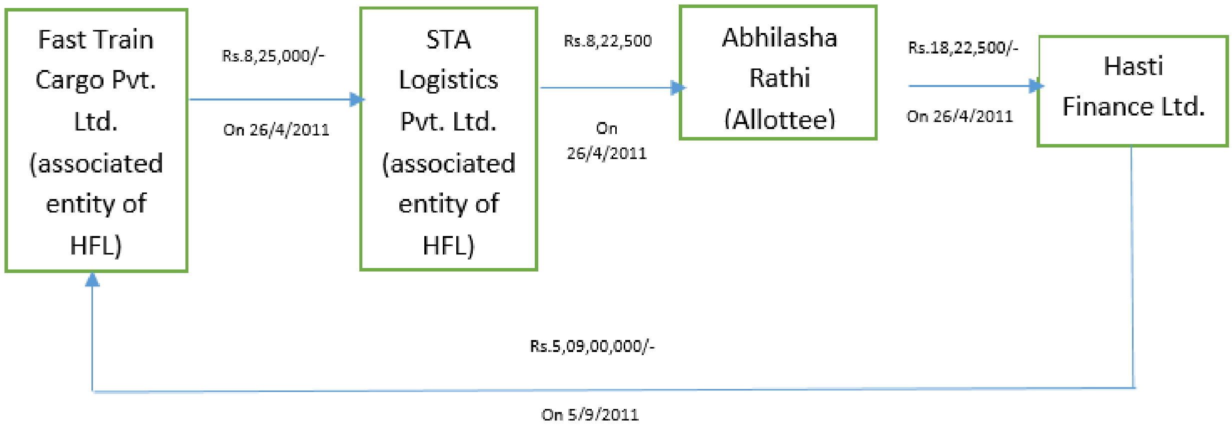
It was observed that Abhilasha Rathi received Rs.8,22,500/- from STA Logistics Pvt. Ltd. (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) on April 26, 2011 and Rs.8,22,000/- was later returned back to STA Logistics Pvt. Ltd. on April 30, 2011.

On analysing the bank statements of STA Logistics Pvt. Ltd. (A/c no.: 0726102000001519, IDBI Bank), it was observed that its account balance was Rs.18,350/- on April 25, 2011 and it received Rs.8,25,000/- from Fast Train Cargo Pvt. Ltd. on April 26, 2011. It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed

Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

*It is therefore alleged that Hasti Finance Ltd. used STA Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by STA Logistics Pvt. Ltd. (associated entity of HFL) and Fast Train Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as **Annexure 7-D**.*
The pictorial representation of the fund flow is as follows:



v. ***Pankaj Kumar Shiv Singh (BEUPS8932N)** was allotted 1,80,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 29, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 11, 2011 by paying Rs.12,15,000/- (Rs.6,07,500/- + Rs.6,07,500/-) to HFL. Rest of the amount to be paid by the allottee (Rs. 36,45,000/-) was paid on April 25, 2011 (Rs.10,25,500/- and Rs.7,97,000/-) and on April 26, 2011 (Rs. 18,22,500/-) for conversion of said warrants into equity shares.

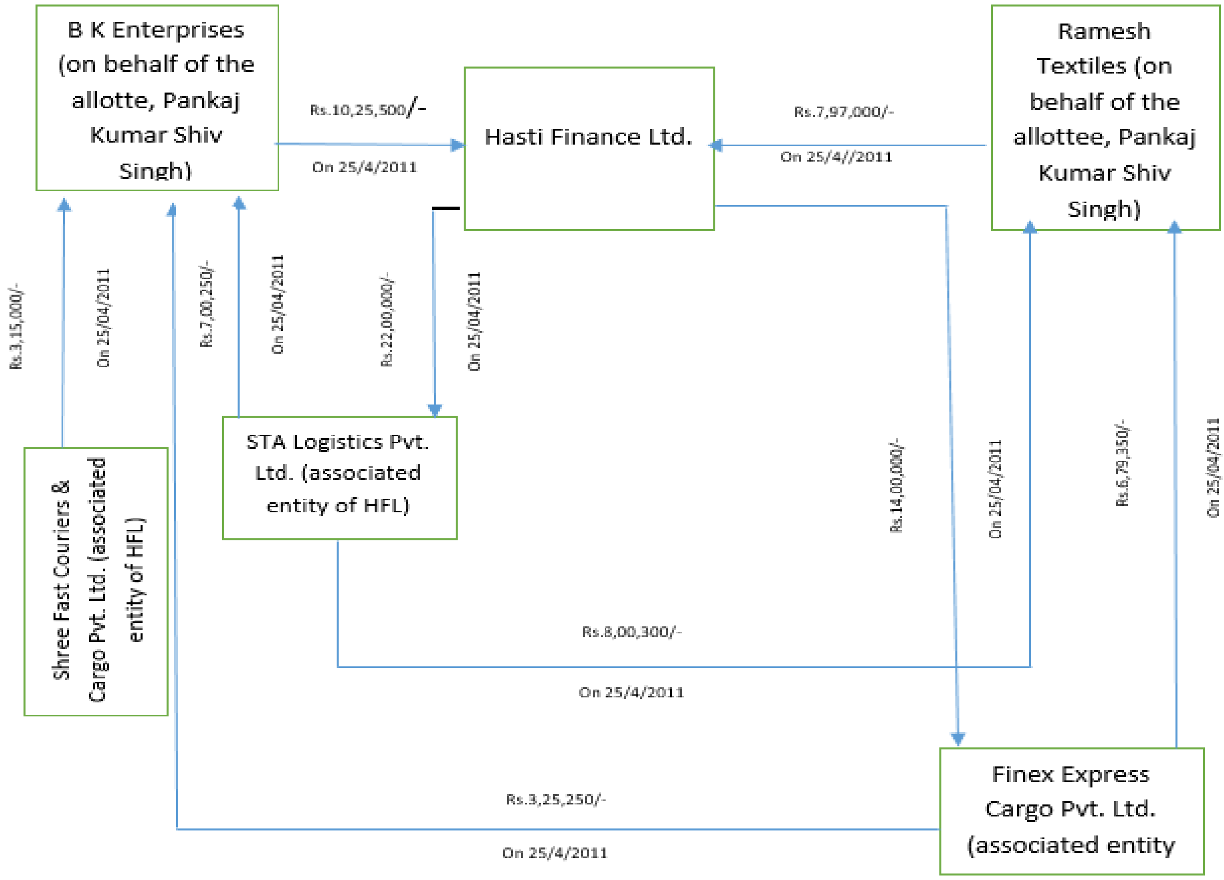
Fund flow for the payments made by the allottee were analysed, which is described as under:

*It was observed that the B K Enterprises and Ramesh Textiles transferred Rs.10,25,500/- and Rs.7,97,000/- respectively to the bank account of HFL on April 25, 2011, on behalf of the allottee. In this regard, bank statements of HFL wherein the funds were received towards subscription of warrants and their conversion into equity shares, were sought from HFL vide our email dated December 09, 2020. Vide its email dated Feb 27, 2021, the company provided the said details. (Placed at **Annexure 2**).*
*From the details provided by HFL, it was observed that Rs.10,25,500/- was transferred to the bank account of HFL (A/c No. 0579102000004121, IDBI Bank Ltd.) on April 25, 2011 by B K Enterprises (A/c No. 55912010001897, IDBI Bank), Rs.7,97,000/- was transferred to the bank account of HFL on April 25, 2011 by Ramesh Textiles (A/c No. 55912010001895, IDBI Bank). Thus, B K Enterprises and Ramesh Textiles transferred funds to the bank account of Hasti Finance Ltd. on behalf of the allottee. Based on the KYC details obtained from IDBI bank (placed at **Annexure 8**), it was observed that Chandrakant Baburao Tupe was the authorized signatory for the bank account of Ramesh Textiles. It was further observed that Chandrakant Baburao Tupe was also the director in Hasti Finance Ltd.*

On analysing the bank statements of B K Enterprises (A/c No. 55912010001897, IDBI Bank), it was observed that its account balance was Rs.700/- as on April 24, 2011 and on April 25, 2011, the entity received Rs.7,00,250/- from STA Logistics (associated entity of HFL) (A/c No. 0726102000001519, IDBI Bank), Rs. 3,25,250/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) and Rs. 3,15,000/-

from Shree Fast Couriers and Cargo Pvt. Ltd. (associated entity of HFL). On analysing the bank statements of STA Logistics, it was observed that its account balance was Rs.19,000/- as on April 24, 2011. It received Rs. 22,00,000/- from Hasti Finance Ltd. on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. (A/c No.:559102000000116, IDBI Bank) was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from Hasti Finance Ltd. on April 25, 2011.Thus, it is alleged that Hasti Finance Ltd. used STA Logistics, B K Enterprises and Finex Express Cargo Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by STA Logistics (associated entity of HFL), B K Enterprises and Finex Express Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7-E****.*

On analysing the bank statements of Ramesh Textiles (A/c No.: 55912010001895, IDBI Bank), it was observed that its account balance was Nil as on April 24, 2011 and on April 25, 2011, the entity received Rs.8,00,300/- from STA Logistics (associated entity of HFL) (A/c No. 0726102000001519, IDBI Bank) and Rs. 6,79,350/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL). On analysing the bank statements of STA Logistics, it was observed that its account balance was Rs.19,000/- as on April 24, 2011. It received Rs. 22,00,000/- from Hasti Finance Ltd. on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. (A/c No.:559102000000116, IDBI Bank) was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from Hasti Finance Ltd. on April 25, 2011.Thus, it is alleged that Hasti Finance Ltd. used STA Logistics, Ramesh Textiles and Finex Express Cargo Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by STA Logistics (associated entity of HFL), B K Enterprises, Ramesh Textiles and Finex Express Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-E.*
The pictorial representation of the fund flow is as follows:



vi. ***Vinod Ramghan Sharma (BWOPS4101D)*** *was allotted 90,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 29, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 10, 2011 by paying Rs.6,07,500/- to HFL. Rest of the amount to be paid by the allottee (Rs.18,22,500/-) was paid on April 25, 2011 (Rs.11,40,500/- & Rs.6,82,000/-) for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee were analysed, which is described as under:

On analysing the bank statements of the allottee (A/c No.:072201503017 and A/c No:030701513439, ICICI Bank), no transaction was observed wherein Rs.11,40,500/- and Rs.6,82,000 were transferred to the bank account of Hasti Finance Ltd on April 25, 2011.

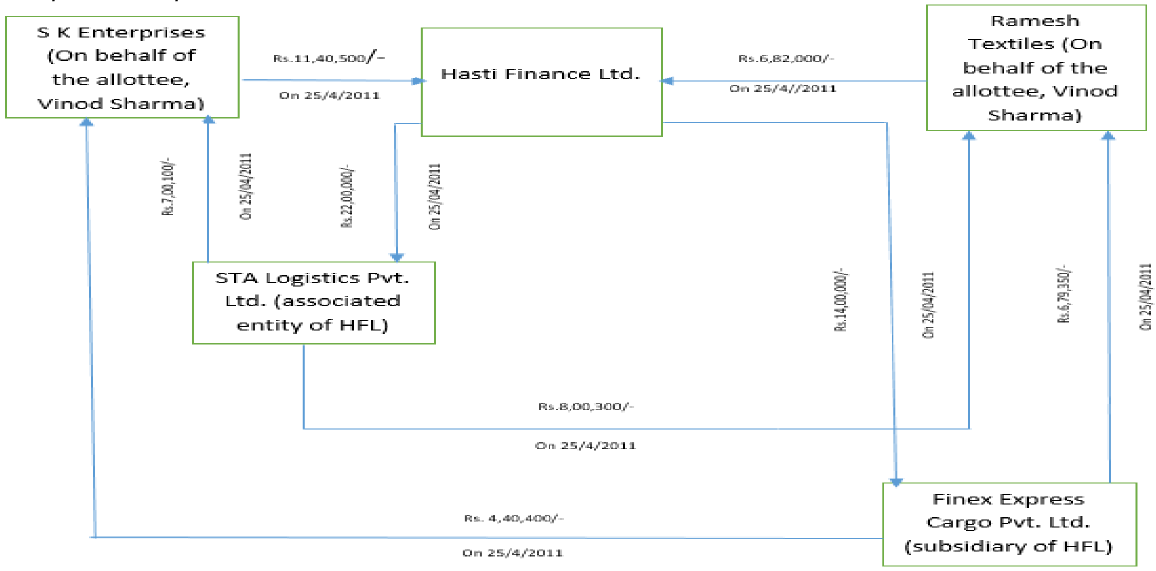
In this regard, bank statements of HFL wherein the funds were received towards subscription of warrants and their conversion into equity shares were sought from HFL vide our email dated December 09, 2020. Vide its email dated Feb 27, 2021, the company provided the said details. (Placed at ***Annexure 2****).*

From the details provided by HFL, it was observed that Rs.11,40,500/- was transferred to the bank account of HFL (A/c No. 0579102000004121, IDBI Bank Ltd.) on April 25, 2011 by S K Enterprises (A/c No. 55912010001896, IDBI Bank) and Rs.6,82,000/- was transferred to the bank account of HFL on April 25, 2011 by Ramesh Textiles (A/c No. 55912010001895, IDBI Bank). Thus, S K Enterprises and Ramesh Textiles transferred funds to Hasti Finance Ltd. on behalf of the allottee. Based on the KYC details obtained from IDBI bank (placed at ***Annexure 8****), it was observed that Chandrakant Baburao Tupe was the authorized signatory for the bank account of Ramesh Textiles and S K Enterprises. It was further observed that Chandrakant Baburao Tupe was also the director in Hasti Finance Ltd.*

On analysing the bank statements of S K Enterprises (A/c no. 55912010001896, IDBI Bank), it was observed that its account balance was Rs.730/- as on April 24, 2011 and it received Rs. 7,00,100/- from STA Logistics (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) and Rs. 4,40,400/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) on April 25, 2011. On analysing the bank statements of STA Logistics, it was observed that its account balance was Rs.19,000/- as on April 24, 2011. It received Rs. 22,00,000/- from Hasti Finance Ltd. on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. (A/c No.:559102000000116, IDBI Bank) was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from Hasti Finance Ltd. on April 25, 2011. Thus, it is alleged that Hasti Finance Ltd. used the entities STA Logistics, S K Enterprises and Finex Express Cargo Pvt. Ltd. to provide funds for the said transactions. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by STA Logistics (associated entity of HFL), S K Enterprises and Finex Express Cargo Pvt. Ltd. (subisidiary of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-F.*

Further, on analysing the bank statements of Ramesh Textiles (A/c No. 55912010001895, IDBI Bank), it was observed that its account balance was nil as on April 24, 2011 and the entity received Rs.8,00,300/- from STA Logistics (associated entity of HFL) (A/c No. 0726102000001519, IDBI Bank) and Rs. 6,79,350/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) on April 25, 2011. On analysing the bank statements of STA Logistics, it was observed that its account balance was Rs.19,000/- as on April 24, 2011. It received Rs. 22,00,000/- from Hasti Finance Ltd. on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. (A/c No.:559102000000116, IDBI Bank) was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from Hasti Finance Ltd. on April 25, *2011. Thus, it is alleged that Hasti Finance Ltd. used STA Logistics, SK Enterprises, Ramesh Textiles and Finex Express Cargo Pvt. Ltd. to provide funds for the said transactions. Hence Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by STA Logistics (associated entity of HFL), SK Enterprises, Ramesh Textiles and Finex Express Cargo Pvt. Ltd. (subsidiary of HFL). Copies of bank statements showing the fund trail are enclosed as **Annexure 7**-F.*

The pictorial representation of the fund flow is as follows:



vii. ***Salim Ismail Shaikh (ALEPS4089C)*** *was allotted 2,25,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 11, 2011 by paying Rs.15,18,750/- to HFL. Rest of the amount to be paid by the allottee (Rs. 45,56,250/-) was paid on May 04, 2011 for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee were analysed, which is described as under:

*On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at **Annexure 2**), it was observed that the allottee paid Rs.45,56,250/- to HFL on May 04, 2011.*

On analysing his bank statement, it was observed that the allottee paid Rs. 45,56,250/- on May 04, 2011 from his A/c. No. 06331000012000 (HDFC Bank) for conversion of warrants into equity shares. It was further observed that his account balance was Rs.6,967/- as on May 01, 2011 and he received Rs.40,00,000/- from Nitin Somani (A/c No. 57910010015644, IDBI Bank) on May 02, 2011 and Rs. 5,57,000/- from Fast Transport and Cargo (A/c No.:06332560001831, HDFC Bank) on May 03, 2011.

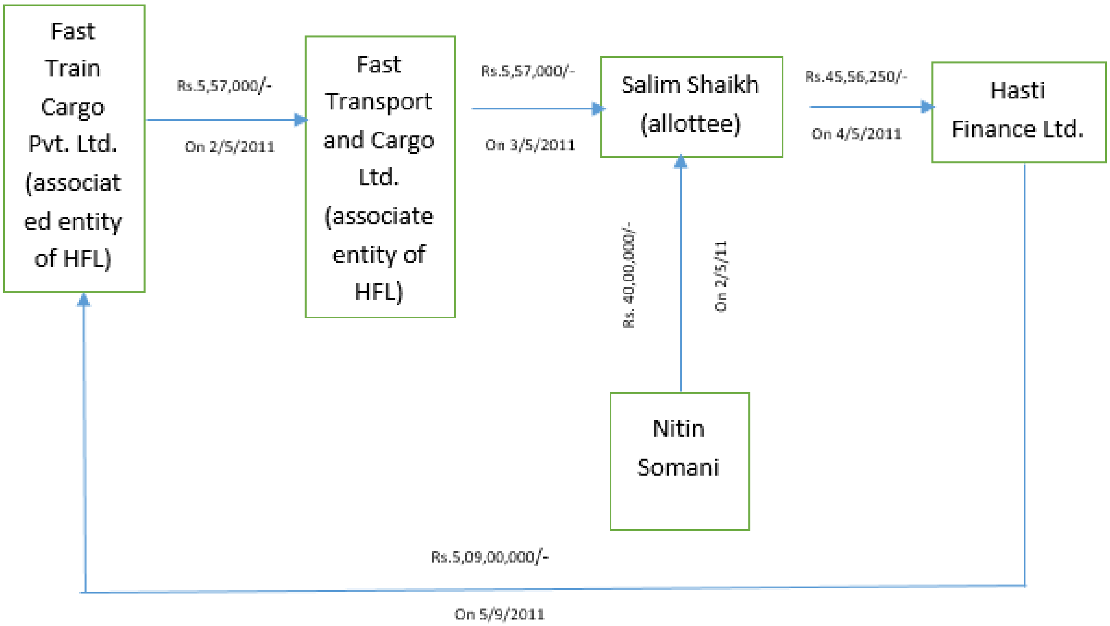
It is therefore observed that Nitin Somani, Executive Director of Hasti Finance Ltd. is alleged to have funded the allottee.

Bank statements of Fast Transport and Cargo (associated entity of HFL) were also analysed.

