BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BM/DS/2022-23/20677-20678]

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

In respect of

Aadhaar Ventures India Limited (Formerly Prraneta Industries Limited) PAN: AABCP4155F	**Viaggio Entertainments Private Limited** PAN: AACCV0634L

In the matter of
Aadhaar Ventures India Limited (Formerly Prraneta Industries Limited)
PAN: AABCP4155F

BACKGROUND:

1. Securities and Exchange Board of India (hereinafter being referred to as "**SEBI**") conducted investigation in the matter of Aadhaar Ventures India Limited (Formerly Prraneta Industries Limited) (hereinafter referred to as "**the Company**"/ "**AVIL**" / "**Noticee 1**"), for the period commencing January 01, 2009 to April 24, 2015 (hereinafter referred to as "**investigation period**" / "**IP**"). During investigation, it was observed that funds of Noticee 1 were routed through another entity to Viaggio Traders Private Limited (formerly Viaggio Entertainments Private Limited) (hereinafter referred to as "**Noticee 2**"). Thereafter, Noticee 2 was allotted equity shares in preferential allotment of Noticee 1's equity shares. Hence, it was alleged that Noticee 1 had funded

Noticee 2 to apply for Noticee 1's preferential issue of equity shares, which is in violation of provisions of regulations 3 (a), (b), (c), (d) and regulation 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") read with Section 12A (a), (b) and (c) of SEBI Act, 1992. (Noticees 1 and 2 are hereinafter collectively referred to as "**the Noticees**")

2. In view of the above, SEBI initiated adjudication proceedings under the provisions of Section 15HA of the SEBI Act, 1992 against the Noticees for the aforementioned alleged violations.

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide Order dated May 20, 2022, the undersigned was appointed as the Adjudicating Officer (**"AO"**) under Section 19 and 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 enquire into and adjudge under the provisions of Section 15HA of the SEBI Act, 1992, the alleged violations of PFUTP Regulations read with Section 12A (a), (b) and (c) of SEBI Act, 1992 against Aadhaar Ventures India Limited (Formerly Prraneta Industries Limited) (Noticee 1) and Viaggio Entertainments Private Limited (hereinafter referred to as "**Viaggio**" / "**Noticee 2**") (Noticees 1 and 2, hereinafter, collectively referred to as "**Noticees**").

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Show Cause Notice no. EAD/BM/DS/46317/2022 dated August 31, 2022 (hereinafter referred to as "**SCN**") was issued by the undersigned to the Noticees via Speed Post Acknowledgement Due (SPAD) and digitally signed e-mail under

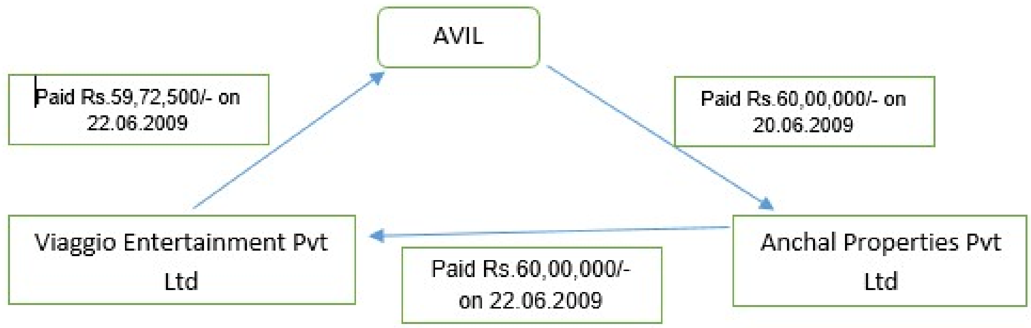
the provisions of Rule 4(1) of the Adjudication Rules and section 15-I of the SEBI Act, calling upon the Noticees to show cause as to why an inquiry should not be held against it for the aforesaid alleged violations of provisions of PFUTP Regulations read with Section 12A (a), (b) and (c) of SEBI Act, 1992 and why penalty, if any, should not be imposed on it under Section 15HA of the SEBI Act, 1992.

