



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

**By Speed Post AD/Email**

**CHIEF GENERAL MANAGER & ADJUDICATING OFFICER  
ENQUIRIES AND ADJUDICATION DEPARTMENT - 5**

**EAD5/MC/HP/1928/2021  
January 22, 2021**

- |                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. M/s PACL Ltd</b><br/><b>PAN: AAACP4032A</b><br/>PACL House, B-15, Paschim<br/>Vihar, New Delhi – 110063</p> <p>Email -<br/>representativepac@gmail.com</p>                                                                                                                                     | <p><b>2. Gurmeet Singh</b><br/><b>PAN: AAMPS1400Q</b><br/>49, Eklavya Apts., Sector-13,<br/>Rohini, Delhi – 110085</p> <p>Email -<br/>gurmeetsingh2003@yahoo.com</p>                                                                                                                             |
| <p><b>3. Subrata Bhattacharya</b><br/><b>PAN: AAIPB6480H</b><br/>C 1387, Sector 3, Rohini,<br/>New Delhi – 110085</p> <p>Email -<br/>karancricketer_2004@yahoo.com</p>                                                                                                                                  | <p><b>4. Sukhdev Singh</b><br/><b>PAN: AUGPS1400Q</b><br/>PACL House, B-15, Paschim<br/>Vihar, New Delhi – 110063</p> <p>Email -<br/>representativepac@gmail.com</p>                                                                                                                             |
| <p><b>5. Tarlochan Singh</b><br/><b>PAN: AIEPS9489Q</b><br/>PACL House, B-15, Paschim<br/>Vihar, New Delhi – 110063</p> <p>Email -<br/>representativepac@gmail.co<br/>m</p>                                                                                                                             | <p><b>6. Prateek Kumar</b><br/><b>PAN: APDPK8666A</b><br/>A-85, Ground Floor, Sector 51<br/>Noida- 201307, Uttar Pradesh</p> <p>Email -<br/>prateek_2001@indiatimes.com;<br/>birender@synergyone.in;<br/>kumaronline007@yahoo.com</p>                                                            |
| <p><b>7. Shriram Khandelwal</b><br/><b>PAN: AFZPK7230C</b><br/>The Capital, A Wing, 6th Floor,<br/>603-606, Plot No. C-70, G<br/>Block, Bandra Kurla Complex,<br/>Bandra East, Mumbai –<br/>400051</p> <p>Email -<br/>venturecomplaine@systematixgro<br/>up.com;<br/>secretarial@systematixgroup.in</p> | <p><b>8. Anju Khandelwal</b><br/><b>PAN: ABDPA0470E</b><br/>The Capital, A Wing, 6th Floor,<br/>603-606, Plot No. C-70, G<br/>Block, Bandra Kurla Complex,<br/>Bandra East, Mumbai – 400051</p> <p>Email -<br/>venturecomplaine@systematixg<br/>roup.com;<br/>secretarial@systematixgroup.in</p> |

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Company Private Limited**  
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**Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of Role of Systematix Venture Capital Trust in allegedly facilitating the transfer of funds of one set of PACL entities to another set of associates of PACL**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') has initiated adjudication proceedings against, **M/s PACL Ltd (Noticee 1/PACL), Gurmeet Singh (Noticee 2), Subrata Bhattacharya (Noticee 3), Sukhdev Singh (Noticee 4), Tarlochan Singh (Noticee 5), Prateek Kumar (Noticee 6), Shriram Khandelwal (Noticee 7), Anju Khandelwal (Noticee 8), Prem Rajani (Noticee 9), CP Khandelwal (Noticee 10), Ramesh Raizada (Noticee 11), Sunil Sarda (Noticee 12), Nikhil Khandelwal (Noticee 13), Systematix Assets management Company Private Limited (Noticee 14), Unicorn Infra Projects and Estates Pvt. Ltd (Noticee 15/Unicorn) and DDPL Global Infrastructure Pvt. Ltd (Noticee 16/DDPL)** pursuant to investigation in the captioned matter. Noticees 1 to 16 are collectively referred to as '**Noticees/You**'.
2. Adjudication proceedings have been initiated against,
  - a) Noticees 1 to 16 under section 15HA of SEBI Act, 1992, (hereinafter referred to as, '**SEBI Act**') for alleged violations of Regulation 3(a) and Regulation 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as, '**PFUTP Regulations**').
  - b) Noticees 7 to 14 under section 15HB of SEBI Act for alleged violations of Section 11 (3), 12 (d) (i), 12 (d) (ii), 12 (b), 17(1) (b) of SEBI (Venture Capital Funds) Regulations, 1996 (hereinafter referred to as, '**VCF Regulations**').
  - c) Noticees 7 to 14 under section 15A(b) of SEBI Act for alleged violations of SEBI Circular SEBI/IMD/DOF-1/VCF/CIR-1/2010 read with Regulation 22 of VCF Regulations.