On analysing the bank statements of Fast Transport and Cargo (A/c No.:06332560001831, HDFC Bank), it was observed that its account balance was Rs.4,91,618/- as on May 01, 2011, and the entity received Rs. 5,57,000/- from Fast Train Cargo Pvt. Ltd. on May 02, 2011.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

It is therefore alleged that Hasti Finance Ltd. used Fast Transport and Cargo Ltd., Nitin Somani and Fast Train Cargo and Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Fast Transport and Cargo Ltd. (associated entity of HFL), Nitin Somani (executive director of HFL) and Fast Train Cargo and Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-G.*
The pictorial representation of the fund flow is as follows:



viii. ***Satish Kumar (ALPPK9168D)*** *was allotted 2,25,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from the allottee.*

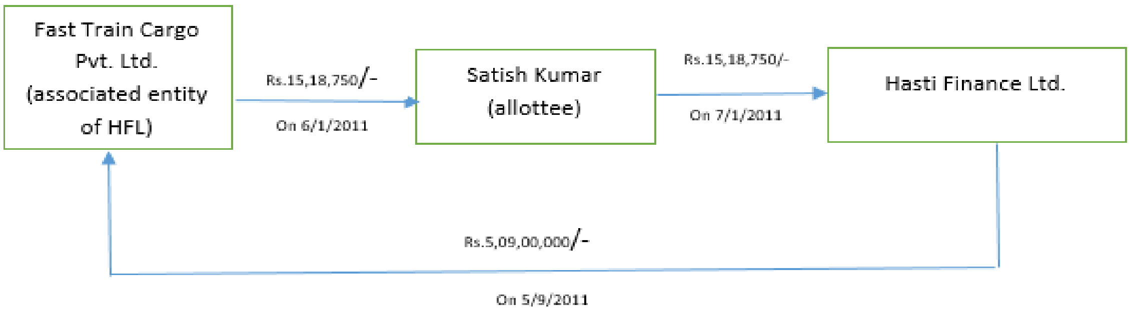
It was observed that the allottee subscribed to the warrants issued by the company on January 07, 2011 by paying Rs.15,18,750/-. Rest of the amount to be paid by the allottee (Rs. 45,56,250/-) was paid on May 10, 2011 (Rs.20,00,000/- + Rs.25,00,000/-) and May 28, 2011 (Rs.56,250/-) for conversion of said warrants into equity shares.
Fund flow for the payments made by the allottee were analysed, which is described as under:

On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at ***Annexure 2****), it was observed that the allottee paid Rs.15,18,750/- to HFL on January 07, 2011.*

On analysing his bank statement, it was observed that Satish Kumar transferred Rs. 15,18,750/- on January 7, 2011 from his A/c. No. 072201503887 (ICICI Bank) for subscribing for warrants. It was further observed that his account balance was Rs.15/- as on January 5, 2011 and he received Rs.15,18,750/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) (A/c No.:06382060000376, *Kotak Bank) on January 6, 2011. It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.*

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

*It is therefore alleged that Hasti Finance Ltd. used Fast Train Cargo Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Fast Train Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as **Annexure 7**-H.*
The pictorial representation of the fund flow is as follows:



ix. ***Vijay Surendraprasad Singh (AJSPV8820C)*** *was allotted 2,16,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 08, 2011 by paying Rs.14,58,000/-. Rest of the amount to be paid by the allottee (Rs. 43,74,000/-) was paid on May 10, 2011 for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee was analysed, which is described as under:

*On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at **Annexure 2**), it was observed that the allottee paid Rs.14,58,000/- to HFL on January 08, 2011 towards subscription of warrants issued by HFL.*

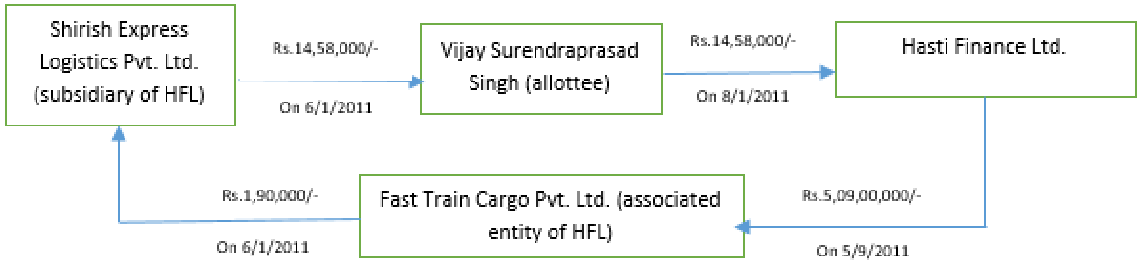
On analysing the bank statements of Vijay Singh (A/c No.: 00421000195700, HDFC Bank), it was observed that his account balance was Rs.455/- as on January 05, 2011 and he received Rs. 14,58,000/- from Shirish Express Logistics Pvt. Ltd. (A/c No.:726102000000657, IDBI Bank) (a subisidiary of HFL) on January 06, 2011. Accordingly, bank statement of Shirish Express Logistics Pvt. Ltd. was analysed.

It was observed that the account balance of Shirsh Express Logistics Pvt. Ltd. was Rs.8,442/- as on Jauary 04, 2011 and it received Rs. 6,24,277/- and Rs.6,39,155/- (amounting to Rs.12,63,432/-) from Gati Ltd. on January 05, 2011 and Rs.1,90,000/- from Fast Train Cargo Pvt. Ltd. (associated entity of

HFL) on January 06, 2011 . It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

It is therefore alleged that Hasti Finance Ltd. used its subsidiary, Shirish Express Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Shirish Express Logistics Pvt. Ltd (subsidiary of HFL) and Fast Train Cargo Pvt. Ltd. (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-I.*
The pictorial representation of the fund flow is as follows:



x. ***Nilesh Ratilal Gantra (AHIPG7146C)*** *was allotted 1,71,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 8, 2011. Ajit Ashok Pange and Sanjay Dhoke paid Rs.4,28,000/- and Rs.5,72,000/- respectively to HFL on behalf of the allottee on January 06, 2011 and Rs.1,54,250/- was transferred to the bank account of HFL by the allottee on January 19, 2011 from bank account no. 520, Akola Janata Commercial Co-operative Bank. Spider Prints Pvt. Ltd. paid Rs.34,00,000/- to HFL on behalf of the allottee on May 10, 2011 for conversion of said warrants into equity shares. Based on the KYC details obtained from IDBI Bank (placed at ***Annexure 9****), it was observed that Ajit Ashok Pange was an employee of Fast Train Cargo Pvt. Ltd.(associated entity of HFL).*

Fund flow for the payments made on behalf of the allottee were analysed, which is described as under:

On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at ***Annexure 2****), it was observed that Ajit Ashok Pange and Sanjay Dhoke paid Rs.10,00,000/- (Rs.4,28,000/- and Rs.5,72,000/-) to HFL on January 08, 2011 on behalf of the allottee, towards subscription of warrants issued by HFL.*

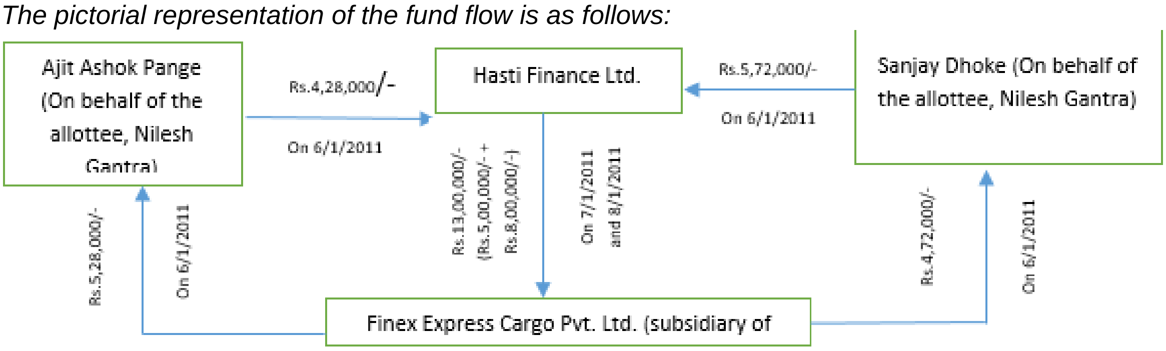
Based on the UCC details, bank statements of the allottee were sought from Akola Janata Commercial Co-operative Bank. On analysing the bank statements of Nilesh Ratilal Gantra (A/c. No. 520, Akola Janata Commercial Co-operative Bank), it was observed that Rs.1,54,250/- was transferred to the bank account of HFL on January 19, 2011. It was further observed that his account balance was Rs.1,60,318/- as on January 19, 2011.

*Bank statements of HFL wherein the funds were received towards subscription of warrants and conversion into equity shares were sought from HFL vide our email dated December 09, 2020. Vide its email dated Feb 27, 2021, the company provided the said details. (Placed at **Annexure 2**).*

From the details provided by HFL, it was observed that Rs.4,28,000/- was transferred to the bank account of HFL (A/c No. 030012100000882 (121/882), Bharat Co-operative Bank Ltd.) on January 06, 2011 (via Pay Order, which got credited on January 8, 2011) by Ajit Ashok Pange (A/c No.: 57910010016462, IDBI Bank) and Rs. 5,72,000/- was transferred to the bank account of HFL on January 6, 2011 (via Pay Order, which got credited on January 8, 2011) by Sanjay Dhoke (A/c No.: 55910010015806, IDBI Bank) and Rs.1,54,250/- was transferred from bank account of Shree Raghuvir Trading Company (having the same PAN No. as that of allottee i.e. AHIPG7146C) (A/c. No. 520, Akola Janata Commercial Co-operative Bank) January 19, 2011 towards subscription of warrants by the allottee. Thus, Ajit Ashok Pange and Sanjay Dhoke transferred funds to Hasti Finance Ltd. on behalf of Nilesh Ratilal Gantra (the allottee).

On analysing the bank statements of Ajit Ashok Pange (A/c No. 57910010016462, IDBI Bank), it was observed that his account balance was Rs.46,269/- as on January 05, 2011 and on January 06, 2011, the entity received Rs.5,28,000/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL). It was observed that Finex Express Cargo Pvt. Ltd. received Rs.5,00,000/- from Hasti Finance Ltd. on January 07, 2011 in its bank account no.:030012100000872 (121/872), Bharat Co-operative Bank. It further received Rs.8,00,000/- in the same bank account from Hasti Finance Ltd. on January 08, 2011.

It is therefore alleged that Hasti Finance Ltd. used the entities Ajit Ashok Pange and Finex Express Cargo Pvt. Ltd. (subsidiary of HFL), for funding the allottee.
*On analysing the bank statements of Sanjay Dhoke (A/c No.: 55910010015806, IDBI Bank), it was observed that his account balance was Rs.1,30,571/- as on January 05, 2011 and on January 06, 2011, the entity received Rs.4,72,000/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) (A/c No.:559102000000116, IDBI bank). It was observed that Finex Express Cargo Pvt. Ltd. received Rs.5,00,000/- from Hasti Finance Ltd. on January 07, 2011 in its bank account no.:030012100000872 (121/872), Bharat Co-operative Bank. It further received Rs.8,00,000/- in the same bank account from Hasti Finance Ltd. on January 08, 2011. It is therefore alleged that Hasti Finance Ltd. used Ajit Ashok Pange, Sanjay Dhoke and Finex Express Cargo Pvt. Ltd. (subsidiary of HFL), for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Ajit Ashok Pange, Sanjay Dhoke and Finex Express Cargo Pvt. Ltd. (subsidiary of HFL). Copies of bank statements showing the fund trail are enclosed as **Annexure 7-J.***
The pictorial representation of the fund flow is as follows:



xi. ***Santosh Birendra Kumar (BARPK9928H)*** *was allotted 1,11,600 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 11, 2011 by paying Rs.7,53,300/- to HFL. Rest of the amount to be paid by the allottee (Rs. 22,59,900/-) was paid on May 5, 2011 for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee were analysed, which is described as under:

*On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at **Annexure 2**), it was observed that the allottee paid Rs. 8,09,900/-, Rs.6,40,000/- and Rs.8,10,000/- (amounting to a total of Rs.22,59,900/-) to HFL on May 05, 2011, towards conversion of warrants issued by HFL into equity shares.*

On analysing the bank statements of Santosh Birendra Kumar (A/c No. 096401502623, ICICI Bank), (A/c no. 04841000010341, 0484160001055, 04841460001062, 04841930002416, 08731000012048, 50100318442671, HDFC Bank), no transaction was observed wherein Rs. 8,09,900/-, Rs.6,40,000/- and Rs.8,10,000/- (amounting to a total of Rs.22,59,900/-) were transferred to the bank account of Hasti Finance Ltd on May 05, 2011.

*In this regard, bank statements of HFL wherein the funds were received towards subscription of warrants and their conversion into equity shares were sought from HFL vide our email dated December 09, 2020. Vide its email dated Feb 27, 2021, the company provided the said details. (Placed at **Annexure 2**).*

*From the details provided by HFL, it was observed that Rs.8,09,900/-, Rs.6,40,000/- and Rs.8,10,000/- (amounting to a total of Rs.22,59,900/-) were transferred to the bank account of HFL (A/c No. 0579102000004121, IDBI Bank Ltd.) on May 05, 2011. On further scrutiny, it was observed that Ramesh Textiles (A/c No. 55912010001895, IDBI Bank) transferred Rs.8,09,900/- to the bank account of HFL on May 05, 2011, S K Enterprises (A/c No. 55912010001896, IDBI Bank) transferred Rs.6,40,000/- to the bank account of HFL on May 05, 2011 and B K Enterprises (A/c No. 55912010001897, IDBI Bank) transferred Rs.8,10,000/- to the bank account of HFL on May 05, 2011. Based on the KYC details obtained from IDBI bank (placed at **Annexure 8**), it was observed that Chandrakant Baburao Tupe was the authorized signatory for the bank account of Ramesh Textiles and S K Enterprises. It was further observed that Chandrakant Baburao Tupe was also the director in Hasti Finance Ltd.*
Thus, Ramesh Textiles, S K Enterprises and B K Enterprises transferred funds to Hasti Finance Ltd. on behalf of Santosh Birendra Kumar (the allottee).

On analysing the bank statements of Ramesh Textiles (A/c No. 55912010001895, IDBI Bank), it was observed that its account balance was Rs.713/- as on May 04, 2011 and the entity received Rs.8,06,000/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) (A/c No. 55912010001881, IDBI Bank) and Rs. 5,000/- from B K Enterprises (A/c No. 55912010001897, IDBI Bank) on May 05, 2011. It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

*Thus, it is observed that Hasti Finance Ltd. used the entities Ramesh Textiles and Fast Train Cargo Pvt. Ltd. to provide funds for the said transactions. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Ramesh Textiles and Fast Train Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as **Annexure 7-K.***

On analysing the bank statements of S K Enterprises (A/c No. 55912010001896, IDBI Bank), it was observed that its account balance was Rs.805/- as on May 04, 2011 and on May 05, 2011, the entity received Rs.6,43,700/- from Shree Fast Couriers & Cargo Pvt. Ltd (associated entity of HFL) (A/c No.:55912010001913, IDBI bank). It is further observed that Nitin Somani and Sonal Somani were the directors of Shree Fast Courier and Cargo Pvt. Ltd and Fast Train Cargo Pvt. Ltd. It was observed that Shree Fast Courier and Cargo Pvt. Ltd. received Rs.5,00,000/- from Fast Train Cargo Pvt. Ltd. on May 09, 2011.

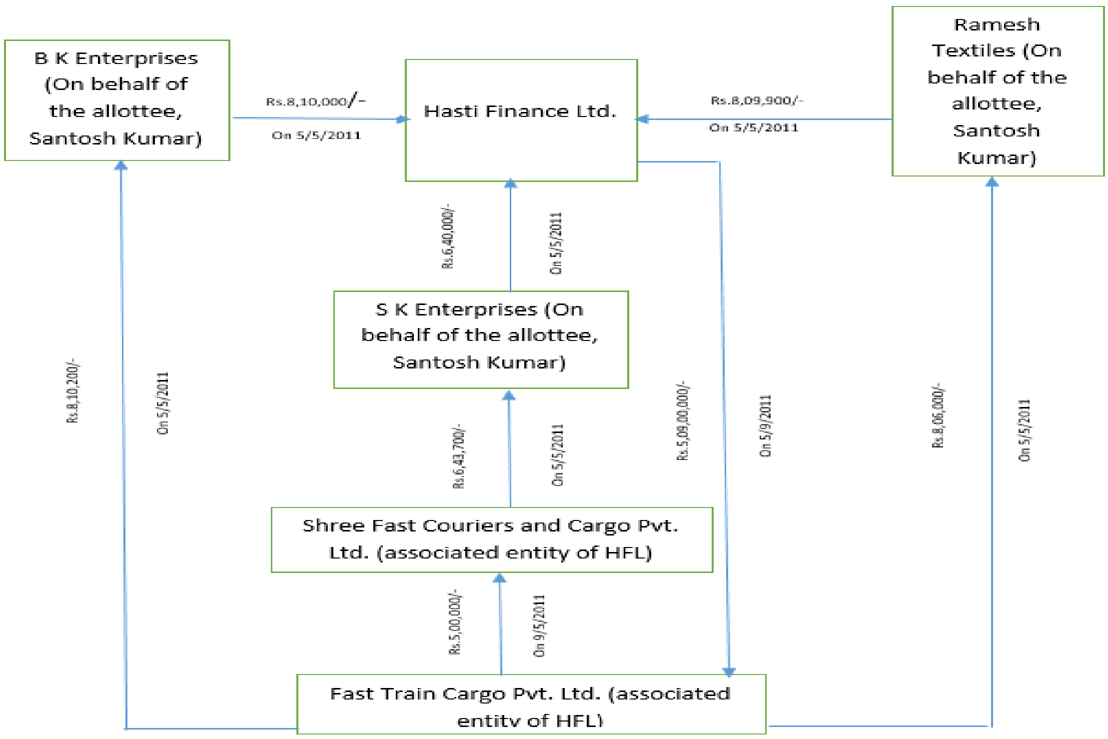
It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

Thus, it is alleged that the Hasti Finance Ltd. used the entities S K Enterprises, Fast Train Cargo Pvt. Ltd. and Shree Fast Couriers and Cargo Pvt. Ltd. to provide funds for the said transactions. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by S K Enterprises, Fast Train Cargo Pvt. Ltd. (associated entity of HFL) and Shree Fast Courier and Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-K.*

On analysing the bank statements of B K Enterprises (A/c No. 55912010001897, IDBI Bank), it was observed that its account balance was Rs.5,762/- as on May 04, 2011 and on May 05, 2011, the entity received Rs.8,10,200/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) (A/c No. 55912010001881, IDBI Bank). It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL). Thus, it is alleged that Hasti Finance Ltd. used the entities B K Enterprises and Fast Train Cargo Pvt. Ltd. to provide funds for the said transactions. Hence, Hasti Finance Ltd. is observed to have funded the preferential allottee duly facilitated by B K Enterprises and Fast Train Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-K.*

The pictorial representation of the fund flow is as follows:



xii. ***Sumit Dilip Jain (AGWPJ6652M)*** *was allotted 45,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from the allottee.*

It was observed that the allottee subscribed to the warrants issued by the company on January 08, 2011 by paying Rs.3,03,750/- to HFL. Rest of the amount to be paid by the allottee (Rs. 9,11,250/-) was paid on May 04, 2011 for conversion of said warrants into equity shares.

Fund flow for the payments made by the allottee were analysed, which is described as under:

On the basis of allotment details obtained from BSE and HFL vide their email dated December 23, 2020 and December 12, 2020 respectively (copy of emails placed at ***Annexure 2****), it was observed that the allottee paid Rs.9,11,250/- to HFL on May 04, 2011 towards conversion of warrants issued by HFL into equity shares.*

On analysing his bank statement, it was observed that the allottee paid Rs. 9,11,250/- on May 04, 2011 from his A/c. No. 032301512658 (ICICI Bank) for conversion of warrants into equity shares. It was further observed that his account balance was Rs.1,49,518/- as on May 02, 2011 and he received Rs.2,77,300/- from S K Enterprises (A/c No. 55912010001896, IDBI Bank), Rs.2,24,000/- from Ramesh Textiles and Rs.4,10,000/- from B K Enterprises on May 03, 2011 (amounting to a total of Rs.9,11,300/-). Based on the KYC details obtained from IDBI bank (placed at ***Annexure 8****), it was observed that Chandrakant Baburao Tupe was the authorized signatory for the bank account of Ramesh Textiles and S K Enterprises. It was further observed that Chandrakant Baburao Tupe was also the director in Hasti Finance Ltd.*
Bank statements of S K Enterprises, B K Enterprises and Ramesh Textiles were also analysed.

On analysing the bank statements of S K Enterprises (A/c No. 55912010001896, IDBI Bank), it was observed that its account balance was Rs.730/- as on May 02, 2011 and the entity received Rs.2,77,375/- from STA Logistics Pvt. Ltd. (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) on May 03, 2011. On analysing the bank statements of STA Logistics Pvt. Ltd., it was *observed that its account balance was Rs.18,350/- as on April 25, 2011. It received Rs. 8,25,000/- on April 26, 2011 and Rs.1,00,000/- on May 03, 2011 from Fast Train Cargo Ltd. (associated entity of HFL) (A/c No.55912010001881, IDBI Bank). It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.*

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL). It is therefore alleged that Hasti Finance Ltd. used S K Enterprises, STA Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by S K Enterprises, STA Logistics Pvt. Ltd (associated entity of HFL) and Fast Train Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-L.*

On analysing the bank statements of B K Enterprises (A/c No. 55912010001897, IDBI Bank), it was observed that its account balance was Rs.5,700/- as on May 02, 2011 and the entity received Rs.4,10,062/- from STA Logistics Pvt. Ltd. (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) on May 03, 2011. On analysing the bank statements of STA Logistics Pvt. Ltd., it was observed that its account balance was Rs.18,350/- as on April 25, 2011. It received Rs. 8,25,000/- on April 26, 2011 and Rs.1,00,000/- on May 03, 2011 from Fast Train Cargo Ltd. (associated entity of HFL) (A/c No.55912010001881, IDBI Bank). It is further observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.