5. The allegations levelled against the Noticees are as under:
    a. The shareholders of the AVIL in its Extra-Ordinary General Meeting dated 21.04.2009 provided approval to the Board to create, offer, issue allot and deliver in one or more tranches, on preferential basis upto 14,42,00,000 convertible warrants to prospective investors of the company or any of its nominees or affiliates. Each warrant convertible at the sole option of the holder, any time before the expiry of 18 months from its allotment into 1 (One) fully paid up Equity Share of the company of Rs.1/- each.
    b. The company in the Board Meeting held on August 04, 2009, after converting the warrants into equity shares, made allotment of 11,42,00,000 Equity Shares to the 44 allottees from whom full amount due on each warrant i.e. Rs.2.25 (face value Rs.1/- each at premium of Rs.1.25 per share) was received. The company in the Board Meeting held on November 17, 2009, after converting the warrants into equity shares, made allotment of 3,00,00,000 Equity Shares to the 3 allottees from whom full amount due on each warrant i.e. Rs.2.25 (face value Rs.1/- each at premium of Rs.1.25 per share) was received. Thus, the company allotted 14,42,00,000 equity shares at the price of Rs.2.25 per share (including a premium of Rs.1.25 per share) to 47 preferential allottees aggregating Rs.32,44,50,000/-.

c. It was observed that Noticee 2 was allotted 1,66,10,000 shares in the preferential allotment and it paid Rs.3,73,72,500/- in ten instalments to the bank account of AVIL. The details of payments are given as under.

Sr. No.	Date	Amount in ₹
1	April 17, 2009	94,00,000
2	May 15, 2009	10,00,000
3	May 18, 2009	15,00,000
4	May 19, 2009	25,00,000
5	May 25, 2009	40,00,000
6	May 25, 2009	30,00,000
7	May 28, 2009	30,00,000
8	May 28, 2009	20,00,000
9	June 22, 2009	50,00,000
10	**June 22, 2009**	**59,72,500**

d. It was observed from the banks statements of AVIL, Noticee 2 and Anchal Properties Private Limited that before the payment of Rs.59,72,500/- on June 22, 2009 to AVIL, Noticee 2 received Rs.60,00,000/- on June 22, 2009 from Anchal Properties Pvt Ltd (A/c no. 24XXXXXXXXXXX51 with Axis Bank). Anchal Properties Pvt Ltd in turn received Rs.60,00,000/- on June 20, 2009 from AVIL (A/c no. 22XXXXXXX78 with Standard Chartered Bank).



e. In view of the above trail of funds, it was observed that AVIL transferred ₹ 60,00,000 to Anchal Properties Private Limited, which in turn transferred the same amount to Noticee 2, and out of ₹60,00,000 received by Noticee 2, it allegedly utilized ₹ 59,72,500 to subscribe for AVIL's preferential issue by making payment to AVIL on June 22, 2009.

f. Clarifications in this regard were sought from AVIL during investigation, vide mails dated June 11, 2021 and January 20, 2022. However, no reply was received from AVIL to both the mails. Mails dated January 20, 2022 and January 24, 2022 were also sent to Noticee 2 and Anchal Properties Pvt Ltd respectively. However, no reply was received from them to the said mails.

g. In view of the aforesaid, it was alleged that Noticee 2 was funded by AVIL to subscribe for AVIL's preferential issue. Thus, AVIL was alleged to have allotted shares by way of preferential issue to Noticee 2 without receiving any consideration. Hence, by engaging in a fraudulent scheme of raising funds by giving an impression of capital infusion through preferential allotment, as the funds originally belonged to AVIL, it is alleged that Noticees 1 and 2 (AVIL and Viaggio) violated provisions of Regulation 3 (a), (b), (c), (d), and 4(1) of PFUTP Regulations 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992,

6. Noticee 2 submitted its reply to the SCN vide letter dated September 26, 2022. It was observed that no reply was received from the Noticee 1 till September 28, 2022. Hence, in the interest of natural justice, the Noticees were granted an opportunity of hearing, vide letter dated September 28, 2022, wherein the Noticees were advised to appear before the undersigned on October 12, 2022 through video-conferencing mode.