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3. The undersigned was appointed as Adjudicating Officer vide order dated November 06, 2020 to inquire into and adjudge under section 15A(b), 15HA and 15HB of SEBI Act the aforesaid alleged violations against the Noticees. Copy of the communique dated November 17, 2020 appointing the undersigned as Adjudicating Officer is placed as **Annexure 1**.
4. SEBI conducted an investigation in the matter to examine the role of Systematix Venture Capital Trust (SVCT) in allegedly facilitating the transfer of funds of one set of PACL entities to another set of associates of PACL for the period from April 01, 2012 to March 31, 2018 (**Investigation Period**). However, wherever deemed necessary, reference has been made to outside this period.
5. **Background of PACL**

PACL was incorporated as a public company limited by Shares, with ROC, Rajasthan, Jaipur vide Certificate of Incorporation No. 17-011577 dated 13.02.1996. PACL is classified as Non-government company and is involved in real estate activities with own or leased property. PACL is not a listed company. The registered office of the company is situated at 22, 3rd Floor, Amber Tower, Sansar Chandra Road, Jaipur, Rajasthan.

6. **Board of Directors of PACL**

The following are the details of the Board of directors during the investigation period and the extended period:

| Sr. No. | Name of the Director            | Date of Appointment | Date of Cessation |
|---------|---------------------------------|---------------------|-------------------|
| 1       | Nirmal Singh Bhangoo            | 03.06.1996          | 03.02.1998        |
| 2       | Sukhdev Singh (DIN: 00498732)   | 03.06.1996          | Managing Director |
| 3       | Tarlochan Singh (DIN: 00498624) | 13.02.1996          | Present Director  |
| 4       | Gurwant Singh Anand             | 13.02.1996          | 16.09.1996        |
| 5       | Gurnam Singh                    | 13.02.1996          | 07.01.1997        |





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|----|--------------------------------------|------------|------------------|
| 6  | Gurnam Singh                         | 10.01.1998 | 05.02.2009       |
| 7  | Devinder Kumar Uppal                 | 10.08.1998 | 05.02.2009       |
| 8  | Joginder Tyger                       | 05.09.2005 | 31.12.2008       |
| 9  | Gurmeet Singh (DIN: 00067223)        | 01.02.2009 | Present Director |
| 10 | Subrata Bhattacharya (DIN: 00570538) | 01.02.2009 | Present Director |
| 11 | Gurjant singh Gill (DIN: 00067087)   | 11.11.2013 | Present Director |
| 12 | Ms Shail Dutt (DIN: 06922333)        | 16.08.2014 | Present Director |
| 13 | Anil Choudhary Legha (DIN: 03376753) | 05.02.2015 | Present Director |
| 14 | Balkaran Singh (DIN: 03593230)       | 05.02.2015 | Present Director |
| 15 | Suresh Kumar Kinra (DIN: 02606829)   | 30.03.2015 | Present Director |

#### 7. Details of Systematix Venture Capital Trust (SVCT)

SVCT was established in the year 2010, and was registered with SEBI as a Venture Capital Trust with Registration No. IN/VCF/10-11/0197. The registered office of the Trust is at Chennai and corporate office is in Mumbai. As per the Private Placement Memorandum ("PPM") (copy placed as Annexure 2) of Scheme-I of SVCT, it was established with the objective of making private equity investments in entities engaged in the real estate development with period of 7 years from the date of initial closing. Noticee 14 is the Investment Manager of the Fund. As per information provided by SVCT, only one Scheme (i.e. Scheme I) was launched by the VCF. Trustees and Investment Managers of SVCT are as follows:

| Particulars                              | Directors          | Date of Appointment | Date of Cessation |
|------------------------------------------|--------------------|---------------------|-------------------|
| Systematix Venture Capital Trust (Trust) | Dhiraj Khandelwal  | 16.06.2008          | 01.02.2012        |
|                                          | S. T. Gerela       | 16.06.2008          | 22.05.2017        |
|                                          | Shriram Khandelwal | 17.09.2010          | -                 |





