ADJUDICATING OFFICER

Through digitally signed email/SPAD

SEBI/EAD/SM/AD/19118/1 /2022
May 04, 2022

Noticee No.	Name of the Noticee	PAN	Address
1.	Edynamics Solutions Limited	AAACE7849N	Address 1: Office No.103, 1st Floor, Plot No.2, Triveni Complex, Veer Savarkar Block, Shakarpur Delhi, East Delhi DL 110092 IN Address 2: Shop No.6, West Guru Angad Nagar, Opp. DDA Building, Laxmi Nagar, Delhi-110092 Address 3 : A-406, Street No.8, Road No.04, Mahipalpur, Delhi- 110075
2.	Mr. Bharat Gupta	ALFPG6480L	Address: H No. V68, Sector -12, Noida PS Sector 24, Tech. Dadri, Distt. Gautam Budha Nagar, Noida, Uttar Pradesh-201301
3.	Ms. Anita Gupta	AOFPG8504E	Address: 3/3, Block J3, Laxmi Nagar, Delhi-110092
4.	Mr. Vikas Saini	BEZPS2003H	Address: No.296, New Avas Vikas Saharanpur, Uttar Pradesh-247451

Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of Edynamics Solutions Limited

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in
SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in

1. Edynamics Solutions Limited (hereinafter referred to as **"Noticee 1/ESL"**) is a company which had its shares listed on BSE Ltd (hereinafter referred to as "**BSE"**), since June 26, 2013 in the Small and Medium Enterprise (SME) Segment. Subsequently, vide BSE notice dated January 04, 2016 the shares of the company migrated from SME platform to the main board platform of BSE. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**), conducted an inspection during August 21-28, 2014, of the Merchant Banker namely, Guiness Corporate Advisors Limited. During the aforementioned inspection, SEBI noticed certain violations of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as **"ICDR Regulations"),** relating to issue of securities by ESL handled by the said Merchant Banker.

2. Therefore, proceedings under section 11B of SEBI Act, 1992(hereinafter referred to as "**SEBI Act**") before learned Whole Time Member, SEBI, were initiated against ESL and its directors for violations of ICDR Regulations. Final Order dated April 22, 2021 (**Annexure IV**) was passed against ESL and its directors in the aforementioned proceedings. In the said Final Order, *inter-alia,* the following was stated:

   "However, it may be appropriate that SEBI may consider initiation of adjudication proceedings against the ESL and the officer in default, in this respect, if deemed fit."

3. Accordingly, vide order dated February 16, 2022,SEBI appointed the undersigned as the Adjudicating Officer under Section 15(I) of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under the

provisions of Section 15HB of the SEBI Act the alleged violations of Regulations 4(2)(d), 4(2)(e), 5, 6, 7, 25, 26, 36, 37,46, 47, 57 and 59 of ICDR Regulations read with Section 27 of SEBI Act by Noticee 1 and its directors, namely, Bharat Gupta (hereinafter referred to as "**Noticee 2**"), Anita Gupta (hereinafter referred to as "**Noticee 3**") and Mr. Vikas Saini (hereinafter referred to as "**Noticee 4**") (Noticee 1 to Noticee 4 are hereinafter collectively referred to as "**Noticees**"). A copy of the communique dated February 21, 2022, appointing the undersigned as the Adjudicating Officer is enclosed herewith as **Annexure-I**.

3. During the course of investigation, from the examination of e-forms and documents filed by the ESL on the Ministry of Corporate Affairs (hereinafter referred to as "**MCA**") Website (**Annexure II**) and prospectus dated May 30, 2013 filed by ESL with BSE (**Annexure III**), SEBI observed that Noticee 1 had allotted 69.20 lakhs equity shares at an issue price of Rs. 10/- to forty nine (49) persons on seven instances and to twenty two (22) persons in one instance, between April 03, 2013 to April 22, 2013. It was noted that, in total, ESL had allotted equity shares to 365 (nos) allottees aggregating to Rs 6.92 Crores during the aforementioned period. The details of the same are mentioned hereunder:

Sr. No.	Date of allotment of shares	No. of allottees	No. of equity shares allotted.
1.	03/04/2013	49	19,17,000
2.	12/04/2013	49	5,33,500
3.	13/04/2013	49	5,83,000
4.	15/04/2013	49	4,82,000
5.	16/04/2013	49	4,21,500
6.	18/04/2013	49	4,941200

7.	19/04/2013	49	8,20,800
8.	22/04/2013	22	16,68,000
	Total	**365**	**69,20,000**

4. From the details of allottees provided in the prospectus dated May 30 2013, it was observed that the investors were not preidentified shareholders before the allotment of the shares and each tranche had different set of investors and the total allottees exceeded 200 (nos). It was noted that since the total number of allottees exceeded 49, such offer would qualify as a public issue under the first proviso to Section 67(3) of the Companies Act, 1956.