7. The submissions made by Noticee 2, vide letter dated October 10, 2022 are summarized as under:
   a. *Noticee 2 raised preliminary objections regarding delay in initiating proceedings, its change in name of the company and also change in management.*

   b. *Delay in initiating proceedings. - The allegations framed in the SCN relate to the investigation period which is from January 01, 2009 to April 24, 2015 and the SCN was issued on August 31, 2022 i.e., after an inordinate delay of 13 years. The SCN does not provide any explanation to justify the inordinate and unconscionable delay in initiation of proceedings against the Noticee. It is respectfully submitted that the initiation of proceedings by SEBI after such a long delay, severely prejudices the ability of Noticee to adequately respond to the SCN. Noticee 2 also referred to and relied upon the judgement of the Hon'ble SAT in* ***Rajeev Bhanot & Anr. versus SEBI*** *(Order dated 09th July, 2021 in Appeal No. 396 of 2018)*
   c. *Noticee submitted that given the inordinate delay of 13 long years in issuance of the SCN, long beyond the expiry of even the maximum document retention period prescribed under law, Noticee's ability to adequately respond to the SCN has been gravely jeopardized and Noticee cannot be called upon at this*

stage to respond to the SCN. On this ground alone, the SCN stands vitiated and is liable to be set aside for violation of the principles of natural justice.

d. *Profile of the Noticee - The Noticee, Viaggio Entertainments Private Limited is a Private Company originally incorporated on February 23, 2001. It is classified as Non-Government company and is registered at Registrar of Companies, Mumbai. The name of the company changed to Viaggio Traders Pvt. Ltd. on April 27, 2011. Further, the Noticee states that it was acquired by a new management in the year October 2018 with Mr. Malike Ustar Shabbir Husain and Mr. Mufaddal Dawood Ezzi as its new directors. It is pertinent to mention that the new management of the Noticee is unaware w.r.t. the Noticee's dealing in the scrip of Aadhaar Ventures India Limited in the year 2009 and in the absence of any information, the new management of the Noticee cannot say anything more than what is stated in the present reply.*

e. *Reply on Merits - The Noticee states that it was allotted 1,66,10,000 shares of Aadhaar Ventures India Ltd. at the rate of Rs. 2.25/- per share (including a premium of Rs. 1.25 per share). The payment liability of Rs. 3,73,72,500/- arise pursuant to the aforesaid allotment which was duly discharged by the Noticee in 10 installments. Noticee paid in the full the amount of Rs. 3,73,72,500/- to the Noticee No. 1 Company for the Preferential Allotment. Following is the Schedule of payment made by the Noticee to the Noticee No. 1 Company:*

Sr. No.	***Date***	***Amount (in Rs)***
1	*April 17,2009*	*94,00,000*
2	*May 15,2009*	*10,00,000*
3	*May 18,2009*	*15,00,000*
4	*May 19,2009*	*25,00,000*
5	*May 25,2009*	*40,00,000*
6	*May 25,2009*	*30,00,000*
7	*May 28,2009*	*30,00,000*
8	*May 28,2009*	*20,00,000*

9	*June 22,2009*	*50,00,000*
10	***June 22, 2009***	***59,72,500***

f. *Noticee 2 states that the receiving of funds of Rs. 60,00,000/- by Anchal Properties was pursuant to independent business transactions between the Noticee and Anchal Properties Pvt. Ltd. whereby the Noticee raised some money from Anchal Properties and in exchange allotted its own shares to Anchal Properties, the details of which is as follows:*

   i. *Noticee received an amount of Rs. 60,00,000/- on 22.06.2009 from Anchal Properties Pvt. Ltd. SEBI has relied upon the DCB bank statement of the Noticee No. 2 and the same is enclosed as Annexure-2 to the SCN. Hereto annexed and marked as* ***Annexure- D*** *is the copy of the Ledger Account of Anchal Properties Pvt. Ltd. maintained by the Noticee.*

   ii. *Pursuant to the receipt of the aforesaid fund of Rs. 60,00,000/- by the Noticee on 22.06.2009, the Noticee on March 31, 2010 allotted 30,000 shares of Viajjio Entertainment (later known as Viajjio Traders Pvt. Ltd.) to Anchal Properties Pvt. Ltd. at the rate of Rs. 10 per share + premium of Rs. 190).*