It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL). It is therefore alleged that Hasti Finance Ltd. used B K Enterprises, STA Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd. for funding the allottee. Hence Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by B K Enterprises, STA Logistics Pvt. Ltd (associated entity of HFL) and Fast Train Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7****-L.*

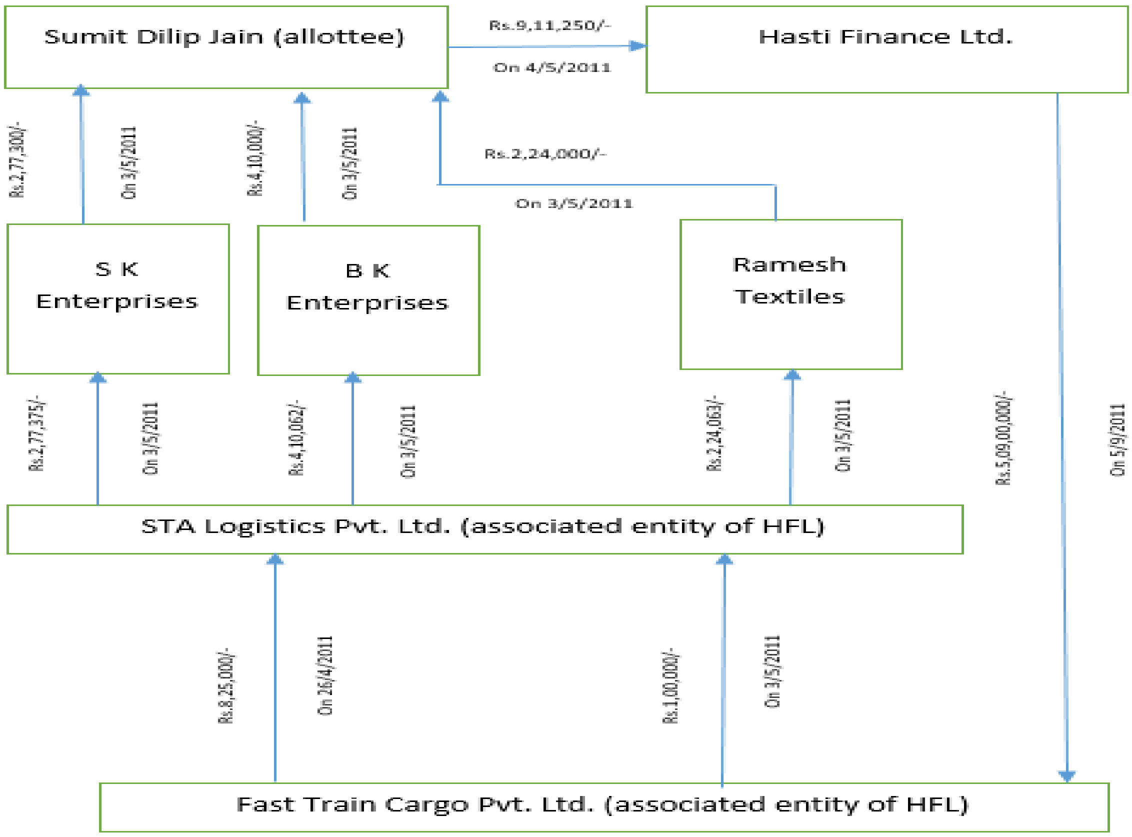
On analysing the bank statements of Ramesh Textiles (A/c No. 55912010001895, IDBI Bank), it was observed that its account balance was Rs.650/- as on May 02, 2011 and the entity received Rs.2,24,063/- from STA Logistics Pvt. Ltd. (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) on May 03, 2011. On analysing the bank statements of STA Logistics Pvt. Ltd., it was observed that its account balance was Rs.18,350 as on April 25, 2011. It received Rs. 8,25,000/- on April 26, 2011 and Rs.1,00,000/- on May 03, 2011 from Fast Train Cargo Ltd (associated entity of HFL) (A/c No.55912010001881, IDBI Bank). It is observed that Nitin Somani, Sonal Somani and Salim Ismail Shaikh are the directors of Fast Train Cargo Pvt. Ltd.
It was also observed that Hasti Finance Ltd. made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance

Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL). It is therefore alleged that Hasti Finance Ltd. used Ramesh Textiles, STA Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd. for funding the allottee. Hence, Hasti Finance Ltd. is alleged to have funded the preferential allottee duly facilitated by Ramesh Textiles, STA Logistics Pvt. Ltd (associated entity of HFL) and Fast Train Cargo Pvt. Ltd (associated entity of HFL). Copies of bank statements showing the fund trail are enclosed as ***Annexure 7-L.***

Summon was issued to Sumit Dilip Jain on January 04, 2021 (Placed at ***Annexure 16****) seeking bank statements of the account from which he transferred funds to the bank account of HFL for subscription towards warrants and conversion of warrants into equity shares and the source of those funds.*

Vide letter dated Jan 31, 2021, the allottee provided his response. In his response, the allottee stated that Nitin Somani arranged funds for him from 3 entities namely, S K Enterprises, Ramesh Textiles and B K Enterprises, as a loan against the gold ornaments of his grandmother. However, the allottee has not provided any supporting evidence for the same. The copy of response of the allottee is placed at ***Annexure 16-A****.*

The pictorial representation of the fund flow is as follows:



4. *Based upon the above examination, it is alleged that:*
   a. *Noticees at Sr. No. 1 to 5 were part of the scheme where company along with its Director had funded the allottees in fraudulent manner through its subsidiaries/associated/connected entities*

in connection with the subscription to the preferential allotment of warrants and conversion of those warrants into equity shares and thus, have allegedly violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulation 4(1) of PFUTP Regulations.

b. *Noticees at Sr. No. 6 to 17 were part of the scheme where company along with its Director had funded these Noticees in fraudulent manner. These Noticees had received funds from the subsidiary/associated/connected entities of HFL, which were used for the purpose of subscription of warrants / conversion of warrants into equity shares. HFL had transferred funds received from allottees to subsidiary/associated/connected entities and thus, have allegedly violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulation 4(1) of PFUTP Regulations.*

c. *Noticees at Sr. No. 18 to 22 were part of the scheme where company along with its Director had funded the allottees in fraudulent manner. These Noticees funded/transferred funds to the Noticees at Sr. No. 6 to 17, which were used for the purpose of subscription/conversion, of preferential issue of warrants and subsequently received funds from HFL and thus, have allegedly violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations.*

5. The said SCN was sent to Noticees via Speed Post Acknowledgement Due ("SPAD"). the SCN was duly delivered to Noticee no. 2,3,4,6,9,14,17,18 via SPAD. I note that vide email dated December 02, 2021, Noticee no. 1,3,4,6,20 and 21 acknowledge the receipt of SCN and requested for 30 days extension for submission of reply to SCN. Noticee no. 1,3,4,6,9,20 and 21 were granted time till January 14, 2022 to submit their reply to SCN.

6. Noticee no. 17 vide email dated December 2, 2021 requested for time of 25 days to submit reply to SCN. Noticee was granted time till December 27, 2021 to submit reply to SCN. Thereafter, Noticee vide email dated December 23, 2021 requested for inspection of certain documents and also sought eight (8) weeks' time to reply to SCN from the date of receipt of the requested information. Noticee was granted an opportunity for inspection of relevant documents, relied upon by SEBI in the aforesaid SCN, on May 06, 2022. Noticee carried out the inspection of the relevant documents, relied upon by SEBI on May 06, 2022 and also sought the information about settlement process and any forms required for the same.

7.Noticee no 9 vide email dated December 14, 2021 requested for 21 days extension for submission of reply to SCN.

8.Noticee no. 1,2,3,4,6,20 and 21 submitted their reply vide email dated January 10, 2022.Noticee no. 9 submitted her reply vide letter dated January 13, 2022 and Noticee no. 17 submitted its reply to SCN vide email dated March 06, 2022.

9.Emails were sought for Noticees to whom SCNs returned undelivered from Operational department of SEBI. Thereafter, SCN was served to Noticee no. 5,7,11,12,13,19 and 20 through digitally signed Email dated December 24, 2021.

10.SCN was served to Noticee no. 10,16 and 22 vide newspaper publication dated May 11,2022 in the Times of India/Hindustan Times in English language in, Nav- Bharat Times/Dainik Jagran in Hindi language in Howrah, Pune and Chandigarh editions. It was also published in the said newspaper publications that, the said SCN has been published/ uploaded on website of SEBI (www.sebi.gov.in) under the section Enforcement: 'Unserved Summons/ Notices' and can be downloaded from the website of SEBI (www.sebi.gov.in). Further, Noticees were also advised to submit their reply to the SCN within 14 days of publication of the said notice and to appear for hearing before AO on May 17, 2022.

11.An opportunity of personal hearing in terms of Rule 7(d) of the Rules in the interest of natural justice was granted through WebEx platform due to Covid-19 Pandemic on May 5, 6, 9 and 10, 2022 to the Noticee no. 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 17,18,19,20,21 and 22 through hearing notice (HN) dated April 11, 2022 which was duly delivered to Noticees except Noticee no. 8 and 15. Thereafter, HN was served to Noticee no. 8 and 15 vide newspaper publication dated May 11,2022 in the Times of India/Hindustan Times in English language and in Nav- Bharat Times/Dainik Jagran in Hindi language in Nagpur and Akola editions.It was also published in the said newspaper publications that, to appear for hearing on May 18, 2022 through tele/videoconferencing and were also advised to submit their reply to the SCN within 14 days of publication of the said notice.

12. Noticee no. 1 vide email dated May 04, 2022, authorised its representative (AR) to appear in the matter. AR of Noticee no. 1 appeared before me on schedule date and time of hearing i.e., May 05, 2022. During the course of hearing proceedings, AR of Noticee no. 1 stated that, he is representing all the Noticees in the matter. In this regard, AR was requested to provide authority letter on behalf of all Noticees. During Hearing Proceedings, AR reiterated earlier submissions made vide email dated January 10, 2021 on behalf of the Noticees mentioned at Sr. No. 1 to 6 and also sought 1 weeks' time to make additional written submissions which he made orally before AO and also to make reply to SCN on behalf of Noticees mentioned at Sr. no. 7 to 21. Subsequently, vide email dated May 10, 2022, Noticee no. 3 on behalf of company submitted authorization letter dated May 06, 2022 which authorizes company's AR to represent all the Noticees in the matter. the said letter also *inter-alia* states that, "*the undersigned further undertakes that none of the above Noticees will approach SEBI directly in this matter*". Vide email dated May 10, 2022, AR was requested to provide authority letter from all the Noticees in the matter by May 12,2022.AR vide email dated May 20, 2022 submitted that, Due to certain unavoidable circumstances, they are not able to submit the reply as discussed during the hearing and will be submitting the same before May 26, 2022 along with the individual consents from all Noticees.AR again vide email dated May 29, 2022 stated that, it will be submitting all consents and the written submissions in the first week of June. Thereafter vide email dated June 03, 2022, AR submitted additional reply and also consent letter from all the Noticees. Noticee no. 17 vide email dated June 18, 2022 informed that, AR of company is authorised by him and will represent him in the matter. Vide email dated June 20, 2022, AR of Noticee was again requested to make submission on behalf of all the Noticees represented .in this regard, AR vide email date June 21, 2022 informed me to consider the reply made by company and the promoters in the month of January,2022 as the reply on behalf of all Noticees. Further,

in a separate email dated June 21, 2022, AR also informed that, he will not represent Noticee no 9 named Abhilasha Rathi.

13. Noticee no. 9 vide email dated April 30, 2022 authorised her representatives' to appear for hearing before me vide authorisation letter dated April 28, 2022. Authorised Representatives/ARs appeared for hearing on scheduled date and time of hearing i.e., May 06, 2022 and during the hearing proceedings, her ARs reiterated earlier submissions made vide letter dated January 13, 2022 on behalf of her.

14. The submissions made by the Noticees to the SCN during the instant proceedings are as follows:

A. <u>Common reply of the Noticees 1 to 8 and 10 to 22</u>

This has reference to the captioned show cause notice asking us to show cause as to why action should not be taken for the alleged violations of Section 12A(d) of the SEBI Act, 1992 and Regulations 3(a) (b) (c) (d)and and 4(1) of the SEBI (PFUTP) Regulations, 2003. We request you to kindly treat this reply as on behalfof the Company and its Directors, Shri Chandrakant Tupe, Shri Nitin Somani, Ms Sonal Somani, Shri IsmailShaik and Shri Lucky Manoj Somani (Noticees 1 to 6). At the outset, we would also like to submit that the show cause notice has been issued after a period of 10 years and 10 months on November 25, 20221 when the preferential allotment was completed in January 12, 2011. We would like rely on the Orders of the Hon'ble SAT in the matter of Yatin Pandya HUF, VamanMadhav Apte, Ashok K Choudhury and Libord Finance Ltd. We respectfully submit that despite SEBI being aware of the alleged violations in the year 2011, there is nothing on record to indicate the reason forthe unexplained and unnatural delay in initiating the proceedings, which has caused prejudice to us. This inordinate delay in commencing the proceedings has also resulted in gross violation of principles of naturaljustice against us and after a lapse of more than 10 years, we are not in a position to give a proper reply. Continuation of proceedings at this distance of time, is therefore totally unwarranted and unjustified.

However, we proceed to give our paragraph wise reply to your allegations:

1. *We have no comments to offer on Paragraph No: 1 as it pertains to the commencement of investigation by SEBI into the preferential allotment by our Company. We have noted the investigation period to be from August 27, 2010 to August 31, 2015.*
2. *We have no comments to offer on Paragraph No: 2 as it pertains to the appointment of Adjudicating*

Officer.

3. *Paragraph 3 pertains to the history of the Company. We confirm that our Company has been incorporated on August 16, 1994 and is involved in the business of Hire Purchase and Leasing. TheEquity Shares of our Company are listed on the BSE and the registered office is situated at Chennai.We confirm that the directors as shown in the Table under "Management" were the directors of Company during the period April 27, 2010 to December 24, 2010.*
4. *We have no comments to offer on the shareholding pattern shown during the quarters ended September 2010 to September 2015 in paragraph No: 3 (c) of the Letter.*
5. *With regard to the various details given in Paragraphs 3 (d) to 3(g), we confirm that there was a preferential allotment of warrants to 3 Promoters and 28 Non-Promoters on January 12, 2011. Thewarrants were converted into equity shares in the month of April, May and June 2011 and the samehave been listed on the BSE pursuant to the receipt of in-principle / listing / trading approval for the shares so allotted. Necessary disclosures were made to the BSE regarding the acquisition to theBSE under the relevant regulations by our Company as well as the Promoters.*
6. *Further, our Company also made a bonus issue of 1 share for every 10 shares held on March 13, 2013 and consequently our paid-up capital as at the end of March 31, 2013 was 108,39,730 Equity Shares of Rs.10 each. Necessary disclosures were made by our Company to the BSE under the relevant Regulations.*
7. *We confirm that the promoters of the Company are Mr Nitin Somani, Ms Sonal Somani, Mr Manoj Somani and Mr Lucky Manoj Somani. We also confirm the details of Subsidiary Companies and Associate Companies given in the Show Cause Notice.*
8. *We have noted the methodology use for the fund flow analysis given in Paragraph 3 on Page 10 ofthe Show Cause Notice.*
9. *With regard to the Paragraph 3 (d) containing the table regarding the analysis of amounts receivedfrom group entities by certain preferential allottees we would like to deny that any amount was transferred by any of our group entities to any of the allottees to subscribe towards conversion of warrants into shares.*
10. *We are concerned for Mr Lucky Manoj Somani and Mr Salim Shaik wherein it is mentioned that Rs.18,22,500 was transferred to Mr Lucky Somani and Rs.45,56,200 was transferred to Mr Salim Shaikh and will provide necessary explanation at the appropriate paragraph.*
11. *With regard to the Entity wise analysis of allotment of warrants and conversion of warrants into Equity Shares, we have no comments to offer on Paragraph (a) as there are no adverse findings.*
12. *With regard to the allegation in Paragraph b we deny that our Company or any our group companies*

/ associates have funded the subscription to the warrants or conversion of warrants to equity shares.With specific reference to the allotment to Mr Lucky Manoj Somani, 90,000 shares were allotted to him on conversion of warrants on April 08, 2011. Since the warrants were issued to him on January 12, 2011, 25% of the consideration was to be paid upfront and hence Rs.6,07,500 was paidon January 06, 2011 and the balance of Rs.18,22,500 was to be paid before April 08 ,2011 and wasaccordingly paid on March 29, 2011. It is alleged that the amount has been received from STA Logistics Private Limited and it is stated for the first time in the show cause notice that STA Logistics Private Limited is an associate of our Company. Mr Lucky Manoj Somani had taken a loan from STA to subscribe to the conversion of the warrant. It has been further alleged that STA Logistics obtained the money from Fast Train Cargo, which is a group company of Hasti. It has further been stated that we had made Fixed Deposits and transferred the amount to Fast Train Cargoin September 2011. It is surprising how you allege that we have funded / provided funds to Mr Lucky Manoj Somani as the subscription was made / paid by him on March 29, 2011 and as per the paragraph / pictorial representation on Page 13/14 of the Show Cause Notice the amount of Rs.5.09 crores was allegedly transferred in September 2011 to Fast Train Cargo while thesubscription to the issue was made in March 2011 by Mr Lucky Somani.

13. *With specific reference to the allotment to Blue Sky Courier and Cargo Private Limited., 1,17,000 shares were allotted to it on conversion of warrants on April 08, 2011. Since the warrants were issued to it him on January 12, 2011, 25% of the consideration was to be paid upfront and hence the balance of Rs.23,69,250 was to be paid before April 08 ,2011 and was accordingly paid in twoinstalments on March 19, 2011 and on March 29, 2011. It is alleged that the amount has been received by Blue Sky Courier from Fast Train Cargo, which is a group company of Hasti Finance Limited. It has further been stated that Hasti Finance had made Fixed Deposits and transferred theamount of Rs.5.09 crores to Fast Train Cargo in September 2011. It is surprising how you allege that we have funded / provided funds to Fast Train Cargo so as to enable the subscription by Blue Sky Courier when Blue Sky Courier made payment towards subscription of Equity Shares / Conversion of Warrants on March 19, 2011 and March 29, 2011, while as per the paragraph / pictorial representation on Page 13/14 of the Show Cause Notice the amount of Rs.5.09 crores wasallegedly transferred in September 2011.*

14. *With specific reference to the allotment to Abbas Khan Chand Khan, 90,000 shares were allotted to it on conversion of warrants on April 08, 2011. Since the warrants were issued to it him on January 12, 2011, 25% of the consideration was to be paid upfront and hence the balance of Rs.18,22,500 was to be paid before April 08, 2011 and was accordingly paid on March 29, 2011.*

It is alleged that the amount has been received by Abbas Khan from Ramesh Textiles, who inturn had received it from Fast Train Cargo, which is a group company of Hasti Finance Limited. It has further been stated that Hasti Finance had made Fixed Deposits and transferred the amount of Rs.5.09 crores to Fast Train Cargo in September 2011. It is surprising how you allege that we havefunded / provided funds to Fast Train Cargo so as to enable the subscription towards warrants / conversion of warrants into equity shares by Abbas Khan Chand Khan, when he subscribed to theissue on March 29, 2011 and the paragraph / pictorial representation on Page 13/14 of the Show Cause Notice alleges that the amount of Rs.5.09 crores transferred in September 2011.