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|-----------------------------------------------------------------------------------|-----------------------|---------------|------------|
|                                                                                   | Anju Khandelwal       | 17.09.2010    | -          |
|                                                                                   | Prem Rajani           | 01.02.2012    | 22.01.2016 |
| Systematix<br>Assets<br>Management<br>company Pvt.<br>Ltd (Investment<br>Manager) | P. H. Arvinth Pandian | Incorporation | 04.03.2011 |
|                                                                                   | CP Khandelwal         | 01.07.2010    | -          |
|                                                                                   | Nikhil Khandelwal     | 01.07.2010    | -          |
|                                                                                   | Ramesh Kumar Raizada  | 01.07.2010    | 17.09.2013 |
|                                                                                   | Sunil Sarda           | 07.03.2012    | 20.09.2018 |
|                                                                                   | Pradeep Gotecha       | 24.11.2015    | 12.01.2017 |

Noticee 10 is the founder and chairman of Systematix group of companies as per PPM.

**8. Background of the case**

**9. Investments by PACL Associates in SVCT**

- Investment of INR 110.95 Crores was made by PACL through its subsidiaries in a M/s. Systematix Venture Capital Trust (SVCT). SVCT has invested this amount in two Mumbai based companies i.e. M/s. Unicorn Infra Projects & Estates Pvt. Ltd. (Unicorn) and M/s. DDPL Global Infrastructure Pvt. Ltd. (DDPL). This amount has further been invested by the said companies in Land/Real estate project in Maharashtra- Thane district.
- The money has been invested by SVCT in equity and OFCDs (convertible debentures) of the aforesaid two companies i.e. Unicorn and DDPL.





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- c) SVCT has entered in an agreement dated January 27, 2016 for selling its equity shareholding in the two investee companies' viz. DDPL and Unicorn for Rs. 1925 Lacs. The details of the same areas under:

| Sr. No.                         | Company name | Number of Shares | Price  | Amount (Rs. in Lacs) |
|---------------------------------|--------------|------------------|--------|----------------------|
| 1                               | DDPL         | 2500000          | 46     | 1150                 |
| 2                               | Unicorn      | 750000           | 103.33 | 775                  |
| Total Sale Consideration        |              |                  |        | 1925                 |
| Cost of equity shares           |              |                  |        | 1824.50              |
| Profit on Sale of equity shares |              |                  |        | 100.50               |

- d) SVCT had sold the equity holding of the investee companies for a consideration aggregating to Rs. 19.25 crores. SVCT had received total advance of Rs. 2 Crores from buyer for the said equity which was partly utilized for distribution to unit holders and partly to meet out the expenses like tax management, service tax, of SVCT.
- e) The balance consideration of Rs. 17.25 crores received by SVCT has been paid to unit holders in the proportion of the units held. Details of the same areas under:
- To the PACL committee on behalf of 25 companies – Rs. 16,86,98,766
  - To Superstar Export Pvt Limited (Investment Manager of SVCT) - Rs. 38,01,234
- f) SVCT submitted that the valuation of the equity holding of the investee companies was evaluated by a CA Valuation firm RV Shah and associates.





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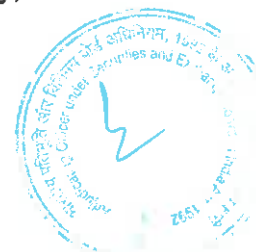
- g) After selling the shares of investee companies, SVCT was holding the OFCDs of Rs. 71.29 crores in the investee companies. PACL Committee vide letter dated November 09, 2016 advised SVCT for early redemption of OFCDs. Accordingly, SVCT had requested to the investee companies to provide the proposal for early redemption of OFCDs.
- h) Thereafter, investee companies submitted proposal for early redemption of the outstanding OFCD for an amount aggregating to Rs. 25.95 crores (face value Rs. 71.29 crores) on March 20, 2017. Details of the same areas under:

| Name of the company | Outstanding OFCD amount (in INR) | Due date of redemption | Value Discounted @26% | Price offered for prepayment |
|---------------------|----------------------------------|------------------------|-----------------------|------------------------------|
| Unicorn             | 53.96                            | 10 Sep 19              | 34.32                 | 19.64                        |
| DDPL                | 17.33                            | 10 Sep 19              | 11.02                 | 6.31                         |
| Total               | 71.29                            |                        |                       | 25.95                        |

- i) Investee companies provided following reasons for discounted redemption:
- The restriction of reclamation of land or any kind of construction on the wetland imposed by the court.
  - Prevalent higher cost of finance for arranging finance for early repayment/redemption of OFCDs which was due on September 10, 2019.