Preferential Allottee	*No. of shares Allotted*	*Amount received pursuant to the allotment*
Anchal Properties Pvt. Ltd.	*30,000 shares*	*60,00,000/- Rs.*

   iii. *Hereto annexed and marked as* ***Annexure- E1 and E2*** *are the copies of the Allotment List and Form 2 filed by the Noticee to the MCA.*

   iv. *The Noticee, reiterates that the funds received by it from Anchal Properties Pvt. Ltd. was an independent transaction between the Noticee and Anchal Properties Pvt. Ltd. which got concluded post the allotment of shares by the Noticee to Anchal Properties Pvt. Ltd. on 31.03.2010.*

v. *Noticee 2 submitted that its case is squarely covered in the SEBI AO Order dated July 29, 2022 in the matter of Allied Computer International (Asia) Limited, wherein the Noticees were given benefit of doubt and their submissions were accepted*

vi. *The Noticee reiterates that its transaction was only with Anchal Properties Pvt. Ltd. and the connection between the Noticee and Noticee No. 1 company is far-fetched, remote and untenable in the eyes of the Law. Noticee 2 relied upon the judgement of Hon'ble SAT in the Order dated 12.08.2021 in the matter of Baldevsinh Vijaysinh Zala*

vii. *Noticee 2 has not made any disproportionate gain or gained any unfair advantage, whether quantifiable or otherwise. Further, no loss has been caused to any investor or group of investors as a result of the alleged wrong.*

viii. *Noticee 2 also referred to the judgement of Hon'ble Securities Appellate Tribunal in P. G. Electroplast Ltd. & Ors. V. SEBI in Appeal no. 281 of 2017, in which Hon'ble SAT inter alia stated that "Even if a minimum penalty is prescribed, the authority, after considering the circumstances of the case and other factors enumerated in Section 15J would be justified in refusing to impose penalty when there is a technical or venial breach of the provisions of the Act."*

8. Noticee 1 also made submisisons vide mail dated October 12, 2022, which are summarized as under:
   a. *Noticee 1 raised preliminary objections regarding delay in initiating proceedings and profile of Noticee 2, regarding its change in name of the company.*
   b. *Noticee 1 made similar submissions as already made by Noticee 2 regarding delay in initiating proceedings, which are summarized in paragraphs 7(b) and (c) above.*

c. *Profile of Noticee 1: It was submitted that Noticee 1 was incorporated as Prraneta Industries Limited on February 01, 1995. Name of the company was subsequently changed to Aadhaar Ventures India Limited on November 01, 2011.*

d. *<u>Reply on merits</u>: Noticee 1 submittted that it had allotted 14,42,00,000 equity shares at ₹2.25 per share (including premium of ₹1.25 per share) to 47 preferential allottees aggregating to ₹32,44,50,000. Noticee 2 was allotted 1,66,10,000 shares against payment of ₹3,73,72,500, which was fully paid by Noticee 2 in 10 installments.. Noticee refuted the allegation in the SCN. Noticee 1 submitted that it had given Anchal Properties short term loans worth Rs. 1.45 crores in the month of June- July 2009 and Anchal Properties had returned the entire Rs. 1.45 crores in October 2009. It also submitted copies of ledger of Anchal Properties in its books of account and its bank statement reflecting receipt of ₹1.45 crores from Anchal Properties Private Limited. Noticee submitted that the funds given by it to Anchal Properties Pvt. Ltd. was an independent transaction between the Noticee and Anchal Properties Pvt. Ltd. which got concluded in October 2009 when Anchal Properties Pvt. Ltd. repaid the entire amount of ₹ 1.45 crores.*

9. The AR appeared on behalf of Noticee 2 for the hearing at scheduled date and time and reiterated the submissions already made vide letter dated September 26, 2022. The AR was asked to submit the following:
   a. Reasons for allotment of shares after gap of around 9 months from date of receipt of application money.
   b. Board Resolution for allotment of shares to Anchal Properties Private Limited

10. The AR sought time till October 17, 2022 for submitting the details sought from the Noticee, which was granted by the undersigned. Vide mail dated October 18, 2022,

Noticee 2 submitted extracts of minutes of the meeting of board of directors held on March 31, 2010, in which it was resolved to allot 17,70,750 equity shares to 59 entities mentioned therein, including Anchal properties Private Limited. Noticee 2 also submitted that the board resolution approving the allotment was of March 31, 2010. Since the allotment was to be made to 59 number of entities as approved in Board Resolution, the shares were allotted after completion of documentation and receipt of monies from all the allottees and finally the allotment was made to all the entities together.