15. *With specific reference to the allotment to Abhilasa Rathi 90,000 shares were allotted to it on conversion of warrants on April 29, 2011. Since the warrants were issued to it her on January 12, 2011, 25% of the consideration was to be paid upfront and hence the balance of Rs.18,22,500 wasto be paid before April 08, 2011 and was accordingly paid on April 26, 2011. It is alleged that Rs,8,22,500 has been received by Abhilasa Rathi from STA Logistics and returned the same to STA Logistics Limited on April 30, 2011. The paragraph further alleges that STA Logistics received the same from Fast Train Cargo, which is a group company of Hasti Finance Limited. It has further been stated that Hasti Finance had made Fixed Deposits and transferred the amount of Rs.5.09 crores to Fast Train Cargo in September 2011. It is surprising how you allege that we havefunded / provided funds to Fast Train Cargo so as to enable the subscription towards warrants / conversion of warrants into equity shares by Abhilasa Rathi, when she subscribed to the issue on April 26, 2011 and the paragraph / pictorial representation on Page 13/14 of the Show Cause Noticealleges that the amount of Rs.5.09 crores transferred in September 2011. It may further be noted that she returned the amount to STA Logistics on April 30, 2011 and therefore the question of anyfunding by STA Logistics / Fast Train Cargo does not arise.*
16. *With regard to the allegations made in the paragraph relating to the payment towards allotment of shares post conversion of warrants by Pankaj Kumar Shiv Singh, we deny the allegation in totality.We or our subsidiary Finex Express Cargo Private Limited have not funded any of the entities mentioned therein. The funds were arranged by Pankaj Kumar Shiv Singh to subscribe to the issue.*
17. *With regard to the allegations made in the paragraph relating to payment towards the allotment ofshares post conversion of warrants by Vinod Sharma, we deny the allegation in totality. We or our subsidiary Finex Express Cargo Private Limited have not funded any of the entities mentionedtherein. The funds were arranged by Pankaj Kumar Shiv Singh to subscribe to the*

issue.

18. *With reference to the allotment to Mr Salim Ismail Shaikh, 2,25,000 shares were allotted to him on conversion of warrants on May 14, 2011. Since the warrants were issued to him on January 12, 2011, 25% of the consideration was to be paid upfront and hence Rs.6,07,500 was paid on January06, 2011 and the balance of Rs.45,56,250 was to be paid before May 14, 2011 and was accordinglypaid on May 04, 2011. It is alleged that an amount of Rs.40,00,000 has been received from Mr Nitin Somani, the promoter of our Company and Rs.5,57,000 from Fast Transport and Cargo, our associate entity. Since Mr Salim Ismail was short of funds, he had borrowed it from our PromoterMr Nitin Somani, which is not prohibited. It is also noticed that Fast Transport had Rs.4,91,618 inits bank account on May 01, 2011. It is surprising how you allege that we have funded / provided funds to Mr Salim Ismail Shaik as the subscription was made / paid by him on May 04, 2011 andas per the paragraph / pictorial representation on Page 24/25 of the Show Cause Notice the amountof Rs.5.09 crores was allegedly transferred in September 2011 to Fast Train Cargo while the subscription to the issue was made on May 04, 2011 by Mr Salim Ismail and too from funds provided by Mr Nitin Somani and Fast Transport and Cargo*

19. *With reference to the allotment to Mr Satish Kumar, 2,25,000 shares were allotted to him on conversion of warrants on May 14, 2011. Since the warrants were issued to him on January 12, 2011, 25% of the consideration, i.e. Rs.15,18,750 was to be paid upfront paid on January 07, 2011. It is alleged this amount was received by him from Fast Train Cargo, an associate company.. It is surprising how you allege that we have funded / provided funds to Mr Satish Kumar as the subscription was paid by him on January 06, 2011 and as per the paragraph / pictorial representation on Page 26 of the Show Cause Notice the amount of Rs.5.09 crores was allegedly transferred in September 2011 to Fast Train Cargo while the upfront payment was made on January06, 2011 by Mr Satish Kumar.*

20. *With reference to the allotment to Mr Vijay Surendraprasad Singh, 2,16,000 shares were allotted to him on conversion and 25% of the consideration i.e. Rs.14,58,000 was to be paid on or before January 12, 2011, the date of issue of warrants. It is alleged that this amount was received by him from Shirish Express Logistics Private Limited which in turn had received the same from Gati Limited and Fast Train Cargo Private Limited on January 05 and January 06, 2011. It is surprising how you allege that we have funded / provided funds to Mr Vijay Surendraprasad Singh as the subscription money was paid by him on January 06, 2011 and as per the paragraph / pictorial representation on Page 28 of the Show Cause Notice the amount of Rs.5.09 crores was allegedly transferred in September 2011 to Fast Train Cargo while the upfront payment was made on*

January06, 2011 by Mr Vijay Surendraprasad Singh.

21. *With regard to the allegations made in the paragraph relating to the payment towards allotment ofshares post conversion of warrants by Nilesh Ratilal Gantra, we deny the allegation in totality. Weor our subsidiary Finex Express Cargo Private Limited have not funded any of the entities mentioned in Pages 28. 29 and 30 of the Show Cause Notice therein. The funds were arranged by Nilesh Ratilal Gantra to subscribe to the issue and not funded by us.*

22. *With regard to the allegation made in the paragraph relating to the payment towards allotment of shares post conversion of warrants by Santosh Birendra Kumar, we deny the allegation in totality. We deny that we used the services of S K Enterprises, Fast Train Cargo, or Shree Fast Couriers andCargo Private Limited to fund Mr Santosh Birendra Kumar to subscribe to the Warrants / Conversion of warrants into equity shares.*

23. *With reference to the allotment to Mr Sumit Dilip Jain, 45,000 shares were allotted to him on conversion and 25% of the consideration payable was paid upfront. The balance amount of Rs.9,11,250 was paid by him to our Company on May 04, 2011 It is alleged that this amount was received by him from S K Enterprises, Ramesh Textiles and B K Enterprises. S K Enterprises hadreceived from STA Logistics Limited, which in turn had received the same from Fast Train CargoPrivate Limited on April 26 2011 and May 03, 2011. It is surprising how you allege that we have funded / provided funds to Mr Sumit Dilip Jain as the money towards conversion of warrants wasmoney was paid by him on May 04, 2011 and as per the paragraph / pictorial representation on Page 38 of the Show Cause Notice the amount of Rs.5.09 crores was allegedly transferred in September 2011 to Fast Train Cargo. At this juncture, we would like to mention that our main business is lending and we and our associates / subsidiaries have had business transactions with SK Enterprises, B K Enterprises and Ramesh Textiles since many years. Hence, one transfer to thisaccount cannot be construed as being used for funding of the Preferential allotment. We enclose the bank statements of these 3 entities as Annexure 1, which highlights the fact that there have beenseveral transactions amongst the entities. other than the preferential allotment.*

24. *We deny the allegation in Paragraph 4 on Page 38 /39 of the Show Cause Notice that our Company,our Directors, our Subsidiaries, our Associate Companies or any of its Directors have funded / provided funds to the preferential allottees in any manner on account of the following reasons:*

a. *The 25% upfront money towards the subscription to the equity shares was received by our Company before January 12, 2011.*

b. *The balance of 75% were received from some of the Allottees in March 2011, some Allottees in*

April 2011 and the balance by May 04, 2011.

c. *It has been alleged in the show cause notice that our Company made Fixed Deposits of the amountreceived in May 2011 and transferred the same to Fast Train Cargo in September 2011.*

d. *Hence, it is not possible to fund the Allottees in the preferential issue in January, March, April and May 2011 before the transfer of the Funds.*

e. *It may also be mentioned that the Object of the Issue was : (Copy of the Notice issued to the Shareholders is enclosed as Annexure 2)*

a. *For utilisation of Working Capital Purposes*

b. *Expansion in Financial Activities*

f. *It can be seen that one of the objects is to expand the finance activities and being an NBFC the amount raised through the Preferential allotment was used to lend it to certain prospective clients who needed funds and the Company could thereby generate huge income.*

Additional submissions:

As humbly submitted during the hearing held on ***05/05/2022 @ 12:13 p.m.*** *through video conferencing, kindly take the following submissions on record:*

- *The promoters acquired the company named Hasti Finance Limited in the year 2009 through complying with the Open Offer provisions under the SAST Rules by SEBI.*
- *Subsequent to the said acquisition, the promoters have made a preferential allotment of convertible warrants to promoter group and non-promoter group.*
- *During the process of the said issue of preferential allotment, the SEBI pointed out that since the promoters group companies/entities were involved with the process of allotment of convertible warrants and subsequent allotment of shares, SAST provisions must be followed for such allotment.*
- *Accordingly, the promoters have once again followed the open offer route to acquire 26% shares from the public at large under the SAST provisions in the year 2011.*
- *We would like to humbly submit to your good self that at the time of 2nd open offer that arose out of the involvement of the promoters group entities, the share price was exorbitant and therefore pursuant to the requirement of SAST Regulations, the entire exercise of 2nd open offer was very expensive and uncalled for. However, since we are law abiding citizens, we complied with the provisions.*

Additional submission

We would like to humbly submit to you that the recent COVID pandemic has disturbed our entire business to the extent that we had close down our business. At present we have no source of revenue whatsoever.

- *All our group/sister companies have closed their business operations.*
- *We are in the process of consolidating/closing all operations so that we can minimize the administration expenses*
- *Due to the said alleged violation, we have already paid a heavy price by way of launching 2nd open offer despite the fact that we were not inclined to acquire shares from the Public.*
- *Promoters/group companies are not in a position to bear any penalties and leavy of any penalty on the notice will result in the heavy burden.*

Prayer

In the light of the above-mentioned submissions, we would like to make a further humble submission that to amicably settle the matter and in the larger interest of all noticee, you are requested to take a lenient view and oblige us.

B. <u>Reply of Noticee no. 9</u>

3. *At the very outset, the Noticee submits that all the allegations are baseless, bald, sweeping, vague, speculative, based on assumptions, surmises and contrary to factual position on records. Hence, the Noticee, in the very beginning, strongly dismisses and denies all the above-mentioned allegations and also, the alleged contraventions of Section 12A (a), (b), (c) of the Act read with Regulation 3(a), (b), (c) and (d) and Regulation 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").*

4. *Before venturing into a detailed reply, the brief background of the Noticee is as under:*

i. Noticee No. 9 holds a Doctor of Philosophy degree in Economics and is 47 years old. She worked for the Economic and Political Weekly from the year 2000 to 2006 at Kandivali, Mumbai. Thereafter, she worked for a year at B and K Securities, CST, from 2010 to 2011.

ii. The Noticee is married to Mr. Devesh Rathi, for the last seventeen years, who is currently looking after their family business. He is an Executive Manager at Delhi Rajasthan Transport Co. Ltd. Presently, she resides with her husband in Goregaon, Mumbai.

iii. The Noticee further informs that she is an experienced investor and invests both in equity and in mutual funds after taking suggestions from her husband. She humbly submits that all her *investments are genuine, bonafide and executed in complete compliance with all the requirements of the SEBI and the Exchanges.*

5. Events leading up to the Issuance of SCN

i. *HFL was incorporated on August 16, 1994 and is mainly involved in the business of leasing, hire purchase, investment banking. The company is listed on BSE.*

ii. *On January 12, 2011, HFL allotted 52,31,700 warrants, each convertible into equity share of Rs. 10/- to 3 promoters and 28 non-promoters at a premium of Rs. 17/- per warrant.*

iii. *Your goodself, pursuant to the said preferential allotment process conducted an investigation for the period August 27, 2010 to August 31, 2015, in order to examine the said process.*

iv. *Your goodself ascertained, during the investigation process, that HFL allegedly used its own Associated/ Subsidiary entities, directly or indirectly, in order to fund the preferential allotees so that the allotees could subscribe to its warrants and/ or later convert them into equity shares.*

v. *Your goodself also ascertained that Noticee No.9 was one of the non-promoter preferential allotees who had subscribed to warrants issued by HFL by initially paying a sum of Rs 6,07,500/-. She was subsequently allotted 90,000 shares, at the price of Rs. 27 each, pursuant to the conversion of warrants into equity shares, on April 29, 2011, after HFL had received full payment from the allottee.*

vi. *Your goodself observed that on April 26, 2011, there was a fund transfer of Rs. 8,22,500 from STA Logistics Pvt. Ltd., an associated entity of HFL, to Noticee No. 9. On the same day, a similar amount of Rs. 8,22,500/- was allegedly transferred by Fast Train Cargo Pvt. Ltd., HFL's associated entity to STA Logistics Pvt. Ltd. Moreover, on the same day, Noticee No.9 had made the remaining payment of Rs 18,22,500/- to HFL towards the conversion of the subscribed warrants into equity shares.*

vii. *Your goodself, on the basis of the above transactions, falsely concluded that Noticee No. 9 was allegedly one such allottee amongst several others, who was allegedly funded by HFL, having been aided by its associated entities.*

viii. *It was in the lieu of this assumption that your goodself issued the said SCN to Noticee No.9, calling upon her to show cause as to why an inquiry should not be held against her in terms of Rule 4 of the Adjudicating Rules, 1995, read with Section 15 I of the Act and penalty should not be imposed under the provisions of Section 15HA of the Act.*

In the light of the aforementioned facts and sequence of events, the Noticee makes the following submissions, each of which are without prejudice and in the alternative to each other; impugning and challenging the SCN issued to the Noticee on November 17, 2021.

6. Violation of the Principles of Natural Justice and Delay in Proceedings

i. The Impugned SCN is contrary to the well-settled principles of equity, justice and good conscience. No action ought to be taken against the Noticee in view of the fact that the Noticee has not breached any rules/ regulations.

ii. The Impugned SCN is based on erroneous assessment of facts and is biased and prejudiced.

iii. The Impugned SCN is neither sustainable not maintainable, either on law or on facts since it's been issued on the basis of mere surmises and conjectures and lacks proper investigation of facts.

iv. The Impugned SCN suffers from serious latches and unexplained lacuna. This is because there has been a long and unexplained delay in the initiation of proceedings against the Notice, which in the first place is not warranted. The alleged cause of action arose in January 2011 when HFL conducted its allotment process. The Noticee first subscribed to warrants issued by HFL in January 2011 and made the full payment, towards the conversion of warrants into equity shares, in April, 2011. However, the Impugned SCN was issued in November 2021, after a lapse of 10 long years.

v. The Impugned SCN is not forthcoming with any reason or explanation for this inordinate or unwarranted delay in the issuance of the SCN. The delay in the issuance of the SCN is bound to cause prejudice to the Noticee. An important facet of principles of natural justice is that the action must be commenced within a reasonable period of time. An inordinate delay of many years in the initiation of proceedings is a violation of the most basic postulates of justice as it leads to difficulties for the alleged delinquent in properly defending the case.

vi. The Noticee, in this regard, would also like to draw your good self's attention to the Order of the Hon'ble Securities Appellate Tribunal in the matter of ***Libord Finance Ltd. (now known as Libord Infotech Ltd.) v. SEBI, 2008 86 SCL72 SAT****, in which it was stated that:*

"We cannot resist observing that there has been an inordinate delay in initiating action againstthe appellant. It is alleged to have committed the irregularities in the earlier part of the year1996 and the show-cause notice was admittedly issued in June 2004. How could anyone file a proper reply after a lapse of more than eight years? This long delay itself causes grave injustice to the

delinquent and results in the violation of the principles of natural justice. Such delays defeat the very purpose of the proceedings."

Hereto marked and annexed as Annexure A is a copy of the order in the matter of Libord Finance Ltd. (now known as Libord Infotech Ltd.) v. SEBI.

vii. The excessive delay in the initiation of present proceedings is causing serious prejudice to the Noticee. Hence, the present proceedings cannot sustain on that ground alone and is liable to be quashed.

7. <u>Submissions on Merits</u>

7.1 *The Noticee, first and foremost, submits that your goodself has plainly misconstrued certain circumstantial events that, unbeknownst to the Noticee, happened to occur at the same time and in the process, your goodself has raised allegations that are bereft of evidence in their support. The same has caused utter disadvantage to the Noticee and is not only causing prejudice to the Noticee but at the same time, also maligning her reputation, that she has so enjoyed all these years, without a taint. Having said that, the Noticee takes the liberty to set the facts surrounding the events that her case is closely concerned with, straight.*

A) The Noticee submits that she holds an Account with HSBC Bank with the A/c No: 003-348562-006. The said Account is a Smart Money Account (SMA), a terminology used by HSBC for a Savings cum Overdraft Account. The copy of the Extract of the Noticee's Bank Account depicts that the said account is an SMA Account. In this regard, the Noticee had also written to the Bank vide an email dated December 14, 2021 to give her a written confirmation about the said Account being an Overdraft Account so that the same could be submitted to your goodself. In this regard, the Bank hasn't responded to the Noticee yet. The Noticee submits that as soon as a response to that effect is received by the Bank, the Noticee would update your goodself on the same. ***A printout of the said email sent to the Bank is annexed herewith as Annexure B.***

B) The Noticee informs that the first payment towards the subscription of warrants was made to HFL on January 6, 2011 vie Cheque No. 611723. The said payment was of amount Rs. 6,07,500/-. ***The copy of the extract of the Noticee's Bank Account Statement vindicating the said payment is annexed herewith as Annexure C.***

C) The Noticee further submits that as on April 17, 2011, she had a balance of Rs.3,96,679/-. Her Husband, Mr. Devesh Rathi made two Cheque Deposits, bearing numbers 049057 and 049058 for Rs 7,00,00/- and Rs. 2,50,000/- respectively on April 18, 2011 and April 19, 2011 respectively. ***The copy of the extracts of the Noticee's Bank Account Statement***

vindicating the saidinfusion of funds into the Noticee's Bank Account is annexed herewith asAnnexure D.

D) *The Noticee states that on April 26, 2011, she simply wrote two cheques, bearing numbers 022577, with REF NO 0055003330 and 022578, with REF NO 0055003331, in the favour of HFL for a sum of Rs 10,00,000/- and Rs. 8,22,500/- respectively. This was a total payment of Rs. 18, 22,500/- made by the Noticee to HFL, towards the conversion of subscribed warrants into equity shares. The same got cleared on April 30, 2011, as can be corroborated by the extract of the Noticee's Bank Account Statement, annexed as Annexure D.*

E) *The Noticee further submits that as her Account is an Overdraft Account, both the aforementioned cheques got cleared, on the same day, i.e., on April 26, 2011, even though the Noticee's Account lacked the requisite balance. The same can be substantiated from her Bank Account Statement, as on April 26, 2011, which clearly shows a debit of Rs 440,147.54/- DR.*

F) *The Noticee submits that, on April 26, 2011, unwittingly, she received an amount of Rs. 8,22,500/- from STA Logistics Pvt. Ltd. Subsequently, the Noticee received a call on her mobile number i.e., 9870298647, about the transfer of the amount of Rs. 8,22,500/- from STA Logistics Pvt Ltd. The concerned person, at the other line, acknowledged that the said transfer was executed by mistake. The Noticee clarifies that because this incident dates back to almost over 10 years ago, she only has an extremely vague remembrance of it and therefore, she doesn't remember, who the person was who called her.*

G) *As the said transfer was a genuine mistake, the Noticee asked the concerned person, during the call, to send her a declaration in writing saying, the said fund transfer was a mistake. She assured the concerned person that she would transfer the amount back, which she duly did by writing a cheque, in the favour of STA Logistics Pvt Ltd, bearing no. 022580, on April 26, 2011.*

H) *The Noticee says that a letter was delivered in her name, to her place of residence in Goregaon, the same day. The undersigned of the letter was STA Logistics Pvt. Ltd. The letter mentioned that an amount of Rs. 8,22,000/- had been wrongly transferred to the Noticee through the company's IDBI Account and that the error was on their part and hence, was regretted. The letter further acknowledged the return of the said amount of Rs. 8,22,000/- vide Cheque No.022580.* ***The copy of the letter received by the Noticee at her place of residence in Goregaon is attached herewith as Annexure E.***

I) The Notice informs that her husband, Mr. Devesh Rathi transferred an amount of Rs. 5,00,000/- to her Account on April 29, 2011. Consequently, on April 30, 2011, the cheque bearing no. 022580, drawn in the favour of STA Logisctics Pvt Ltd got cleared subsequent to which, the Noticee had a debit balance of 30,352.46 in her Bank Account.

***7.2** In lieu of the ironing out of the facts, as done above, the Noticee submits that it's not the Noticee's concern as to what STA Logistics Pvt. Ltd's Account Balance was, as on April 25, 2011. In the furtherance of the same, the Noticee is also not concerned with the alleged fund transfer of Rs. 8, 25,000/- from Fast Train Cargo Pvt. Ltd. to STA Logistics Pvt. Ltd on April 26, 2011, as stated in the SCN.*

A. The Noticee submits that the transaction that transpired between both the above-mentioned entities has nothing to do with the Noticee's act of subscribing to warrants issued by HFL and then later making a payment to the said company for the conversion of these warrants into equity shares.