Thereafter, SVCT deposited Rs. 25,37,81,622 on June 01, 2017 to PACL Committee on behalf of said 25 companies against the redemption of the outstanding OFCDs.

- j) Subsequently, on August 23, 2017 PACL committee advised SVCT to evaluate the reasonableness and fairness for the proposal /money received from the investee companies by the auditors. Accordingly, SVCT





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approached Deloitte for fair valuation of equity and OFCDs of the investee companies.

- k) The summary of the fair valuation provided by the Auditors "Deloitte" are as under:

| Instrument type | Fair valuation provided by the Auditors Deloitte (Rs. In Crores) | Value of selling/redemption by SVCT Rs. In Crores) |
|-----------------|------------------------------------------------------------------|----------------------------------------------------|
| Equity          | 16.10                                                            | 19.25                                              |
| OFCDs           | 27.58                                                            | 25.95                                              |
| Total           | 43.68                                                            | 45.20                                              |

- l) Thus, the total amount paid by PACL through its 25 associates was Rs.110.95 crores and total amount received by Associates of PACL and PACL Committee was Rs. 61.28 crores approximately on behalf of 25 associates of PACL. Hence, total loss to investor by this arrangement is Rs. 49.66 crores approximately. (without considering the interest loss). Details of the same are tabulated below:

| Particulars                                                         | Amount in Rs.       |
|---------------------------------------------------------------------|---------------------|
| Total Amount invested by PACL in SVCT                               | 110,95,00,000       |
| Early redemption by SVCT (Amount received by 25 Associates of PACL) | (19,04,10,000)      |
| Redemption of equity held by SVCT in two investee companies         | (16,86,98,766)      |
| Redemption of OFCDs held by SVCT in two investee companies          | (25,37,81,622)      |
| <b>Loss to the investor of PACL</b>                                 | <b>49,66,09,612</b> |

#### 10. Scheme-I (Scheme-I) of SVCT

SVCT was granted registration as a Venture Capital Fund by SEBI in November 2010. SVCT had received funds from 26 investors (among these investors, 25





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entities were PACL entities) amounting to Rs. 113.45 crores during April 2012 - August 2013. SVCT invested the said amount in equity and OFCD of DDPL and Unicorn. Details of the investment made by SVCT is as under:

| Investee Company | Equity (in Rs. Lacs) | OFCD (in Rs. Lacs) | Total (in Rs. Lacs) |
|------------------|----------------------|--------------------|---------------------|
| DDPL             | 1375.00              | 3733.00            | 5108.00             |
| Unicorn          | 449.50               | 5546.00            | 5995.50             |
| <b>Total</b>     | <b>1824.50</b>       | <b>9279.00</b>     | <b>11103.50</b>     |

The Scheme-I of SVCT had 26 investors (including 25 PACL associates companies) and the amounts received by SVCT from them are as mentioned below:

| Sl. No. | Name of the Investor                  | Amount received (in Rs. crores) by SVCT |
|---------|---------------------------------------|-----------------------------------------|
| 1       | Aditi Hitech Promoters Pvt Ltd        | 3.40                                    |
| 2       | Ashiana Buildways Pvt Ltd             | 4.95                                    |
| 3       | Ashiana Decent Homes Builders Pvt Ltd | 4.75                                    |
| 4       | Ashiana Unique Technobuild Pvt Ltd    | 4.35                                    |
| 5       | Bhagat and Tara Buildcon Pvt Ltd      | 5.15                                    |
| 6       | Bhagat and Tara Realtors Pvt Ltd      | 5.45                                    |
| 7       | GND City Developers Pvt Ltd           | 3.95                                    |
| 8       | GND Realtors Pvt Ltd                  | 5.15                                    |
| 9       | GND Township Developers Pvt Ltd       | 6.50                                    |
| 10      | GND Urban Developers Pvt Ltd          | 4.90                                    |
| 11      | GTB Quality Buildmart Pvt Ltd         | 4.35                                    |
| 12      | GTB Skyhi Buildings Pvt Ltd           | 5.90                                    |
| 13      | GND Technobuild Pvt Ltd               | 3.30                                    |
| 14      | GND Unique Constructions Pvt Ltd      | 5.35                                    |