11. Noticee 1 submitted its response to the SCN vide mail dated October 12, 2022. The AR appeared on behalf of Noticee 1 at the scheduled time on October 12, 2022. The AR reiterated submissions already made vide mail dated October 12, 2022. The AR was asked to submit documents related to short term loan extended by the Noticee 1 to Anchal Properties Private Limited. The AR sought time till October 19, 2022 for submitting the details sought from Noticee 1, which was granted by the undersigned. Vide mail dated October 18, 2022, Noticee 1 submitted that the loan documents were not available with it, as they pertained to 2010, and due to change in management, they were not in position to gather documents. Noticee 1 also made additional submissions vide the aforesaid e-mail, which were not made by it earlier or at the time of hearing. The main additional submissions are summarized hereunder:
    a. The bank account statements/ ledger account enclosed in the reply is sufficient proof that Noticee No. 1 did not fund its own preferential issue. As such, it does not stand to reason that out of 44 allottees to the preferential issue, Noticee No. 1 only funded one allottee.
    b. <u>No evidentiary basis for alleging fraud</u> - the SCN levels a serious charge of fraud on the basis of mere suspicion, in complete ignorance of the time-tested judicial precedents. It is therefore well settled that where fraud and collusion are

alleged, it would be incumbent on the authority to set out the nature of the fraud along with full particulars. The SCN is however lacking in material particulars. Noticee 1 quoted and relied on the judgement of Hon'ble Supreme Court in *Chief Engineer, MSEB and Anr. v. Suresh Raghunath Bhokare (2005) 10 SCC 465 and Union of India v. Chaturbhai M. Patel & Co. (AIR 1976 SC 712)*

c. In the present case, Noticee No. 1 has clearly shown that funds given to Anchal Properties were returned within a few months. Also, the transactions of Noticee No. 1 with Anchal Properties do not match with the funds transferred by Anchal Properties to Noticee No. 2. The SEBI has engaged in cherry-picking transactions without taking a holistic view.

d. On the one hand the SEBI alleges that Noticee No. 1 through Anchal Properties, funded the preferential allotment and on the other hand the SEBI is ignoring the fact that funds given to Anchal Properties allegedly for the preferential allotee (Noticee No. 2), is returned by Anchal Properties. In the circumstance, the charge that Noticee No. 1 funded the preferential allotment is not maintainable.

e. <u>Element of Fraud Missing</u> - the requirement of 'intention' is a pre-requisite to prove 'fraud' for violation of PFUTP Regulations. It is a settled principle recognized by SEBI that "*the necessity of 'intent' and the element of 'fraud' appears to be a pre-requisite in all parts of Regulation 3 and 4 of the PFUTP Regulations*".

f. The preferential allotment is in compliance with law

<u>ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS</u>

12. After perusal of the material available on record, I have the following issues for consideration.

ISSUE I: Whether Noticees 1 and 2 have violated provisions of Regulation 3 (a), (b), (c), (d), and 4(1) of PFUTP Regulations 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992?

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty under Section 15HA of the SEBI Act?

ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

13. Before moving forward it is pertinent to refer to the relevant provisions of PFUTP Regulations and SEBI Act, 1992 which read as under:

SEBI PFUTP Regulations, 2003

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>SEBI Act, 1992</u>

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>FINDINGS</u>

14. At the outset, before dealing with the merits of the case, I find it relevant to look over at the sequence of events that has led to the passing of the current adjudication order. It was decided by the competent authority to investigate for the alleged violation of provisions of regulations 3 (a), (b), (c), (d) and regulation 4(1) of the PFUTP Regulations read with Section 12A (a), (b) and (c) of SEBI Act, 1992.

Investigation Authority ("**IA**") was appointed in the matter on October 06, 2017. Upon the transfer, another IA was appointed on November 24, 2017. Subsequently, upon his transfer, another IA was appointed on May 14, 2018. Subsequently, the matter was transferred to another IA on November 12, 2020. Thereafter investigation was carried out by the Investigating Authority. Information was sought from various preferential allottees, Company, Registrar and Share Transfer Agents, auditors and internal legal opinions were also sought. Thereafter, all the materials sourced from above mentioned entities and publicly available documents were examined. Finally, investigation was completed and adjudication proceedings were approved by the competent authority on March 09, 2022. Vide order dated May 20, 2022, the undersigned was appointed as Adjudicating Officer under Section 19 and Section 15-I of the SEBI Act, and Rule 3 of the Adjudication Rules to enquire into and adjudge under the provisions of Section 15HA of the SEBI Act, 1992. Taking the aforesaid into account, I find that investigation is an exhaustive and time consuming process, which requires detailed analysis of facts and law especially considering that there are multiple stakeholders involved in the present matter apart from the Noticees. SCN dated August 31, 2022 was issued to the Noticees and hearing was conducted on October 12, 2022. I also note that Noticees have submitted fairly detailed replies and have not indicated what prejudice has been caused to them due to the delay which they are objecting to. In view of the above, I note that no delay has been caused to the Noticees, in the way it has been argued by them.