B. The Noticee further states that she has failed to understand how a transaction that was executed solely between the transferor and the transferee, as described in the preceding paragraphs, has anything to do with the allegations that the SCN baselessly levies against her.

C. Therefore, the Noticee submits that solely because an error apparent was made by STA Logistics Pvt Ltd in mistakenly transferring a sum of Rs. 8,22,500/- to her Account does not make her a party to the collective, generalized allegations that have been levied against all the allegedly associated entities/ companies.

D. The Noticee submits that the SCN is bald, frivolous, contrary to logic and bad in law as it churns out a relationship between the allegedly associated entities of HFL and herself and tries to implicate her in a web of completely unsubstantiated allegations that are also apparently levied against these associated entities/ companies.

E. The Noticee opines that the SCN infringes the principles of Natural Justice, Equity and Good Conscience in as much as it tries to concoct a relationship between her and the allegedly associated entities, despite the fact that it acknowledges that the money that was received from STA was also returned back, duly.

F. The Noticee, therefore, concludes that the impugned SCN has failed to establish the allegations against her as there are is no concrete, material evidence to support or validate the same. In fact, these allegations are mindless and thoughtlessly carved out as they are extremely general and lack corroboration.

***7.3** The Noticee questions the significance of the information, with respect to the* *allegations levied against her, as far as the alleged creation of FDs by HFL is concerned. The Noticee has failed to understand how two completely diametrically opposite facts are even remotely related to each other.*

A. *The Noticee, in this regard, submits that it's completely immaterial to her case that HFL allegedly created FDs or transferred funds to its subsidiaries/ associated entities, after the receipt of monies paid towards subscription and conversion of warrants by the preferential allottees.*

B. *The Noticee further submits that the SCN has failed to demonstrate how is this alleged conduct on part of HFL, at all connected to the fact that she was one of the preferential allottees who first, subscribed to the warrants issued by HFL and then later opted to convert them into equity shares. The SCN has failed to show how the Noticee was acting in tandem with the other Noticees/ preferential allottees or even other associated entities of HFL, for that matter.*

C. *The Noticee, is this regard, outrightly refutes having been funded by HFL for its own allotment process, with the alleged aid of its associated entities, namely, STA Logistics Pvt. Ltd and Fast Train Cargo Pvt. Ltd. The Noticee further submits that it's completely preposterous to levy a charge against her without establishing how the charge stands sustained. The SCN, in this regard, as is evident, has failed to show the same. Moreover, if the Noticee had any oblique motives and in the process, wanted to use the amount of Rs. 8,22,000 mistakenly transferred by STA Logistics Pvt. Ltd. then she would not have transferred the same back to the said entity, after seeking a written declaration to that effect from the said entity. As has been afore-stated, the Noticee wrote a cheque bearing no. 022580, the very same day, in order to return the amount mistakenly transferred to her by STA Logistics Pvt. Ltd. The same corroborates the fact that the Noticee was oblivious to the said transaction made by STA Logistics Pvt. Ltd. and hence, the allegation that she was indirectly funded by the said entity holds no weight or water, whatsoever.*

D. *The Noticee states that she has already clarified and also advanced proof to that effect, in the preceding paragraphs, as to how she made the full payment to HFL towards conversion of the subscribed warrants into equity shares.*

E. *Moreover, it is also ostensibly clear that there was neither an interference nor any advancement of financial help from STA Logistics Pvt Ltd to the Noticee, enabling her to make the payment, in turn, to HFL. The Noticee challenges the validity of such an allegation and dismisses it as conjectural and an unfruitful product of mere speculation and hence, void.*

7.4 *Conclusively, the Noticee challenges and refutes the validity and veracity of the* *imputations and the allegations ascribed to the Noticee in the SCN and discards them as being violative of the established principles of Natural Justice, Equity and Good Conscience.*

7.5 *The Noticee states that all the allegations are without substance and lack merit and can only be called mere concoctions of the thoughtless, speculative mind.*

7.6 The Noticee further states that there is no relationship whatsoever between her and the alleged associated entities and the events that transpired amongst the alleged associated entities and HFL or the transactions that were executed between the alleged group companies, for that matter. The SCN fails to bring out any evidence, which could possibly prove any connection between the Noticee and other noticees/ associated entities of HFL as regards the alleged manipulative scheme behind the preferential allotment process.

7.7 The Noticee further says that the SCN has failed to establish with logic and rationale or even provide an iota of evidence to prove the connection, that the SCN so thoughtlessly churned out, between the Noticee and the allegedly connected entities/ companies. Although allegations has been levied against the Noticee in the said SCN, no evidence has been placed on record to show that the action of the Notice were in any way fraudulent.

7.8 *The Noticee denies having any knowledge, that the SCN has so tried to attribute to the Noticee, of the alleged flow of fund transfers amongst the alleged group entities/ companies. The Noticee denies and challenges the imputation of knowledge of the alleged flow of fund transfer as depicted in the pictorial representative given in the SCN.*

7.9 *The Noticee submits that such serious allegations, which have the potential to tarnish the reputation of the Noticee, cannot be made against her simply on the basis of a false and misleading interpretation of data available and twisting of the factual information gathered.*

7.10 *Therefore, in lieu of the submissions made, the Noticee requests that the SCN be recoiled as the allegations levied and the imputations made against her are without ground or any material whatsoever and are also bad in law and principle alike.*

8. <u>Denial of Alleged Violations and Contraventions</u>

8.1 The Noticee denies all the allegations levied against her vide the Impugned SCN dated November 17, 2021. The Noticee submits that the allegations levied in the Impugned SCN are-

i) Without any rationale, logical or reasonable basis;

ii) Without any due regard to the Principles of Law and Natural Justice;

iii) Without being supported by any reason or connection or link between the allegation and the conclusion reached.

On the basis of the above, the Noticee strongly refutes being in violation or contravention of Section 12A (a), (b), (c) of the Act read with Regulation 3(a), (b), (c) and (d) and Regulation 4(1) of the PFTUP Regulations and states that the Impugned SCN has erred in concluding so.

8.2 The Noticee makes the following further submissions, for the Impugned SCN has

failed to establish any concrete, material relationship between the facts involving the conduct of HFL, the facts surrounding the conduct of the Notice and the generalized, collective allegations levied vide the Impugned SCN:

i) The Noticee has neither directly nor indirectly bought, sold or otherwise dealt in securities in a fraudulent manner.

ii) The Noticee has neither directly nor indirectly used or employed, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder.

iii) The Noticee has neither directly nor indirectly employed 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.

iv) The Noticee has neither directly nor indirectly engaged 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.

8.3 The Noticee submits that is it quite evident that the Noticee has not violated any provisions of the SEBI Act and the PFUTP Regulations and therefore, the findings under the Impugned SCN are not just uncalled for, unjust and immaterial but also factually incorrect and baseless. It is also submitted that the Noticee has not committed any wrong and that the Impugned SCN has erred in imputing allegations to the Noticee. As no charge has been established, with concrete proof, it would be unfair to subject the Noticee to unwarranted directions under the Act and the PFUTP Regulations.

9. <u>Arguments against Non-levy of Penalty</u>

The Noticee makes the following submissions towards why any penalty ought not to be levied upon her within the ambit of Section 15HA of the Act:

9.1 The Noticee submits that serious allegations of PFUTP Regulations cannot be alleged on the basis of mere surmises and conjectures and based on the erroneous interpretation of data, as has been done in the SCN issued against the Noticee and hence, no penalty can be rightfully levied against the Noticee.

9.2 The Noticee states that there can be no levy of Penalty against the Noticee as the SCN has failed to establish any violation of the laws of the securities market. There has been no misconduct on part of the Noticee and hence, imposition of any penalty will simply be disproportionate to the most basic principles of the law of the land.

9.3 The Noticee further states, with resolute, that the SCN has failed to establish the Noticee's default with proof and hence, there can be no question of disproportionate gain or unfair advantage caused to the Noticee. It is also submitted that the SCN lacks pertinent findings and hence a conclusion to this effect, that there has been disproportionate gain or unfair advantage to the Noticee cannot be arrived at. Therefore, levy of any penalty upon the Noticee will simply be harsh, gross and unsustainable in the eyes of law.

9.4 The Noticee submits that the Noticee's conduct has not caused any amount of loss, whatsoever, to an investor or a group of investors and that the SCN has failed to make a case to that effect. Therefore, levy of any penalty upon the Noticee will simply tantamount to gross miscarriage of justice.

9.5 The Noticee submits that she is an experienced investor and that she has enjoyed an impeccable reputation, both as an Economist and an Investor. She not only invests in Equity but also in Mutual Funds. She makes her investment decisions based on suggestions and discussions with her husband. Hence, the question of repetitive misconduct/ default doesn't arise in the first place. This is because the SCN has erred by making mere assumptions in thin air and unnecessarily imputing default to the Noticee, while failing to substantiate the same with logical arguments or material evidence.

9.6 It is also submitted that the Noticee has never been held guilty for any infringement of SEBI Laws. In fact, this is the first time the present proceedings have been initiated against her. Further, the Noticee has an extremely clean record and she has always maintained transparency, integrity, honesty and accountability in all its operations. Hence, the question of repetitive nature of default doesn't arise in the first place.

9.7 The Noticee submits that a bare perusal of the SEBI Act indicates that it is not mandatory for the Adjudicating Officer to impose a penalty every time he come to the conclusion that any person /entity has failed to comply with the specified requirement under the Act and/or the

Regulations. Even though Section 15HA of the Act contains the words "shall be liable to a penalty", there is no strict or mandatory obligation on the part of the defaulter to suffer such penalty. In this regard, your goodself's attention is drawn to the Judgement passed by the Hon'ble Supreme Court of India in the matter of ***Superintendent and Remembrancer of Legal Affairs to Government of West Bengal vs. Abani Maity (1979) 4 SCC 85*** *held that:*

".....Accordingly, the word "liable" occurring in many statutes, has been held as not conveying the sense of an absolute obligation or penalty but merely importing a possibility of attracting such obligation, or penalty, even where this word is used along with the words " shall be”......”

Hereto marked and annexed as Annexure F is a copy of the judgement in the matter of Superintendent and Remembrancer of Legal Affairs to Government of West Bengal vs. Abani Maity (1979) 4 SCC 85.

9.8 The Noticee in this regard further says that because the SEBI has failed to make out a prima facie case against her, as it is the question of levy of penalty doesn’t judiciously stand. Therefore, the SCN deserves to be quashed and set aside in its entirety.

9.9 The Noticee further submits that the SCN is not substantiated by any evidence or material on record. In so far as the Noticee is concerned, the charges are based on surmises and conjectures and on the wild assumption of being a part of the connivance under which HFL allegedly funded its preferential allottees. No proof whatsoever has been forwarded to substantiate such an assumption and hence a charge to that effect against the Noticee doesn’t stand. To make any one liable for any commission or omission before according

any adverse consequence to them, there should be an adequate justification and in the absence thereof any punishment meted out to them will only be unmaintainable, unsustainable and bad in the eyes of law.

9.10 Therefore, the Noticee submits that allegations supported by zero proof are in gross violation of the principles of natural justice and absolutely uncalled for. In ***Nandakishore Prasad Vs. State of Bihar (1978) 3 SCC 366****, the Hon’ble Supreme Court while considering the appeal against the removal of an employee from service based on the findings of a departmental enquiry opined that, "Before dealing with the contentions canvassed, we may remind ourselves of the principles in point crystallized by judicial decisions. The first of these principles is that disciplinary proceedings before a domestic tribunal are of a quasi-judicial character; therefore, the minimum requirement of the rules of natural justice is that tribunal should arrive at its conclusion on the basis of some evidence, i.e. evidential material which with some degree of definiteness* *points to the guilt of the delinquent in respect of the charges against him. Suspicion cannot be allowed to take the place of proof even in domestic inquiries."*

Hereto marked and annexed as Annexure G is a copy of the judgement in the matter of Nandakishore Prasad Vs. State of Bihar (1978) 3 SCC 366.

9.11 Further, your goodself's attention is drawn to the order of the Securities Appellate Tribunal in the case of ***KSL & Industries Ltd. Vs. SEBI (SAT Appeal no. 9/2003 decided on 30.09.2003)*** *has held that:*

"I do not find any material on record in support of the said charge. A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidence are not sustained. I fully agree with Shri Khambatta's submission in this regard that allegation of 'fraud' cannot survive on mere conjectures and surmises."

Hereto marked and annexed as Annexure H is a copy of the judgement in the matter of KSL & Industries Ltd. Vs. SEBI (SAT Appeal no. 9/2003 decided on 30.09.2003).

9.12 Therefore, the Noticee humbly submits that the allegations levied in the SCN do not corroborate with the corresponding evidence provided in the instant matter. Consequently, there can be no levy of penalty upon the Noticee, in the eyes of law and hence, the SCN deserves to be quashed.

10 Relief ought

10.1 *In view of the facts stated, arguments advanced and authorities cited, the Noticee humbly submits that the current proceedings are illegal and contrary to the principles of natural justice. In the instant case, no primary violation of the Act or the PFUTP Regulations by the Noticee has been made out, the question of holding an inquiry against it in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 and imposing penalty for the alleged violation under Section 15HA of the Act does not arise. Therefore it is duly submitted that the Noticee has not committed any wrong and no prima facie charge has been established against her to warrant any action.*

10.2. *The Noticee strongly denies being in violation of Section 12A (a), (b), (c) of the Act readwith Regulation 3(a), (b), (c) and (d) and Regulation 4(1) of the PFTUP Regulations and hence, contends that it would be strongly against the most basic principles of Natural Justice, Equity and Good Conscience if any amount of penalty were levied upon her.*

10.3 *In view of the facts and circumstances as stated above and the submissions made herein, the Noticee prays that the said SCN be quashed and set aside, in the sole interest of justice. It is* *respectfully submitted that the allegations in the SCN do not flow out of the factual position and therefore cannot be legally sustained to warrant any penalty against the Noticee.*

C. Separate Reply of Noticee no. 17

1. *At the outset and without prejudice to anything stated hereinafter, I deny each and every allegation made in the said SCN and say that nothing contained in therein may be deemed to be admitted by me by reason of non-traverse or otherwise, save and except what is expressly admitted herein. It is submitted that the entire foundation and basis of the allegations in the SCN are misconceived and untenable. In fact, the said SCN itself does not make out any sustainable case of violation of SEBI (PFUTP) Regulations, 2003 as is more particularly set out hereinbelow. It is completely false and denied that I have violated any provision of SEBI Act, 1992 or SEBI (PFUTP) Regulation, 2003 as falsely alleged or otherwise. I reserve the right to make further submissions and/or modify or add additional submissions in the present reply and/or file a supplemental reply, if and when so advised.*
2. *At the further outset, I respectfully submit that there is a considerable delay in the initiation of the SCN without any sufficient explanation in initiating the investigation and subsequently issuing a SCN. The transaction in question in the said SCN is of the year 2011. The present SCN is issued on 17th November 2021 i.e. after a considerable period of more than ten (10) years. I say that while issuing the present SCN, this Hon'ble Authority has failed to consider the material aspects such as no participation in the alleged offense, there was no financial benefit neither directly nor indirectly. Further, the Hon'ble Authority failed to weigh the mode and the manner in which the amount ought to have been paid for said share, etc.*
3. *The Hon'ble Securities Appellate Tribunal in the matter of **HB Stock Holdings Vs. SEBI** decided on 27thAugust 2013 (SAT Appeal No. 114 of 2012) held that:*

"… 20. …. At this point we find it pertinent to note that human memory has a short shelf life. Allowing matters to go on and on for years together by the Respondent serves no purpose, rather it risks loss of evidence such as important documents which may get destroyed while the issue gathers dust. Such systemic failures occur to the disadvantage of all parties concerned and lead to consequences such as genuine violators being allowed to function normally in the capital market for years together, whereas, in some situations the reputation of innocent entities gets tarnished as they wait for the wheels of justice to turn a bit faster than the pace at which they seem to be going…"

4. *On receipt of the said SCN, I had vide my e-mail dated 22nd Dec, 2021 sought inspection of documents more particularly stated therein, so as to enable me to understand the manner and the basis of the investigation, the documents referred to and relied by this Hon'ble Authority in issuing the said SCN, etc. However, to date, I have not received any reply from SEBI granting inspection of the documents as sought. I submit that since the inspection of the requisite documents has not been given to enable me to prepare a suitable reply and adequately defend myself, the same, in my respectful submissions constitutes a violation of the principle of natural justice, equity, and fair play. A copy of my letter dated 22nd Dec, 2021 is annexed hereto and marked as* ***Annexure I.***
5. *I submit that not providing documents goes against the established legal jurisprudence which has been guiding principles over the years. Earlier, it was decided by the Hon'ble Supreme Court that all the documents are to be provided, and by not making these documents available vitiates the whole proceedings and on this ground alone, the present proceedings qua me ought to be dropped. The documents which are being sought from SEBI are crucial documents that would enable me to adequately defend myself. The act of not providing the said documents has caused severe prejudice to me.*
6. *I would like to draw your kind attention to the following judgments as decided by the Hon'ble Supreme Court and the Hon'ble Securities Appellate Tribunal ("****SAT****"):*

6.1. In the matter of ***Smitaben N Shah Vs. SEBI*** *(Appeal No. 37 of 2010) vide Order dated 30th July 2010, the Hon'ble SAT opined as under:*

"…we do not agree with the whole time member. If documents asked for are relevant and may help the delinquent to prepare his/her defencethey have to be furnished and ***it is not correct to say that only the documents relied upon in show cause notice alone are to be supplied to meet the ends of justice****…"*

[Emphasis Supplied]

6.2. The Hon'ble Supreme Court in the matter of ***Price Waterhouse & Coand Ors Vs. SEBI****,wherein SEBI had filed an Appeal before the Hon'ble Supreme Court directed that:*

"…We direct, that all statements recorded during the course of investigation shall be provided to the respondents. We further direct, that all documents collected during investigation shall be permitted to be inspected by the respondents. The authors of such statements (recorded during investigation), which are to be relied upon (against the respondents), shall be offered for cross-examination to the respondents. Only thereupon, it will be permissible to rely upon the same."

The Hon'ble Supreme Court did not find any justification to examine the matter in detail and disposed of the case with the above directions.

*6.3. The Hon'ble Supreme court in the matter of **Kashinath Dikshita Vs. Union of India &Ors**reported in 1986 (3) SCC 229 vide its Order dated 15th May 1986 opined as under:*

"… the meaning of a reasonable opportunity of showing cause against the action proposed to be taken is that the Government servant is afforded a reasonable opportunity to defend himself against the charges on which the inquiry is held. The Government servant should be given an opportunity to deny his guilty and establish his innocence. He can do so when he is told what the charges against him are. He can do so by cross-examining the witnesses produced against him. The object of supplying statements is that the Government servant will be able to refer to the previous statements of the witnesses proposed to be examined against the Government servant. Unless the statements are given to the Government servant he will not be able to have an effective and useful cross-examination."

6.4. In view of the above, I once again request you to provide me with all other documents sought by me and grant me an opportunity to inspect the documents as sought. The failure to provide the same shall in itself be against the settled principles of law, in violation of principles of equity and natural justice and hence, the present SCN is bad in law.