5. In view of the above, it is alleged that the above issue and allotment of shares was deemed to be a public issue. In this regard, the first proviso to Section 67(3) of the Companies Act, 1956 is referred to, which reads as under:

"67. Construction of reference to offering shares or debentures to the public, etc.

67. (1) Any reference in this Act or in the articles of a company to offering shares or debentures to the public shall, subject to any provision to the contrary contained in this Act and subject also to the provisions of sub-sections (3) and (4), be construed as including a reference to offering them to any section of the public, whether selected as members or debenture holders of the company concerned or as clients of the person issuing the prospectus or in any other manner.

(2) Any reference in this Act or in the articles of a company to invitations to the public to subscribe for shares or debentures shall, subject as aforesaid, be construed as including a reference to invitations to subscribe for them extended to any section of the public, whether selected as members or debenture holders

of the company concerned or as clients of the person issuing the prospectus or in any other manner.

(3) No offer or invitation shall be treated as made to the public by virtue of sub-section (1) or subsection (2), as the case may be, if the offer or invitation can properly be regarded, in all the circumstances-

(a) as not being calculated to result, directly or indirectly, in the shares or debentures becoming available for subscription or purchase by persons other than those receiving the offer or invitation; or

(b) otherwise as being a domestic concern of the persons making and receiving the offer or invitation.

***Provided** that nothing contained in this sub-section shall apply in a case where the offer or invitation to subscribe for shares or debentures is made to fifty persons or more:*

***Provided** further that nothing contained in the first proviso shall apply to non-banking financial companies or public financial institutions specified in section 4A of the Companies Act, 1956 (1 of 1956)."*

6. It was observed that having made a deemed public issue under the first proviso to Section 67(3) of Companies Act, 1956, ESL was under a legal obligation to file prospectus in terms of provisions of Companies Act, 1956 in connection with aforementioned issue of securities and comply with provisions of Section 56(1), 56(3), 60 (1), 73(1), 73(2) and 73(3) read with Section 67 of the Companies Act, 1956

7. Further, the allotment of equity shares was made in 2013, during which ICDR Regulations were in force. Since the allotment of equity shares was made in 2013, during which the ICDR Regulations were in force, ESL was under an obligation to comply with the following Regulations of ICDR Regulations:

i. Regulation 4(2)(d): Making an application to one or more recognised stock exchanges for listing of specified securities
ii. Regulation 4(2)(e): Entering into an agreement with a depository for dematerialization of specified securities.
iii. Regulation 5: Appointment of Merchant Banker and other intermediaries
iv. Regulation 6(1): Filing of draft offer documents with SEBI, designated stock Exchange and RoC
v. Regulation 7: Obtaining in-principle approval from recognised stock exchange in which the specified securities are to be listed
vi. Regulation 25 and 26: Satisfy conditions of initial public offer
vii. Regulation 36: In a public issue, the specified securities held by promoters shall be locked-in for a certain period.
viii. Regulation 37: In case of an initial public offer, the entire pre-issue capital held by persons other than promoters shall be locked-in for a period of one year.
ix. Regulation 46: Keeping the public issue open for specified period.
x. Regulation 47: Pre issue advertisement for public issue.
xi. Regulation 57: Manner of disclosures in the offer document
xii. Regulation 59: Refrain from offering any incentive to any person making application for allotment of specified securities.

8. However, it was observed that ESL failed to comply with aforesaid provisions of ICDR Regulations in respect of its aforementioned issue of equity shares. In this context, it was also noted that Learned Whole Time Member, SEBI in her Final Order dated April 22, 2021 has held as under:

"15.13. As the offer of equity shares by ESL is a deemed public issue of securities, ESL was required to register a prospectus with the RoC under Section 60 of the Companies Act, 1956. I find that the Noticees have not submitted any record to indicate that ESL has registered a prospectus with the

RoC, in respect of the offer of its equity shares during April 03, 2013 to April 22, 2013. I, therefore, find that ESL has not complied with the provisions of Section 60(1) of the Companies Act, 1956."

9. Further, it was noted that a company cannot act on its own. From the filings with the MCA and prospectus filed with BSE, it was observed that Noticee 4 was appointed as 'Whole Time Director' of Noticee 1 since March 25, 2013, through Board Resolution and General Meeting of Members, for a period of five years from April 01, 2013. As per Form 32 filed with MCA on April 01, 2013, it was observed that ESL had appointed Noticee 4 as Executive-Whole Time Director, Noticee 3 as Non- Executive Director and Noticee 2 as Non-Executive Independent Director.