15. I find it relevant to rely on Hon'ble SAT order passed in Hemant Sheth and Ors. vs. SEBI, Appeal No. 521 of 2021, decided on January 07, 2022, it was argued by the appellants that the adjudicating officer was appointed on July 04, 2013 but the show cause notice was issued in 2016 and therefore there was an inordinate delay

of 30 months for which no plausible explanation was given. The Hon'ble SAT while dismissing the aforesaid contention of the appellants held that:

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

16. In Rajendra Aggarwal vs. SEBI(Misc. Application No. 426 of 2020 and Appeal No. 552 of 2019), dated September 17, 2021, an appeal was filed against an order of the adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants contended that due to the inordinate delay, the aforesaid order should be quashed since the trades took place in the year 2009, the notice was issued in 2013, the hearing took place in 2018, and 18 months after the hearing, an adjudication order was passed. In this regard, the Hon'ble SAT held:

"*13. 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."*

17. Noticees 1 and 2 have also submitted that the names of the Company have changed. Noticee 1 has submitted that name of the company has changed from Prraneta Industries Limited to Aadhaar Ventures India Limited and Noticee 2 has submitted that the name of the company has changed from Viaggio Entertainments Private Limited to Viaggio Traders Private Limited. Noticee 2 has also submitted that the management of Noticee 2 has changed and since October, 2018, the present management has taken over, which is completely different from the previous management. I note that the allegations are not againsrt the management or promoters of Noticees 1 and 2, but they are against Aadhaar Ventures India Limited (formerly Prraneta Industries Limited) (Noticee 1) and Viaggio Traders Private Limited (formerly Viaggio Entertainments Private Limited) (Noticee 2), i.e. the companies. As a company is a separate legal entity, the facts that name of the company has changed or the management has changed does not affect the present adjudication proceedings.

ISSUE I. Whether Noticees 1 and 2 have violated provisions of Regulation 3 (a), (b), (c), (d), and 4(1) of PFUTP Regulations 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992?

18. It is an admitted fact that the company in the Board Meeting held on 30.04.2009 made allotment of convertible warrant to the allottees from whom the full application money amounting to Rs.0.5625/- (i.e. 25% of the issue price of the warrant amounting to Rs.2.25/- per warrant) was received. The company allotted 14,42,00,000 equity shares at the price of Rs.2.25 per share (including a premium of Rs.1.25 per share) to 47 preferential allottees aggregating Rs.32,44,50,000/-.

Sr. No.	Date	Amount in ₹
1	April 17, 2009	94,00,000
2	May 15, 2009	10,00,000
3	May 18, 2009	15,00,000
4	May 19, 2009	25,00,000
5	May 25, 2009	40,00,000
6	May 25, 2009	30,00,000
7	May 28, 2009	30,00,000
8	May 28, 2009	20,00,000
9	June 22, 2009	50,00,000
10	**June 22, 2009**	**59,72,500**

19. It was observed that Noticee 1 transferred ₹ 60,00,000 to Anchal Properties Private Limited, which in turn transferred the same amount to Noticee 2, and out of ₹60,00,000 received by Noticee 2, it utilized ₹ 59,72,500 to subscribe for Noticee 1's preferential issue by making payment to Noticee 1 on June 22, 2009.

20. Clarifications in this regard were sought from Noticee 1 by Investigation, vide mails dated June 11, 2021 and January 20, 2022. However, no reply was received from Noticee 1 to both the mails. Mails dated January 20, 2022 and January 24, 2022 were also sent to Noticee 2 and Anchal Properties Pvt Ltd respectively. However, no reply was received from them to the said mails.

21. In view of the aforesaid, it was alleged that Noticee 2 was funded by Noticee 1 to subscribe for Noticee 1's preferential issue. Thus, Noticee 1 was alleged to have allotted shares by way of preferential issue to Noticee 2 without receiving any consideration. Hence, by engaging in a fraudulent scheme of raising funds by

giving an impression of capital infusion through preferential allotment, as the funds originally belonged to Noticee 1, it is alleged that Noticees 1 and 2 (AVIL and Viaggio) violated provisions of Regulation 3 (a), (b), (c), (d), and 4(1) of PFUTP Regulations 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992.