7. *Before proceeding to reply to the said SCN, I state that I was acquainted with Mr. Nitin Prabhudas Somani from the year 2010 being the director of Fast Train Cargo Pvt. Ltd. I had met Mr. Nitin Somani during a social occasion of a common friend. During that period around the year 2010 onwards, Mr. Nitin Somani recommended me to buy share warrants of Hasti Finance Ltd. He explained to me that the warrants were convertible into the underlying shares at the rate of Rs. 27/- per share (Rs. 10 being the share value and Rs. 17 being the premium). Having regard to the cordial relations with him and mutual faith, I trusted him and agreed to apply for share warrants at the rate as aforesaid. However, this was on a condition that 25% of the money will be paid on or before 10th January 2011 and the balance 75% within a period of 18 months from 10th January 2011. Accordingly, I have gathered 25% of the funds from my lifetime savings and income from my job and I applied for 45,000 convertible warrants for a total sum of Rs. 12,15,000/-. As mutually agreed, and decided, I made a payment of Rs. 3,03,750/- on 8th January 2011 towards application money by cheque no. 520450 drawn in the name of Hasti Finance Ltd. The copy of the Bank Statements showing the transfer of Rs. 3,03.750/- in January 2011 in annexed as **Annexure – II**.*
8. *Contrary to the understanding as stated above, in the month of March 2011 onwards, Mr. Nitin Somani started demanding a balance of 75% of monies i.e. Rs. 9,11,250/- which otherwise, I was*

required and scheduled to pay within a period of 18 months from 8th January 2011. I had invested with the understanding to make the payments in installments, not knowing that said MR. Nitin Somani would demand money prior in time. I may also mention here that since I was not in a position to meet/arrange such demand of payment of Rs. 9,11,250/- at such short notice, I expressed my inability to pay the aforesaid sum of monies and requested him to advise a way out. I also requested him to cancel the understanding and refund Rs. 3,03,750/- (being 25% amount paid on 8th January 2011) in lieu of cancellation of the understanding. However, Mr. Nitin Somani was not agreeable to refund Rs. 3,03,750/- and instead proposed to arrange funds from his sources on a condition that I will have to furnish some security. Accordingly, Mr. Nitin Somani around the period between March 2011 to May 2011 transferred through RTGS from four (4) different entities as set out hereinbelow. The amount of Rs. 12,11,300/- was advanced to me by pledging gold ornaments of my grandmother who passed away in the year 2009.

Sr. No.	*Date*	*Name of Entity/ Company*	*Amount (Rs)*
	22.3.2011	*Finex Express Cargo Pvt. Ltd.*	*3,00,000/-*
	3.5.2011	*S K Enterprises*	*2,77,300/-*
	3.5.2011	*Ramesh Textiles*	*2,24,000/-*
	3.5.2011	*B K Enterprises*	*4,10,000/-*
		Total	*12,11,300/-*

The above funds were arranged by Mr. Nitin Somani after I deposited the gold ornaments belonging to my grandmother with him, inherited by my family after the death of my grandmother. Accordingly, the necessary documents were executed between myself and Mr. Nitin Somani, the original whereof was kept by Mr. Somani and a copy of the same was placed safely in my file. However, it is only at the time of shifting household items including the file containing the electricity bills, telephone bills, purchase bills, some other important documents including the above document was misplaced by the packers and movers, which I am unable to locate as on today. I am in the process of checking other places of my house, and I shall produce the same, if able to trace it. You may also kindly appreciate that since the matter is almost 10 years old, it may take some time to trace. I may also inform you that my grandmother died on 16th February 2009 of a heart attack while traveling from a family function on the train.

9. *After the funds were transferred by the above-mentioned entities solely by and at the instance of Mr. Nitin Somani, I came to know that one Mr. Chandrakant Tupe controlled them However, it was without my knowledge and inconceivable for me to know that said funds which were arranged*

by said Mr. Somani through the enterprises of Mr. Tupe who was the director in said Hasti Finance Ltd. It is pertinent to note that since Mr. Nitin Somani has failed to return the gold ornaments belonging to my grandmother as aforesaid, I have not returned the amount of Rs. 12,11,300/- transferred by the entities controlled by Mr. Chandrakant Tupe.

10. *I categorically deny that I have violated provisions of Section 12 A (a), (b) and (c) and Regulation 3 (a), (b), (c), (d), and Regulation 4 (1) of the PFUTP Regulations,*
11. *I shall now reply to the contents of the said SCN paragraph-wise. I shall only reply to the contents whereof allegations are sought to be leveled qua me and as such, I am not concerned nor connection with any other entity has been sought to be established or even alleged in the said SCN.*
12. *With reference to paragraph xii at page 34 of the said SCN, for the reasons and circumstances as stated above, I submit that the finance as such should be considered independent as the security of my grandmother's gold ornament was given to Mr. Nitin Somani pursuant to which the amount of Rs. 12,15,000/- was transferred to me. Insofar as the connection of Mr. Chandrakant Baburao Tupe with the said company is concerned, I say that I had no independent resource to enquire into or suspect that Mr. Chandrakant Baburao Tupe is connected with and/or associated with the said company from whom Mr. Nitin Somani had arranged to transfer the funds against the gold ornaments of my grandmother. I say that since the funds were received from bank transfers from Ramesh Textiles, S K Enterprise, and B K Enterprise, even at that point in time, I had no independent resource to ascertain that the aforesaid entities were connected with or controlled by one person viz. Mr. Chandrakant Baburao Tupe. As regards the source of funds obtained by Ramesh Textiles, S K Enterprise, and B K Enterprise is concerned, I submit that the same were arranged solely by Mr. Nitin Somani and I being an individual had no independent source to know as to who is financing these aforesaid companies. As aforesaid, I reiterate that these funds were received by me by pledging my grandmother's ornament. I deny the rest of the contents of the paragraph under reference.*
13. *With reference to paragraph 4 (b) at page 39 of the said SCN, I emphatically deny that I was part of the scheme where the said company had funded these notices in a fraudulent manner. As stated above, I had no independent resource to ascertain those funds received by me were in fact received by the entities from Mr. Nitin Somani or his controlled subsidiaries/associated/connected entities. Apart from bald allegations, no connection whatsoever has been established much less stated in the said SCN. I repeat that I am not in any manner connected with Mr. Chandrakant Baburao Tupe or his controlled entities. I deny that I*

violated provisions of section 12 A(a), (b), (c) of SEBI Act read with Regulations 3 (a), (b), (c), (d) and Regulation 4 (1) of PFUTP Regulations as falsely alleged or otherwise.

14. *In view of what is stated above, I respectfully submit that the said SCN be dropped qua me and no directions/action be issued against me. I also request you to grant me an opportunity of personal hearing before your good self and/or through authorized representatives and make submissions, before you proceed to pass any order in the matter.*

15. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCNs issued, replies made by the Noticees and material available on record.

ISSUES FOR CONSIDERATION AND FINDINGS

16. I have carefully perused the SCN, the documents / material available on record and submission of the Noticees. The issues that arise for consideration in the present case are:

I. Whether the Noticees have violated the provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 r/w Regulation 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003?

II. Whether the Noticees are liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

III. If yes, then what should be the quantum of monetary penalty?

17. It is pertinent to mention here the relevant provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 r/w Regulation 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003, allegedly violated by the Noticees:

SEBI Act

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

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

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

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

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

<u>PFUTP Regulations</u>

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

<u>Issue – I</u>:- Whether the Noticees have violated the provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 r/w Regulation 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003?

18. Before dealing the case on the basis of merits, I would first deal with the preliminary objection raised with respect to delay in initiation of instant proceedings by Noticees and inspection of documents by Noticee no. 17. the contention of connection of Noticee no. 1 with allottees and conduits will be dealt in subsequent paras.

19. Noticees have contended that the SCN in the instant matter has been issued after a delay of more than 10 years when the preferential allotment was completed in January 12, 2011 and the aforesaid inordinate delay has severely prejudiced the Noticees. In this regard, I note that, SEBI received a SCORES Complaint of cheating of fraud by chairman, directors of the company and Mr. Nizam Sheikh, sub broker. Further, Name of HFL also figured in the list of scrips used for generating bogus LTCG by rigging price of penny stocks received in references received from Principal Director of Income Tax (Investigation), Kolkata dated September 10, 2014 alleging generation of bogus Long Term Capital Gain by sharply raising the price of the scrip and using of Stock Exchange mechanism for same, while trading in the scrip of several companies. Thus, the matter of examination of scrip of HFL was then referred for further investigation and investigation in the scrip of Hasti finance limited has been initiated in April 26, 2015. Thus, investigation was carried out in the matter of trading activities of certain entities in the scrip of company. The focus of the investigation was to ascertain whether there were any violations of the provisions of SEBI Act and PFUTP Regulations by certain entities in the scrip of HFL during the period August 27, 2010 to August 31, 2015 (hereinafter referred to as "Investigation Period"). During the investigation period, An extensive investigation was carried out by SEBI, which included - calling for information from stock exchange, depositories, company and preferential allottees; analysis of trade and order data; analysis of the information received from stock exchange, depositories, company and preferential allottees;

examination of preferential allotment process; identifying connections among LTP contributors, exit providers and preferential allottees; and detailed analysis of fund flows, bank account statements, fund trails, preferential allotments and fund movements related to the same, Unique Client Code details, etc., corporate announcements related to AGMs, declaration of financial results, consolidation of share capital, issuance of GDRs, preferential allotment, and other disclosures. Based on price rise/fall, 6 patches were identified. Subsequently, after extensive investigation, the final investigation report was presented on July 24, 2017 recommending actions under section 11(1), 11(4) and 11B and adjudication proceedings under section 15HA of the Securities and Exchange Board of India Act, 1992 against 5 entities in the trading activities of HFL. Further, it was approved by the competent authority to investigate the matters relating to change in promoter shareholding pattern vis-à-vis disclosure compliance and preferential allotment process w.r.t funding by the company to preferential allottees as a separate case. Accordingly, the instant adjudication proceedings deal with the same. The focus of this separate investigation was to examine the preferential allotment process with respect to funding by the company, if any, to preferential allottees and to ascertain whether there was any violation of provisions of SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, disclosure violations under SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter also referred to as “PIT Regulations”), SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and/or SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter also referred to as “SAST Regulations”), Securities Contracts (Regulation) Act, 1956 (hereinafter also referred to as “SCRA, 1956”), during the period August 27, 2010 to August 31, 2015 (hereinafter referred to as ‘Investigation Period or IP’). However, wherever deemed necessary, reference has been made outside this period. Thus, an extensive and detailed investigation was again carried out in the instant matter calling for information from stock exchange, depositories, company and preferential allottees; analysis of trade and order data; analysis of the information received from stock exchange, depositories, company and preferential allottees; examination of preferential allotment process, preferential allottees; and detailed analysis of fund flows, bank account statements, fund trails, preferential allotments and fund movements related to the same, Unique Client Code details, etc. Thus, investigation report in the instant matter was put up on March 10, 2021 and I was appointed as Adjudicating Officer vide communication order dated May 25, 2021 and on clarification on technical information, the SCN to the Noticees have been issued on November 17, 2021 in this matter. Considering the time taken to complete the investigation, I do not find that there is inordinate delay in initiation of the proceedings.

20. The Noticees have placed reliance upon various judgements of Hon'ble SAT on the question of delay*,* In this regard, I note that Noticees are charged for serious violation under the SEBI (PFUTP Regulations) and was a fact finding exercise. Also, there is no provision in the SEBI Act which lays down any limitation period for initiating any proceedings/ action under the SEBI Act. For establishing the delay, if any, in the matter, the date when the violation came to the notice of the SEBI would be the relevant point (*when reference from Income Tax Authorities received during 2015*) and not the date of violation. Whether a delay in a particular case is justified or not depends on the facts and circumstances of each case. I further note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the investigation done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings. Also, it is a settled principle that a delay in a particular case depends on the facts and circumstances of each case. These Noticees have placed reliance upon the following judgements of the Hon'ble SAT in the matter of *Yatin Pandya HUF, Vaman Madhav Apte, Ashok K Choudhury and Libord Finance Ltd., HB Stock Holdings Vs. SEBI.*

21. It may be noted that, SEBI has filed an appeal *CA (D) No. 15160; SEBI vs. Yatin Pandya HUF* before Hon'ble Supreme court with respect to judgement of the Hon'ble SAT in the matter of Yatin Pandya HUF.

22. I also note that, Hon'ble Supreme Court in the case of Adjudicating Officer, *SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294* held:
"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

23. Further, the Noticees have contended that, delay has caused prejudice to them. however, Noticees have failed to show that, how delay, if any, in the instant matter have caused prejudice to them as all the relevant material information relied upon in the SCN were being provided to Noticees. the contention of the Noticees that delay in proceedings is against the principles of natural justice or it has prejudiced their defense is not tenable in the present matter. It is trite law that, in order to question an order on the basis of delay and latches, the Noticees must point out cogent and definable prejudice caused to them, as has been held in the judgements of the Hon'ble Tribunal in the matters of *Appeal No. 152 of 2019 Pooja Vinay Jain vs SEBI decided on March 17, 2020* and *Appeal No. 62 of 2006 Bipin R Vora vs SEBI decided on September 13, 2007*.

24. Hon'ble SAT in the matter of *Bipin R Vora v. SEBI dated March 22, 2006,* has held that*, "As regards the plea of delay and latches and submission that the show cause notice is barred by limitation, I do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time*

limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market"

25. Further, Hon'ble SAT in the matter of *Rajendra Aggarwal. v. SEBI(Appeal No. 552/ 2019)* decided on September 17, 2021, held that :

"*On issue of delay, we find that the show cause notice was issued in the year 2013 and the trades were executed in 2009. The investigation was against a large number of entities which apparently took time and ultimately notices were issued to 35 entities. Consequently, we do not find any inordinate delay in the issuance of the show cause notice nor do we find any merit in the contention that there was an inordinate delay in the delivery of the impugned order after the last date of hearing by the AO. We are of the opinion that after the conclusion of the arguments the data of 35 entities was required to be analysed and collated which took time and, therefore, we do not see any reason to vitiate the judgment only on the ground of delay in delivering the order. In any case, such delay in the delivery of the judgment does not cause any prejudice to the appellants"*

26. I further place reference to the Order of the Hon'ble SAT in *M/s. Adamina Traders Private Limited vs SEBI* (Order dated December 15, 2021)" wherein it was held that,

"We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. Further, nothing has been shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside."

27. I, therefore, find that there was no delay in issuance of SCN and no prejudice has been caused to the Noticee due to extensive procedure followed for completion of investigation. Also, in view of aforesaid Judgments and in the facts of the present case, merely a plea of delays and latches will not be sufficient to set aside the Impugned Order, especially when the same has not caused any material / definable prejudice to the Noticees. I, therefore, hold that there is no protracted delay as

contended and I am of a view that facts and circumstances of the judgments cited by Notices are different from the facts and circumstances in the instant case and Thus, I found the contentions of the Noticees in this regard are not tenable.

28. I note that Noticee no. 17 has contended that inspection of the certain documents was not provided to him and he has also placed reliance upon the judgements of the Hon'ble SAT in this respect. I note that, Noticee no. 17 has carried out inspection of documents post his submissions and has also received copy of the documents inspected by him during the inspection. Further, the allegations against the Noticees are clearly brought out in the SCN and all the relevant material information have been provided to the Noticees as Annexures to the SCN.

29. In light of the aforesaid discussion and the available jurisprudence on the issue, I find that the principles of natural justice have been adequately complied with, in the present matter as all material documents which have been relied upon in the SCN have been duly provided to Noticees.

30. After having addressed the preliminary objections raised by the Noticees as mentioned above in their submissions, I, now, deal with the case on facts and merit basis.

31. I note from the SCN that following charges have been alleged against the Noticees:

   a. Noticees at Sr. No. 1 to 5 were part of the scheme where company along with its Director had funded the allottees in fraudulent manner through its subsidiaries/associated/connected entities in connection with the subscription to the preferential allotment of warrants and conversion of those warrants into equity shares and thus, have allegedly violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulation 4(1) of PFUTP Regulations.

b. Noticees at Sr. No. 6 to 17 were part of the scheme where company along with its Director had funded these Noticees in fraudulent manner. These Noticees had received funds from the subsidiary/associated/connected entities of HFL, which were used for the purpose of subscription of warrants / conversion of warrants into equity shares. HFL had transferred funds received from allottees to subsidiary/associated/connected entities and thus, have allegedly violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulation 4(1) of PFUTP Regulations.

c. Noticees at Sr. No. 18 to 22 were part of the scheme where company along with its Director had funded the allottees in fraudulent manner. These Noticees funded/transferred funds to the Noticees at Sr. No. 6 to 17, which were used for the purpose of subscription/conversion, of preferential issue of warrants and subsequently received funds from HFL and thus, have allegedly violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations.

32. I note that for examining the trailing fund movement, if any from company to allottees, bank account of Noticees viz. Allottees, conduits and HFL were examined and analysed during the investigation. I also note from annual report -2010-11 of HFL that, Finex Express Cargo Pvt. Ltd., Shirish Express Logistics Pvt. Ltd. and Spider Prints Pvt. Ltd. were the subsidiaries of Hasti Finance Ltd. during the investigation period. And Fast Train Cargo Pvt. Ltd., Shree Fast Courier & Cargo Pvt. Ltd., Fast Transport & Cargo Ltd. were the associated entities of Hasti Finance Ltd. during the investigation period. Thus, the following is noted:

a) Noticee no. 6 viz. **Lucky Manoj Somani**

33. I note that, Lucky subscribed to the warrants issued by the company on January 06, 2011 by paying 25% of amount i.e., Rs.6,07,500/-. Rest of the 75% amount to be paid

by the Lucky (Rs. 18,22,500/-) was paid on March 29, 2011 for conversion of said warrants into equity shares. I also note that Lucky is also promoter of HFL

34. Fund flow for the payment of Rs. 18,22,500/- made by Lucky is analysed. From the material available on record and as provided in Pictorial representation, I note that, Lucky's account balance was Rs.1,998/- as on March 27, 2011 and he received Rs.10,02,375/- and Rs.8,20,125/- (amounting to Rs.18,22,500/-) from STA Logistics Pvt. Ltd. on March 28, 2011.. Further, on analysing the bank statements of STA Logistics Pvt. Ltd., I note from the material available on record that its account balance was Rs.10,000/- as on March 27, 2011, and STA received Rs. 9,02,500/- and Rs.9,20,000/- (amounting to Rs.18,22,500/-) from Fast Train Cargo Pvt. Ltd. on March 28, 2011 which is associated entity of HFL. I note that Noticees 1-8 and 10-22 have contended STA to be associated entity of HFL.in this regard, I note from the material available on record that, director of HFL, Mr. Chandrakant Baburao Tupe was also director of STA and thus, I conclude that STA was connected entity of HFL on the basis of common directorship of Mr. Chandrakant Baburao Tupe on both the companies. thereafter I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. It was further observed that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

35. Therefore, on considering the aforementioned fund transactions and connection among the aforementioned Noticees. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz Lucky Somani duly facilitated by conduits i.e.

STA Logistics Pvt. Ltd. (connected entity of HFL) and Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

b) Noticee no. 7 viz. **Blue Sky Courier and Cargo Pvt. Ltd.**

36. I note that, Blue subscribed to the warrants issued by the company on January 08, 2011 by paying 25% of amount i.e., Rs.7,89,750/-. Rest of the 75% amount to be paid by Blue (Rs. 23,69,250/-) was paid on March 19, 2011 (Rs.15,00,000/-) and on March 29, 2011 (Rs.8,69,250/-) for conversion of said warrants into equity shares.

37. Fund flow for the payment of Rs. 23,69,250/- made by Blue is analysed. from the material available on record and as provided in Pictorial representation, I note that, its account balance was Rs.2,07,233/- on March 28, 2011 and it received Rs.8,69,250/- from Fast Train Cargo Pvt. Ltd. (A/c No.:02400430002399, HDFC Bank) (associated entity of HFL) on March 28, 2011,which is associated entity of HFL. Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

38. Therefore, on considering the aforementioned fund transactions and connection among the aforementioned Noticees. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Blue Sky Courier & Cargo Pvt. Ltd duly facilitated by conduit i.e. Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for

balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

c) Noticee no. 8 viz. **Abbas Khan Chand Khan.**

39. I note that, Abbas subscribed to the warrants issued by the company on January 10, 2011 by paying 25% of amount i.e., Rs.6,07,500/- to HFL. Rest of the 75% amount to be paid by him (Rs. 18,22,500/-) was paid on March 29, 2011 for conversion of said warrants into equity shares.