10. It was noted from the Annual Report of ESL for the financial year (FY) 2013-14, filed with BSE Ltd. (BSE), that the Board of Directors met nineteen (19) times out of which eight (8) board meetings were during April 03-22, 2013, i.e. the deemed public issue period. The dates of the board meetings as per the Annual Report were: 01/04/2013,03/04/2013,12/04/2013,13/04/2013,15/04/2013,16/04/2013,18/04/2013,19/04/2013,22/04/2013,26/04/2013,29/04/2013,22/06/2013,17/07/2013,26/08/2013,09/09/2013,30/09/2013,14/11/2013,10/02/2014 and 24/03/2014. Of the above dates 03/04/2013, 12/04/2013, 13/04/2013, 15/04/2013, 16/04/2013, 18/04/2013, 19/04/2013, and 22/04/2013, were the allotment dates for the eight (8) instances of allotment deemed as public issue during April 03-22, 2013.

11. It was also observed from the Annual Report for FY 2013-14, that, Noticee 3, Noticee 4 and Noticee 2 attended eighteen (18), seventeen (17) and fifteen (15) Board Meetings, respectively. It was therefore noted that since there were 19 (nineteen) Board Meetings, Noticee 3 and Noticee 4 would have mostly

attended all the Board Meetings including the ones held during April 03-22, 2013. Further, out of nineteen (19) meetings, eight (8) meetings were during the April 03-22, 2013 and it was noted that Noticee 2 would have necessarily attended at least four (4) board meetings held during April 03-22, 2013. Given this fact, it was therefore noted that Noticee 2, Noticee 3 and Noticee 4, attended the respective Board Meetings where the decision and approval with respect to the allotment of the equity share to 49/22 allottees to the tune of three hundred sixty-five (365) allottees during April 03-22, 2013, through eight instances/tranches had taken place and seven out of eight instances of allotment were to forty nine (49) allottees which were deemed public issue. Therefore, it is alleged that Noticee 2, Noticee 3 and Noticee 4 had all the information and knowledge of the nature of allotments deemed as public issue, through the Board process and meeting. Thus, it is noted that Noticees 2, 3 and 4 being directors of the Noticee 1 and having participated in the board meetings at the time of deemed public issue of equity shares by Noticee 1 would also be liable for violation of Regulations 4(2)(d), 4(2)(e), 5, 6, 7, 25, 26, 36, 37,46, 47, 57 and 59 of the ICDR Regulations.

12. In view of the aforementioned observations, it is alleged that Noticees have violated Regulations 4(2)(d), 4(2)(e), 5, 6, 7, 25, 26, 36, 37,46, 47, 57 and 59 of ICDR Regulations read with Section 27 of SEBI Act.

13. The aforesaid alleged violations, if established, make Noticees liable for monetary penalty under Sections15HB of SEBI Act. The provisions of Section 15HB of SEBI Act are reproduced hereunder:

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty but which may extend to one crore rupees.*

14. In the view of the above allegations, Noticees are called upon to show cause as to why an inquiry should not be held against them in terms of Rule 4 of Adjudication Rules read with Sections 15I (1) & (2) of the SEBI Act, and penalty, if any, be not imposed under Section 15HB of the SEBI Act, for the aforesaid violations of provisions of ICDR Regulations as alleged against Noticees.

15. Noticees shall submit their reply to the Show Cause Notice, if any, supported by such documentary evidence, which they may like to adduce in support of the reply within fifteen (15) days from the date of receipt of this notice by them. Further, a soft copy of the reply may also be sent via email at somam@sebi.gov.in and anjalid@sebi.gov.in. In case no reply is received from Noticees within the prescribed time mentioned above, it would be presumed that Noticees have no submissions to make and the matter shall be proceeded with on the basis of material/ facts on record. A copy of PAN Card, contact details (contact person, phone number, email details, fax etc.) of Noticees may also be submitted along with the reply.

16. Noticees may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If they wish to avail the benefit of the settlement process, they may apply for the same in the manner provided in the said regulations under intimation to the undersigned.

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Further, Noticees may note that if there is any change in their addresses during the period of the current Adjudication proceedings, they are required to inform the same to the undersigned, immediately.

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Encl:

Annexure I – Copy of Communique dated February 21, 2022 appointing Adjudicating Officer

Annexure II – Copies of Resolution and filings made with MCA for the year 2013-2014 as available on MCA website

Annexure III – Relevant extracts of prospectus dated May 30, 2013 and the pertinent information available on BSE Website.

Annexure IV- Copy of the Order of Learned Whole Time Member, SEBI dated April 22, 2021.

Annexure V- Extracts of relevant ICDR Regulations