22. In response to the SCN issued, Noticee 2 has now submitted that it had received ₹60,00,000 from Anchal Properties Private Limited on June 22, 2009 towards an independent business transaction, in which Noticee 2 allotted 30,000 shares at the rate of ₹200 per share to raise funds from Anchal Properties Private Limited on March 31, 2010. In support of its submissions, Noticee 2 has also submitted Form 2 (Return of Allotment) and the allotment list in the format of Annexure A which is required to be attached in Form 2 filed with ROC on November 29, 2010.

23. During the course of hearing, Noticee 2 was asked to provide reasons for allotment of shares to Anchal Properties Private Limited after a gap of 9 months, i.e. funds were received on June 22, 2009, whereas shares were allotted on March 31, 2010. Noticee 2 was also asked to submit a copy of the Board Resolution for allotment of shares to Anchal Properties Private Limited. Noticee 2, vide mail dated October 19, 2022 submitted extracts of minutes of the meeting of board of directors held on March 31, 2010, in which it was resolved to allot 17,70,750 equity shares to the entities mentioned therein, including Anchal Properties Private Limited. Noticee 2 further submitted that since the allotment was to be made to 59 number of entities as approved in Board Resolution, the shares were allotted after completion of documentation and receipt of monies from all the allottees, which caused delay of about 9 months.

24. In response to the SCN, Noticee 1 submitted that it had transferred ₹ 60,00,000 to Anchal Properties Private Limited on June 20, 2009 for the purpose of extending

short term loans to Anchal Properties Private Limited, which was repaid in full by the latter by mid of October, 2009. It was submitted that not only ₹60,00,000 was lent to Anchal Properties Private Limited, but ₹1.45 crore was lent to Anchal Properties Private Limited during June-July 2009 and the whole amount was repaid by mid of October, 2009. Noticee 1 submitted a copy of ledger of Anchal Properties Private Limited in its books and a copy of its bank statement of that period, from which the funds transferred between two entities, as submitted by Noticee 1, could be observed.

25. During the course of hearing, Noticee 1 was asked to submit documents related to short term loans extended by it to Anchal Properties Private Limited. Noticee 1, vide letter dated October 19, 2022 submitted that it was unable to fetch loan documents due to long duration of time which has elapsed and change in management of Noticee 1.

26. I note that Noticee 2 has transferred ₹3,73,72,500 in ten instalments to Noticee 1 for the purpose of latter's preferential allotment of 1,66,10,000 equity shares. However, only the last instalment of ₹60,00,000 is alleged to have been funded by Noticee 1. From the documents on record, I find that Noticee 2 received funds of ₹60,00,000 from Anchal Properties Private Limited and in exchange, allotted its own 30,000 equity shares to Anchal Properties Private Limited. The details of the said allotment were also filed with the MCA. I also observe that ₹60,00,000 transferred by Noticee 1 to Anchal Properties Private Limited was part of ₹1.45 crores which was lent by Noticee 1 to Anchal Properties Private Limited and repaid by the latter in full, by October, 2009. I find that there is no cogent material on record to show that Noticees engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment by channelling of

Noticee 1's own funds to Noticee 2 through Anchal Properties Private Limited and allotting shares to Noticee 2, thereby limiting genuine capital infusion to that extent.

27. In view of the above, I am inclined to give benefit of doubt to Noticees 1 and 2 and observe that violation of provisions of Regulation 3 (a), (b), (c), (d), and 4(1) of PFUTP Regulations 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992 does not stand established.

28. In this regard, reliance is placed on the order of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") in the matter of KSL & Industries Ltd. Vs. SEBI (Appeal No. 9/2003), wherein it was held:
"…….A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidence is not to be sustained. ……allegation of 'fraud' cannot survive on mere conjectures and surmises."

29. In view of the above, I do not find it to be a fit case for imposition of penalty under section 15HA of SEBI Act, 1992. Hence, the SCN dated August 31, 2022 is disposed of, without imposition of penalty.

30. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee i.e. Aadhaar Ventures India Limited (Formerly Prraneta Industries Limited) and Viaggio Traders Private Limited (formerly Viaggio Entertainments Private Limited) and also to the Securities and Exchange Board of India.

Place: Mumbai **BARNALI MUKHERJEE**
Date: October 21, 2022 **ADJUDICATING OFFICER**