40. Fund flow for the payment of Rs.18,22,500/- made by Abbas is analysed. from the material available on record and as provided in Pictorial representation, I note that, his account balance was Rs.10,888/- as on March 27, 2011 and he received Rs.8,74,800/- and Rs.9,47,700/- (amounting to Rs.18,22,500/-) from Ramesh Textiles (A/c No. 55912010001895, IDBI Bank) on March 28, 2011. On analysing the bank statements of Ramesh Textiles, it was observed that its account balance was nil as on March 27, 2011, and the entity received Rs. 9,72,150/- and Rs.8,50,350/- (amounting to Rs.18,22,500/-) from Fast Train Cargo Pvt. Ltd. on March 28, 2011,which is associated entity of HFL. Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

41. I note that, Noticee no. 1 in its reply has submitted that, "*our main business is lending and we and our associates / subsidiaries have had business transactions with S K Enterprises, B K Enterprises and Ramesh Textiles since many years. Hence, one transfer to this account cannot be construed as being used for funding of the Preferential allotment".* HFL has also submitted bank statements of these three entities. In this regard, I note that, account balance of Ramesh was nil on March 27, 2011 and on March 28, 2011, it received Rs. 9,72,150/- and Rs.8,50,350/- (amounting to Rs.18,22,500/-) from Fast Train Cargo Pvt. Ltd. further on the same day, it transferred all the money amounting to Rs.18,22,500/- to Abbas.

42. Thus, I am of a view that the aforesaid fund transactions taking place on same day i.e. March 28, 2011 among the entities cannot be a coincidence and in no way can be considered as normal business transactions. further, no documentary proof has been produced before me with regard to this lending transaction by Noticee. The fund transaction on similar lines has also been observed with respect to S K Enterprises, B K Enterprises and Ramesh Textiles to allottees, which is dealt in following paras and cannot be construed as business transactions or coincidence. Further, I also note from the reply of Noticee no. 17 wherein he has also admitted that, "*I say that since the funds were received from bank transfers from Ramesh Textiles, S K Enterprise, and B K Enterprise, even at that point in time, I had no independent resource to ascertain that the aforesaid entities were connected with or controlled by one person viz. Mr. Chandrakant Baburao Tupe. As regards the source of funds obtained by Ramesh Textiles, S K Enterprise, and B K Enterprise is concerned, I submit that the same were arranged solely by Mr. Nitin Somani and I being an individual had no independent source to know as to who is financing these aforesaid companies"*

43. I also note from KYC details obtained from IDBI bank during investigation, that Chandrakant Baburao Tupe, the director of HFL was the authorized signatory for the bank account of Ramesh Textiles and S K Enterprises.

44. Thus, Considering the aforementioned facts and circumstances, I found that S K Enterprises, B K Enterprises and Ramesh have acted as conduit and were connected entities, who were part of the fraudulent scheme as found in this case and therefore, I reject such contentions of Noticee no. 1 to 8 and 10 to 22.

45. Further, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Abbas Khan. Ltd duly facilitated by conduits i.e. Ramesh Textiles and Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

d) Noticee no. 10 viz. **Pankaj Kumar Shiv Singh**

46. I note that, Pankaj subscribed to the warrants issued by the company on January 11, 2011 by paying 25% of amount i.e., Rs.12,15,000/- (Rs.6,07,500/- + Rs.6,07,500/-) to HFL. Rest of the 75% amount to be paid by the allottee (Rs. 18,22,500/-) was paid on April 26, 2011 for conversion of said warrants into equity shares.

47. Fund flow for the payment of Rs.18,22,500/- made by Pankaj is analysed. from the material available on record and as provided in Pictorial representation, I note that:

a) the B K Enterprises and Ramesh Textiles transferred Rs.10,25,500/- and Rs.7,97,000/- respectively to the bank account of HFL on April 25, 2011, on behalf of Pankaj. In this regard, bank statements of HFL wherein the funds were received towards subscription of warrants and their conversion into equity shares, were sought from HFL.From the details provided by HFL, I note that Rs.10,25,500/- was transferred to the bank account of HFL (A/c No. 0579102000004121, IDBI Bank Ltd.) on April 25, 2011 by B K Enterprises (A/c No. 55912010001897, IDBI Bank), Rs.7,97,000/- was transferred to the bank account of HFL on April 25, 2011 by

Ramesh Textiles (A/c No. 55912010001895, IDBI Bank). Thus, B K Enterprises and Ramesh Textiles transferred funds to the bank account of Hasti Finance Ltd. on behalf of Pankaj.

b) I note that, the account balance of B K Enterprises was Rs.700/- as on April 24, 2011 and on April 25, 2011, it then received Rs.7,00,250/- from STA Logistics (A/c No. 0726102000001519, IDBI Bank), Rs. 3,25,250/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) and Rs. 3,15,000/- from Shree Fast Couriers and Cargo Pvt. Ltd. (associated entity of HFL). I further note that account balance of STA Logistics was Rs.19,000/- as on April 24, 2011. It received Rs. 22,00,000/- from HFL on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from HFL on April 25, 2011.

c) Similarly, account balance of Ramesh Textiles was Nil as on April 24, 2011 and on April 25, 2011, it received Rs.8,00,300/- from STA Logistics(A/c No. 0726102000001519, IDBI Bank) and Rs. 6,79,350/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL). Further, the account balance of STA was Rs.19,000/- as on April 24, 2011and it received Rs. 22,00,000/- from HFL on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from HFL on April 25, 2011.

48. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Pankaj Kumar Shiv Singh duly facilitated by conduits i.e. Ramesh Textiles, STA Logistics, B K Enterprises and Finex Express Cargo Pvt. Ltd (associated entity of HFL) for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

e) Noticee no. 11 viz. **Vinod Ramghan Sharma**

49. I note that, Vinod subscribed to the warrants issued by the company on January 10, 2011 by paying 25% of amount i.e., Rs.6,07,500/- to HFL. Rest of the 75% amount to be paid by the allottee (Rs. 18,22,500/-) was paid on April 25, 2011 for conversion of said warrants into equity shares.

50. Fund flow for the payment of Rs.18,22,500/- made by Vinod is analysed. On analysing the bank statements of the vinod, no transaction was observed wherein Rs.11,40,500/- and Rs.6,82,000 were transferred to the bank account of HFL on April 25, 2011. In this regard, details of bank statements of HFL wherein the funds were received from allotte towards subscription of warrants and their conversion into equity shares, were sought from HFL. From the details provided by HFL it was noted that, S K Enterprises and Ramesh Textiles transferred Rs. 11,40,500/-and Rs.6,82,000/- respectively to the bank account of HFL on April 25, 2011, on behalf of Vinod.

51. Thus, I note that, S K Enterprises and Ramesh Textiles transferred funds to the bank account of Hasti Finance Ltd. on behalf of Vinod.

a) I note that, the account balance of S K Enterprises was Rs.730/- as on April 24, 2011 and on April 25, 2011, it then received Rs.7,00,100/- from STA Logistics (A/c No. 0726102000001519, IDBI Bank) and Rs. 4,40,400/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) on April 25, 2011. I further note that account balance of STA Logistics was Rs.19,000/- as on April 24, 2011. It received Rs. 22,00,000/- from HFL on April 25, 2011. Further, the account balance of Finex Express Cargo Pvt. Ltd. was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from HFL on April 25, 2011.
b) Similarly, account balance of Ramesh Textiles was Nil as on April 24, 2011 and on April 25, 2011, it received Rs.8,00,300/- from STA Logistics(A/c No. 0726102000001519, IDBI Bank) and Rs. 6,79,350/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL). Further, the account balance of STA was Rs.19,000/- as on April 24, 2011and it received Rs. 22,00,000/- from HFL on April 25, 2011. Further,

the account balance of Finex Express Cargo Pvt. Ltd. was Rs.6,501/- as on April 24, 2011 and it received Rs.14,00,000/- from HFL on April 25, 2011.

52. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Vinod Sharma duly facilitated by conduits i.e STA Logistics, SK Enterprises, Ramesh Textiles and Finex Express Cargo Pvt. Ltd. (subsidiary of HFL) for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

f) Noticee no. 12 viz. **Salim Ismail Shaikh**

53. I note that, Salim subscribed to the warrants issued by the company on January 11, 2011 by paying 25% of amount i.e., Rs.15,18,750/- to HFL. Rest of the 75% amount to be paid by the allottee (Rs. 45,56,250/-) was paid on May 04, 2011 for conversion of said warrants into equity shares.

54. Fund flow for the payment of Rs. 45,56,250/- made by Salim is analysed. from the material available on record and as provided in Pictorial representation, I note that, his account balance was Rs. 6,967/- as on May 01, 2011 and he received Rs.40,00,000/- from Nitin Somani (A/c No. 57910010015644, IDBI Bank) on May 02, 2011 and Rs. 5,57,000/- from Fast Transport and Cargo (A/c No.:06332560001831, HDFC Bank) on May 03, 2011, which is associated entity of HFL. Bank statements of Fast Transport and Cargo (associated entity of HFL) were also analysed and it was noted that its account balance was Rs.4,91,618/- as on May 01, 2011, and it received Rs. 5,57,000/- from Fast Train Cargo Pvt. Ltd. on May 02, 2011, which is also associated entity of HFL.

55. Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its

subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

56. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Salim by using Fast Transport and Cargo Ltd., Nitin Somani and Fast Train Cargo and Pvt. Ltd. for funding the allottee for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

g) Noticee no. 13 viz. **Vijay Surendraprasad Singh**

57. I note that, Vijay subscribed to the warrants issued by the company on January 08, 2011 by paying 25% of amount i.e., Rs. 14,58,000/- to HFL. Rest of the 75% amount to be paid by the allottee (Rs. 43,74,000/-) was paid on May 10, 2011 for conversion of said warrants into equity shares.

58. Fund flow for the payments made by Vijay for subscribing the warrants on January 08, 2022 is analysed. from the material available on record and as provided in Pictorial representation, I note that, his account balance was Rs.455/- as on January 05, 2011 and he received Rs. 14,58,000/- from Shirish Express Logistics Pvt. Ltd. (A/c No.:726102000000657, IDBI Bank) (a subisidiary of HFL) on January 06, 2011. Accordingly, bank statement of Shirish Express Logistics Pvt. Ltd. was analysed and It was noted that its account balance was Rs.8,442/- as on January 04, 2011 and it

received Rs. 6,24,277/- and Rs.6,39,155/- (amounting to Rs.12,63,432/-) from Gati Ltd. on January 05, 2011 and Rs.1,90,000/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) on January 06, 2011 .

59. Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

60. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Vijay Surendraprasad Singh duly facilitated by conduits, Shirish Express Logistics Pvt. Ltd. (subsidiary of HFL) and Fast Train Cargo Pvt. Ltd. (associated entity of HFL) for 25% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

h) Noticee no. 14 viz. **Satish Kumar**

61. I note that, Satish subscribed to the warrants issued by the company on January 07, 2011 by paying 25% of amount i.e., Rs.15,18,750/- to HFL. Rest of the 75% amount to be paid by the allottee (Rs. 45,56,250/-) was paid on May 10, 2011 (Rs.20,00,000/- + Rs.25,00,000/-) and on May 28, 2011 (Rs.56,250/-) for conversion of said warrants into equity shares.

62. Fund flow for the payments made by Satish for subscribing the warrants on January 07, 2022 is analysed. from the material available on record and as provided in Pictorial representation, I note that, his account balance was Rs.15/- as on January 5, 2011 and he received Rs.15,18,750/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) (A/c No.:06382060000376, Kotak Bank) on January 6, 2011, which is associated entity of HFL.

63. Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

64. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Satish Kumar duly facilitated by conduits Fast Train Cargo Pvt. Ltd (associated entity of HFL) for 25% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

i) Noticee no. 15 viz. **Nilesh Ratilal Gantra**

65. I note that, Nilesh subscribed to the warrants issued by the company on January 08, 2011.i note that, Ajit Ashok Pange and Sanjay Dhoke paid Rs.4,28,000/- and Rs.5,72,000/- respectively to HFL on behalf of Nilesh on January 06, 2011 and Rs.1,54,250/- was transferred to the bank account of HFL by him on January 19, 2011

from bank account no. 520, Akola Janata Commercial Co-operative Bank. Further, for payment of balance 75%, I note that, Spider Prints Pvt. Ltd. paid Rs.34,00,000/- to HFL on behalf of him on May 10, 2011 for conversion of said warrants into equity shares. It was noted from the KYC details obtained from IDBI Bank during investigation that Ajit Ashok Pange was an employee of Fast Train Cargo Pvt. Ltd. (associated entity of HFL).

66. details of bank statements of HFL wherein the funds were received from Nilesh towards subscription of warrants and their conversion into equity shares, were sought from HFL. From the details provided by HFL it was noted that, Rs.4,28,000/- was transferred to HFL (A/c No. 030012100000882 (121/882), Bharat Co-operative Bank Ltd.) on January 06, 2011 (via Pay Order, which got credited on January 8, 2011) by Ajit Ashok Pange (A/c No.: 57910010016462, IDBI Bank) and Rs. 5,72,000/- was transferred to the bank account of HFL on January 6, 2011 (via Pay Order, which got credited on January 8, 2011) by Sanjay Dhoke (A/c No.: 55910010015806, IDBI Bank) and Rs.1,54,250/- was transferred from bank account of Shree Raghuvir Trading Company (having the same PAN No. as that of allottee i.e. AHIPG7146C) (A/c. No. 520, Akola Janata Commercial Co-operative Bank) January 19, 2011 towards subscription of warrants by the allottee. Thus, Ajit Ashok Pange and Sanjay Dhoke transferred funds to Hasti Finance Ltd. on behalf of Nilesh Ratilal Gantra (the allottee).

67. Thus, Fund flow for the payments made by entities on behalf of the Nilesh for subscribing the warrants were analysed.

a) On analysing the bank statements of Ajit Ashok Pange (A/c No. 57910010016462, IDBI Bank), it is noted that his account balance was Rs.46,269/- as on January 05, 2011 and on January 06, 2011, the he received Rs.5,28,000/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL). It was further noted that, Finex Express Cargo Pvt. Ltd. received Rs.5,00,000/- from HFL on January 07, 2011 in its bank account no.:030012100000872 (121/872), Bharat Co-operative Bank. It further received Rs.8,00,000/- in the same bank account from HFL on January 08, 2011.

b) Further, on analysing the bank statements of Sanjay Dhoke (A/c No.: 55910010015806, IDBI Bank), it was noted that his account balance was Rs.1,30,571/- as on January 05, 2011 and on January 06, 2011, he received Rs.4,72,000/- from Finex Express Cargo Pvt. Ltd. (a subsidiary of HFL) (A/c No.:559102000000116, IDBI bank), Who in turn, received Rs.5,00,000/- from HFL on January 07, 2011 in its bank account no.:030012100000872 (121/872), Bharat Co-operative Bank. It further received Rs.8,00,000/- in the same bank account from HFL on January 08, 2011.

68. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Nilesh Ratilal Gantra duly facilitated by conduits Ajit Ashok Pange, Sanjay Dhoke, Spider Prints Pvt. Ltd and Finex Express Cargo Pvt. Ltd. (subsidiary of HFL) for subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

j) Noticee no. 16 viz. **Santosh Birendra Kumar**

69. I note that, Santosh subscribed to the warrants issued by the company on January 11, 2011 by paying 25% of amount i.e., Rs. 7,53,300/- to HFL. Rest of the 75% amount to be paid by the allottee Rs. 8,09,900/-, Rs.6,40,000/- and Rs.8,10,000/- (amounting to a total of Rs.22,59,900/-) was paid on May 5, 2011 for conversion of said warrants into equity shares.

70. Fund flow for the payment of Rs. 22,59,900/- made by Santosh is analysed. On analysing the bank statements of the santosh, no transaction was observed wherein Rs. 8,09,900/-, Rs.6,40,000/- and Rs.8,10,000/- (amounting to a total of Rs.22,59,900/-) were transferred to the bank account of HFL on May 05, 2011. In this

regard, details of bank statements of HFL wherein the funds were received from allotte towards subscription of warrants and their conversion into equity shares, were sought from HFL. From the details provided by HFL it was noted that, Ramesh Textiles (A/c No. 55912010001895, IDBI Bank) transferred Rs.8,09,900/- to the bank account of HFL on May 05, 2011, S K Enterprises (A/c No. 55912010001896, IDBI Bank) transferred Rs.6,40,000/- to the bank account of HFL on May 05, 2011 and B K Enterprises (A/c No. 55912010001897, IDBI Bank) transferred Rs.8,10,000/- to the bank account of HFL on May 05, 2011, on behalf of Santosh.

71. Thus, Ramesh Textiles, S K Enterprises and B K Enterprises transferred funds to Hasti Finance Ltd. on behalf of Santosh Birendra Kumar.

72. Thus, Fund flow for the payments made by following entities on behalf of the allottee were analysed for subscribing the warrants were analysed:

a) On analysing the bank statements of Ramesh Textiles (A/c No. 55912010001895, IDBI Bank), it is noted that its account balance was Rs.713/- as on May 04, 2011 and it received Rs.8,06,000/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) (A/c No. 55912010001881, IDBI Bank) and Rs. 5,000/- from B K Enterprises (A/c No. 55912010001897, IDBI Bank) on May 05, 2011.
b) Similarly, on analysing the bank statements of S K Enterprises (A/c No. 55912010001896, IDBI Bank), it is noted that its account balance was Rs.805/- as on May 04, 2011 and on May 05, 2011, it received Rs.6,43,700/- from Shree Fast Couriers & Cargo Pvt. Ltd (associated entity of HFL) (A/c No.:55912010001913, IDBI bank). It was also noted that Shree Fast Courier and Cargo Pvt. Ltd. received Rs.5,00,000/- from Fast Train Cargo Pvt. Ltd. later on May 09, 2011.
c) On analysing the bank statements of B K Enterprises (A/c No. 55912010001897, IDBI Bank), it is noted that its account balance was Rs.5,762/- as on May 04, 2011 and on May 05, 2011, it received Rs.8,10,200/- from Fast Train Cargo Pvt. Ltd. (associated entity of HFL) (A/c No. 55912010001881, IDBI Bank).

d) Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

73. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Santosh Birendra Kumar duly facilitated by conduits i.e. Ramesh Textiles, S K Enterprises, B K Enterprises, Shree Fast Courier and Cargo Pvt. Ltd (associated entity of HFL), Fast Train Cargo Pvt. Ltd (associated entity of HFL) for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1. I further note that, in my view there is no material on record to rebut the aforesaid findings in this case.

k) Noticee no. 17 viz. **Sumit Dilip Jain**

74. I note that, Sumit subscribed to the warrants issued by the company on January 08, 2011 by paying 25% of amount i.e., Rs.3,03,750/- to HFL. Rest of the 75% amount to be paid by the allottee, Rs. 9,11,250/- was paid on May 9, 2011 for conversion of said warrants into equity shares and thus, Sumit was allotted 45,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on May 14, 2011 after receipt of full payment by the company from him.

75. Fund flow for the payments made by Sumit is analysed and from the material available on record and as provided in Pictorial representation, I note that, his account balance

was Rs.1,49,518/- as on May 02, 2011 and he received Rs.2,77,300/- from S K Enterprises (A/c No. 55912010001896, IDBI Bank), Rs.2,24,000/- from Ramesh Textiles and Rs.4,10,000/- from B K Enterprises on May 03, 2011 (amounting to a total of Rs.9,11,300/-) and the amount of Rs.9,11,300/- was transferred next day to HFL from Sumit's bank account.

76. Thus, Fund flow for the payments made by S K Enterprises, B K Enterprises and Ramesh Textiles to the allottee were analysed:

a) On analysing the bank statements of Ramesh Textiles (A/c No. 55912010001895, IDBI Bank), it is noted that its account balance was Rs.650/- as on May 02, 2011 and it received Rs.2,24,063/- from STA Logistics Pvt. Ltd. (A/c no.: 0726102000001519, IDBI Bank) on May 03, 2011.
b) Similarly, on analysing the bank statements of S K Enterprises (A/c No. 55912010001896, IDBI Bank), it is noted that its account balance was Rs.730/- as on May 02, 2011 and it received Rs.2,77,375/- from STA Logistics Pvt. Ltd. (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) on May 03, 2011.
c) On analysing the bank statements of B K Enterprises (A/c No. 55912010001897, IDBI Bank), it is noted that its account balance was Rs.5,700/- as on May 02, 2011 and the entity received Rs.4,10,062/- from STA Logistics Pvt. Ltd. (associated entity of HFL) (A/c no.: 0726102000001519, IDBI Bank) on May 03, 2011.
d) On further analysing the bank statements of STA Logistics Pvt. Ltd., it is noted that its account balance was Rs.18,350 as on April 25, 2011 and it received Rs. 8,25,000/- on April 26, 2011 and Rs.1,00,000/- on May 03, 2011 from Fast Train Cargo Ltd (associated entity of HFL).

77. Thereafter, I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex

Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL).

78. I note that, Noticee no. 17 has contended that, the said amount was *received* by him by pledging his grandmother's ornament and were arranged by Mr. Nitin Somani and he being an individual had no independent source to know as to who is financing these aforesaid companies*. With respect to any documents/agreement executed in to between sumit and Nitin in respect of this, I note that, Sumit has stated that they are misplaced and he is unable to find the same citing the 10 years gap. However, in this regard, I note that, though company has stated that, their main business is lending and their associates / subsidiaries have had business transactions with S K Enterprises, B K Enterprises and Ramesh Textiles since many years. However, company has not mentioned any such lending transaction with Sumit as stated by him and mentioned in the SCN. I also note that, Mr. Sumit has not produced any supporting document with respect to aforesaid alleged lending of money by company to him or any interest payment made by him on the same nor company has stated anything with respect to the same.*

79. Thus, on considering the aforementioned fund transactions and connection among the aforementioned entities. I conclude that, Hasti Finance Ltd. is found to have funded the preferential allottee viz. Sumit Dilip Jain duly facilitated by its conduits i.e. Ramesh Textiles, S K Enterprises, B K Enterprises, STA Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd (associated entity of HFL) for balance 75% subscription amount for impugned preferential allotment of Noticee No. 1.

l) Noticee no. 09 viz. **Abhilasha Rathi**

80. I note that, Abhilasha subscribed to the warrants issued by the company on January 06, 2011 by paying 25% of amount i.e., Rs.6,07,500/- to HFL. Rest of the 75% amount to be paid by the allottee, Rs. 18,22,500/- was paid on April 26, 2011 for conversion of said warrants into equity shares and thus, Abhilasha was allotted 90,000 shares pursuant to the conversion of warrants (allotted on January 12, 2011) into equity shares on April 29, 2011 after receipt of full payment by the company from her.

81. Fund flow for the payments made by Abhilasha is analysed and from the material available on record and as provided in Pictorial representation, I note that, she paid Rs. 10,00,000/- and Rs.8,22,500/- (amounting to Rs. 18,22,500/-) on April 26, 2011. her account balance was Rs.3,96,679/- as on April 17, 2011 and she received Rs.7,00,000/- and Rs.2,50,000/- on April 18, 2011 and April 19, 2011 respectively, from Devesh Rathi (A/c No.:623505384894, ICICI Bank) and Rs.8,22,500/- from STA Logistics Pvt. Ltd. on April 26, 2011 and Rs.8,22,000/- was later returned back to STA Logistics Pvt. Ltd. on April 30, 2011.

82. Thus, Fund flow for the payments made by STA Logistics Pvt. Ltd. were analysed and it is noted that, its account balance was Rs.18,350/- on April 25, 2011 and it received Rs.8,25,000/- from Fast Train Cargo Pvt. Ltd. on April 26, 2011.I note that, HFL made FDs/transferred funds received by it towards subscription and conversion of warrants, to bank accounts of its subsidiaries/associated/connected entities namely Spider Prints Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Reliable Milk Products Ltd., Fast Transport and Cargo Pvt. Ltd. and STA Logistics Pvt. Ltd. I further note that Hasti Finance Ltd. also created FDs of amounts received towards conversion of warrants, in its own bank account (A/c No.:0579102000004121, IDBI Bank) on May 13, 2011. Hasti Finance Ltd. then closed the said Fixed Deposits on September 05, 2011 and transferred Rs.3.59 crores & Rs.1.50 crores (amounting to a total of 5.09 crores) to the bank account of Fast Train Cargo Pvt. Ltd (associated entity of HFL). Thus, it was alleged in the SCN Hasti Finance Ltd. is found to have funded the Abhilasha duly

facilitated by STA Logistics Pvt. Ltd. and Fast Train Cargo Pvt. Ltd. (associated entity of HFL).

83. I note that, Noticee no. 9 has contended the allegations against her and stated that, her bank account is an overdraft account. I have also perused and examined the bank statement provided by her and I note that her Account is an Advance account. Noticee has also stated that on April 17, 2011, she had a balance of Rs. 3,96,679/-, Her Husband, Mr. Devesh Rathi made two Cheque Deposits, bearing numbers 049057 and 049058 for Rs 7,00,00/- and Rs. 2,50,000/- respectively on April 18, 2011 and April 19, 2011 respectively. Thereafter, on April 26, 2011, she wrote two cheques, bearing numbers 022577, with REF NO 0055003330 and 022578, with REF NO 0055003331, in the favour of HFL for a sum of Rs 10,00,000/- and Rs. 8,22,500/- respectively. This was a total payment of Rs. 18, 22,500/- made by the Noticee to HFL, towards the conversion of subscribed warrants into equity shares. The same got cleared on April 30, 2011.she further submits that as her Account is an Overdraft Account, both the aforementioned cheques got cleared, on the same day, i.e., on April 26, 2011, even though her Account lacked the requisite balance.

84. In this regard, I have examined the relevant bank Statements submitted by her, which shows a debit of Rs 470,147.54/- DR on April 26, 2011. I also note that, an amount of Rs. 8,22,500/- from STA Logistics Pvt. Ltd. was received in her account on April 26, 2011 thereafter. In this regard, I note that Noticee has stated that, the said amount of Rs. 8,22,500/- was received in her account from STA on April 26, 2011 by mistake and she in fact wrote the cheque, in the favour of STA Logistics Pvt Ltd, bearing no. 022580, on same day for the same amount to return the money to STA, which got cleared on April 30, 2011.she has also reproduced before me the declaration by STA in writing stating that the said fund transfer was a mistake. I also note that her husband, Mr. Devesh Rathi transferred an amount of Rs. 5,00,000/- to her Account on April 29, 2011 and the cheque then got cleared subsequent to which amount was returned to STA's bank account and she had a debit balance of 30,352.46 in her Bank

Account. Therefore, in view of the aforesaid submissions of Noticee alongwith the documentary proof, I find that the Noticee has furnished sufficient evidence in supports of her claim that she had paid full consideration to HFL from her own funds and even the Investigation report mentions the money being returned by her to STA. Further, I don't see any intention as to why STA will fund her for a period of 4 days, when she has a sufficient time period of 18 months from the date of allotment of said warrants to make the balance payment of 75% of full consideration amount as per said application form of said warrants and she has funds available at her disposal to make the payment for the same. Thus, I consider the reply of Noticee no. 9 and conclude that the allegations levelled against the Noticee no. 9 that she had received shares from HFL through preferential allotment without paying full consideration amount and that the Noticee NO. 9 perpetrated fraud on other allotees/shareholders and the ordinary investing public who had transacted in the shares of the HFL post preferential allotment, do not stand established. In view of the above, the allegations levelled against the Noticee No. 9 in respect of the violation of the Sections 12A (a), (b), (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), and 4(1) of PFUTP Regulations, is unsustainable and do not stand established.

85. The Noticee no. 1 in its reply has contended that its main business is lending and they and their associates / subsidiaries have had business transactions with conduits. I have also perused the bank statements of SK, BK and Ramesh textiles as submitted by HFL and I note that these entities have not transferred/received any money before or after from these allottees except the abovementioned fund transactions by these conduit entities to allottees. Also, Sumit in its reply has stated that funds for the consideration of payment were arranged by Nitin Somani through connected entities of HFL. I also note that, Noticee no. 1 has stated that, "*one of the objects is to expand the finance activities and being an NBFC the amount raised through the Preferential allotment was used to lend it to certain prospective clients who needed funds and the Company could thereby generate huge income."* Thus, with regard to these contentions related to lending business transaction in normal course of business, I

note that, the manner in which fund transactions has taken place among conduits, allottees viz Noticee no. 6 to 17 (except Noticee no. 9) and HFL and the way in which allottees(except Noticee no. 9) has been funded for subscription amount/conversion of warrants into equity shares for impugned preferential allotment, especially, under the backdrop of being connected entities, I am of a view that these Noticees(except Noticee no. 9) were not transferring funds among themselves in the normal sense and ordinary course of business and such fund transactions among the Noticees (except Noticee no. 9) cannot be considered as genuine business transaction. Further, by its own admission, the Company being a Non-Banking Finance Company registered with the RBI has failed to provide any loan document or interest amount received on such huge amount being lent by it. as the Company and other Noticees who claimed the aforesaid fund transaction to be a lending transactions has failed to provide any loan document or proof of any interest charged on the amount lent to the borrower. hence, by considering all above facts, it is difficult to believe and keep reliance on the stories of Noticees, that fund transactions are loans extended/taken in the ordinary course of business and Thus, I find the contentions of Noticees (except Noticee no. 9) untenable in this regard.

86. Further, from the objects of the preferential issue as mentioned in the Annexure to the Notice of Extra Ordinary General Meeting ("EGM"), I note that the preferential issue was for utilisation for Working Capital requirements of company and to expand the finance activities and being an NBFC the amount raised through the Preferential allotment was used to lend it to certain prospective clients who needed funds and the Company could thereby generate huge income. However, I note that the Company had not utilized the proceeds of preferential issue for the purposes approved by the shareholders of the Company. Further, the substantial portion of the preferential issue proceeds was used to create FDs, which were closed later on and the amount so received was transferred back to its conduits who have funded preferential allottees viz. Noticee no. 5 to 17 (except Noticee no. 9). Also, I do not see any documentary evidence brought forward by HFL, it being a Non-Banking Finance Company

registered with the RBI, for transferring amount to its conduits naming it as a lending business transactions or by other Noticees who claimed the aforesaid fund transaction to be a lending transactions.

87. Further, with respect to contention of connection between Noticee No. 1 with allottees and conduits except Noticee no. 9, I note that in a '*Preferential Allotment*' process, a specific identified group of people who may be known or related to the company in some way, agrees on one-to-one basis with company and have prior understanding with the company are likely to be considered as allottees for an allotment on preferential basis. Hence, the fact that the allottees are promoters or otherwise related or known to the company by itself does not raise any negative connotation. Further, point no. 4 of "Extra Ordinary General Meeting ("EGM")" clearly mentions the "identity of proposed allottee" which substantiate the prior understanding of company and allottees. Also, the fund transactions to the aforesaid Noticees viz. Noticee no. 6 to 17 except Noticee no. 9 through the subsidiaries/associated/connected entities of HFL i.e., conduits namely Fast Train Cargo Pvt. Ltd., B K Enterprises, Ramesh Textiles, S K Enterprises, Shree Fast Courier and Cargo Pvt. Ltd., STA Logistics Pvt. Ltd., Finex Express Cargo Pvt. Ltd., Fast Transport and Cargo Ltd., Shirish Express Logistics Pvt. Ltd., Ajit Ashok Pange and Sanjay Dhoke and subsequent transfer of money from these Noticees to HFL on same day or a day or two later from the day on which subscription amount had been transferred by the allottees w.r.t. impugned preferential allotment and the fund balance in the account of allottees and conduits and then again the funds received by it towards subscription and conversion of warrants, transferred to bank accounts of its subsidiaries/associated/connected entities are contributing factors and circumstances which clearly demonstrates the existence of connection among them and employment of fraudulent scheme in their closed group giving false impression of genuine capital infusion in HFL through impugned preferential allotment. I observe that the aforesaid inferences based on the fund transactions and subsequent preferential allotments of the Noticees are sufficient in themselves to prove the connection and charges of fraudulent activity by these Noticees and the

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

88. I am of the opinion that the attendant circumstances discussed in detail in above paras of this order exhibits an apparent motive of the Noticees (except Noticee no. 9) to give a false expression of genuine capital infusion in the company *via* impugned preferential allotment. these Noticees (except Noticee no. 9) have executed the fraudulent scheme with a *malafide* intent and given a wrong impression of raise in capital of the Company through share issuance via impugned preferential allotment and the substantial portion of the amounts received towards conversion of warrants, in its own bank account were not utilized for the purposes approved by the shareholders of the Company and was rather used for creation of FDs which were later on closed by company and transferred to its associated/subsidiaries/connected entities in the garb of business transaction. Therefore, once the Noticees has been found to have indulged in such fraudulent activity in impugned preferential allotment of the company, they are liable for their acts and omissions. Considering the same, I reject contentions of the Noticees with regard to funding to preferential allottees(except Noticee no. 9) via their conduits, instead, on the basis of connections brought out before me and attendant circumstances, I am of the opinion that the

Noticees are closely connected to each other and together these Noticees(except Noticee no. 9) have devised the fraudulent scheme in this case and therefore, I reject contention of HFL that they have not funded subscription amount of allottees viz. Noticees no. 6 to 17(except Noticee no. 9) via its conduits and are not connected.

89. The above act on the part of the Noticees (except Noticee no. 9) has clearly resulted in the violation of the PFUTP Regulations 2003 by the Noticees (except Noticee no. 9), which in turn, has affected the interests of the shareholders of the Company and also the investors in the securities market. In this context, reference is drawn to the judgment of the Hon'ble Securities Appellate Tribunal ("**SAT**") in the matter of ***Alok Khetan vs. SEBI, Appeal No. 55 of 2007 – Order dated July 17, 2007***, wherein it had an occasion to consider the issue of whether the appellant therein had allegedly indulged in unfair trade practices relating to the securities market resulting in a violation of Regulation 3 and 6 (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995, and accordingly Hon'ble SAT had held that: *"Now coming to the first charge as levelled against the appellant in the show cause notice. It is alleged that he acquired the shares of the company in a preferential allotment in an irregular manner without actual payment of money.* ***… Preferential allotment of shares is one of the modes recognized by the company law for increasing the subscribed capital of a company and amazingly when the allotment was made, the company did not receive money and we are satisfied that the allotment was contrary to law and that the appellant was a party to the game plan. Preferential allotment of shares without actual receipt of money by the company is not only illegal but it also adversely affects the interest of investors in the securities market. It affects the rights of the existing shareholders of the company which was then a listed company.*** *The preferential shares had not been listed till December 22, 1999 and, obviously, the game plan (was) to trade that tainted shares in the market as and when they got listed. This by itself is a serious market irregularity particularly when we find that the appellant*

was a person who was well conversant with the market as an intermediary. The first charge levelled against him, therefore, stands established."

90. I note that, a company being a legal person having separate and independent existence than its shareholders act through its board of directors who individually and collectively hold the position of trust and have fiduciary duties towards the company, the shareholders and other stakeholders. It is settled position that while alleging vicarious liabilities on the directors, the company should also be proceeded with for its defaults (*U.P. Pollution Control Board vs. Modi Distillary AIR 1998 SC 1128*). Thus, HFL, Noticee No. 1 cannot escape liability of its acts. Further, the Noticee No. 3 was managing director and Noticee no. 2,4 and 5 were the Whole Time Directors of the Company during the relevant time and therefore were holding key positions and therefore, they were the persons having key and active roles and responsibilities in deciding about the issuance and allotment of the preferential shares in the Company. Therefore, they are liable for fraudulent and unfair practices undertaken by the Company by giving an impression of capital infusion through preferential allotment, while in reality company's own funds were used by allottees Viz. Noticee no. 6 to 17 (except Noticee no. 9). They have to perform their duties under obligations of trust and confidence to the Company or its shareholders. They are responsible under the duty of trust to the Company and its shareholders while dealing with monies of the Company; but they have brazenly failed in observing such duties. Further, in cases of fraud, it is settled position of law, the corporate veil can be lifted and the directors can be held liable for the fraud of the Company. Therefore, the Noticee No. 2 to 5 are also liable for the fraud as found in this case and in my considered opinion, the deliberate defiance and indulgence in fraudulent activity by the persons - who being in charge of affairs of the Company holding fiduciary duties towards investors - should be dealt with stern view with regard to the market abuse and fraudulent practices and the penalty in such cases should serve as effective deterrence.

91. Thus, Considering the facts and circumstances of the case and in view of the discussion so far in this order, I found that the Noticee No. 1 and its directors viz. Noticee No. 2,3,4 and 5, along with conduits i.e. Noticees No. 18 to 22 and preferential allottees i.e. Noticees No. 6 to 17 (except Noticee no. 9), have devised and are part of a fraudulent scheme as mentioned above giving an illusory impression of genuine capital infusion through impugned preferential allotment and not utilizing the amounts received towards conversion of warrants in bank account of company for the purposes approved by the shareholders of the Company in the EGM and was rather used for creation of FDs which were later on closed by company and transferred to its associated/subsidiaries/connected entities in the garb of business transactions for which no documentary proof has been sufficed by company. Thus, by indulging in such fraudulent scheme, the Noticees (except Noticee no. 9) have violated the provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 r/w Regulation 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations.

92. It is pertinent to note the observations of Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of ***N. Narayanan Vs Adjudicating Officer, SEBI,*** wherein it has laid down that: -

"*Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions* *mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality".*

<u>Issue – II</u>:- Whether the Noticees are liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

93. The said violation of PFUTP Regulations makes the Noticees (except Noticee no. 9) liable for monetary penalty under Section 15HA of the SEBI Act. The said provision of aforesaid sections reads as under:

Penalty for fraudulent and unfair trade practices.

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

<u>Issue – III</u>:- If yes, then what should be the quantum of penalty?

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

15J - **Factors to be taken into account by the adjudicating officer**

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investor/+s as a result of the default;

(c) the repetitive nature of the default.

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

95. With regard to the above factors to be considered while determining the quantum of penalty, it may be noted that no quantifiable figures or data is available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors as a result of the default of the Noticees (except Noticee no. 9). The Company (Noticee No. 1) and its directors (Noticees No. 2 to 5) have played integral role in creating a scheme and device, wherein, the Company along with its directors through its subsidiaries/ associated/ connected entities viz. Noticee no. 18 to 22 has funded the allottees viz. Noticees No. 6-17 (except Noticee no. 9) for subscription to the preferential allotment of warrants and conversion of those warrants into equity shares and also forwarding the said funds received from allottees to subsidiary/associated/connected entities. thus, Noticees (except Noticee no. 9) perpetrated such fraud on investors by giving an impression of capital infusion through preferential allotment and therefore, limited the genuine capital infusion to this extent. The aforementioned Acts of the Noticees (except Noticee no. 9) need to be dealt sternly and thus, same need to be suitably penalized. However, while holding so, I am also mindful of the fact that the instant proceedings have been initiated in November, 2021 much after the preferential allotment in questions i.e. January 12, 2011.

96. Considering the nature of violation of PFUTP Regulation in this case, such delay in enforcing the provisions of law or such quantity of shares and their market value, in my view, would not hinder imposition of monetary penalty lest it should lead to compromising with the aforesaid purpose of effective deterrence and the perpetrators of such fraud would enjoy the benefits at the peril of innocent shareholders of Company. the leniency to exonerate the violators merely on account of delay in

initiation of these proceedings be against the very objective of penal provisions under sections 15HA of the SEBI Act. Although such delay and quantity / value of shares could be considered as a mitigating factor while adjudging the quantum of penalty on Noticees.

97. Further, it is noted from the submissions of HFL that, in order to comply with Regulations 11(1) read with 14 (2) of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997(hereinafter referred to as 'SAST Regulations'), it made an open offer to the shareholders of HFL, through a public announcement on March 07, 2012 for acquisition of 19,70,900 equity shares of Rs. 10 each by Ms. Sonal Nitin Somani and Mr. Nitin Prabhudas Somani representing 20% of the post issue voting capital at an offer price of Rs. 82.50 per share plus interest of Rs. 7.50 per share aggregating to Rs. 90.00 per share after a delay of 259 days. Further, I also note from that its Business has been affected by COVID pandemic to the extent that it had close down its business and has no source of revenue. Thus, I am inclined to consider it as a mitigating factor too while adjudging the quantum of penalty.

ORDER

98. Considering all the facts and circumstances of the case, In terms of the principle prescribed under section 15J and striking a balance between the gravity of default and mitigating factors as aforesaid, I deem that following penalty on the Noticee No. 1 to 8 and 10 to 22 would be commensurate with the violation committed by them and therefore, by exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules and considering the 15J factors, I hereby impose penalty of **Rs. 15,00,000/- (Rupees Fifteen Lakhs Only**) jointly and severally upon the Noticees *viz*. Noticee No. 1 to 8 and 10 to 22.

99. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in: ENFORCEMENT

→ Orders → Orders of AO → Click on PAY NOW or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in

100.The said demand draft and its details or details of online payments made (in the format as given in table below) should be forwarded to "The Division Chief (Enforcement Department-DRA-5), the Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051."

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

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

102.In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date : July 28, 2022
Place : Mumbai

Vijayant Kumar Verma
Adjudicating Officer