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| Sl. No. | Name of the Investor                               | Amount received (in Rs. crores) by SVCT |
|---------|----------------------------------------------------|-----------------------------------------|
| 15      | GTB Farm Developers Pvt Ltd                        | 4.30                                    |
| 16      | Hajura and Saini Realtors Pvt Ltd                  | 2.80                                    |
| 17      | Jai Maa Jwalamukhi Superior Homes Pvt Ltd          | 2.70                                    |
| 18      | Nupur Buildcon Pvt Ltd                             | 3.15                                    |
| 19      | Singh and Ghyasi Buildcon Pvt Ltd                  | 4.20                                    |
| 20      | Singh and Ghyasi Real Estate Developers Pvt Ltd    | 5.85                                    |
| 21      | Singh and Ghyasi Realtors Pvt Ltd                  | 4.20                                    |
| 22      | Singh and Kajla Dreampalaces Constructions Pvt Ltd | 5.10                                    |
| 23      | Sukhvir Developers Pvt Ltd                         | 2.75                                    |
| 24      | Sukhvir Realtors Pvt Ltd                           | 4.05                                    |
| 25      | Sunshine Unique Promoters Pvt Ltd                  | 4.40                                    |
| 26      | Superstar Exports Pvt. Ltd (group company of SVCT) | 2.50                                    |
|         | <b>Total</b>                                       | <b>113.45</b>                           |

11. As per the KYC documents submitted by the aforementioned 25 investors/entities with SVCT (excluding Superstar Exports Pvt. Ltd), it is observed that they are subsidiary/associate entities of PACL. Further, PACL vide its letter dated September 29, 2016, admitted that these 25 companies are the associate/subsidiary companies of PACL and a total of Rs.110.95 crores were transferred by these companies to SVCT towards contribution for investment against contribution agreements entered by these companies with SVCT (copy placed as **Annexure 3**). Also, the minutes of the meetings of the Board of Directors of these 25 companies are identical which reflects that all these companies were managed/controlled by one entity (copy placed as **Annexure 4**).

12. Further, as per the bank statements (for the period 2012-13) of the aforesaid 25 companies, it is observed that they have received funds from PACL towards investment in Scheme-I of SVCT. It was observed that PACL first transferred the said funds to 5 entities viz. GAD Decent Home Builders Pvt. Ltd., GAD Lifestyle





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Developers Pvt. Ltd., GAD Colonisers Pvt. Ltd., GAD Decent City Developers Pvt Ltd. and GAD City Developers Pvt. Ltd who in turn transferred these funds to these 25 associate/subsidiary companies of PACL for investment in the Scheme-I of SVCT.

13: PACL vide its email dated July 16, 2020 submitted that these five companies are associates of PACL. Further, PACL submitted a letter dated June 21, 2016 to Lodha Committee providing the list of its 639 associate/subsidiary companies. It was observed that these 5 companies were among those 639 associate/subsidiaries companies of PACL. (list placed as **Annexure 5**)

14. The details of the fund transfers are as under: (copy of bank statements is placed as **Annexure 6**)

| Sl. No. | Name of the company which received funds from PACL | Names of the companies to whom funds were transferred for investment in Scheme-I of SVCT                                                                                                 |
|---------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | GAD Decent Home Builders Pvt. Ltd.                 | a) Bhagat and Tara Real<br>b) G N D City Developer<br>c) Aditi Hitech Promote<br>d) G N D urban Developer<br>e) G N D realtors pvt Ltd<br>f) Singh and Ghyasi<br>g) Sukhvir Realtors Pvt |
| 2       | GAD Lifestyle Developers Pvt. Ltd.                 | a) G N D Realtors Pvt Ltd<br>b) G N D Unique Construc<br>c) G N D Township Devel<br>d) G N D Technobuild Pvt<br>e) Sukhvir Developers P                                                  |
| 3       | GAD Colonisers Pvt Ltd.                            | a) Ashiana decent Homes<br>b) GTB Skyhi Buildings<br>c) Singh and Ghyasi real Estate developers<br>d) Singh and Ghyasi Bui<br>e) Jai Maa Jwalamukhi S                                    |
| 4       | GAD Decent City Developers Pvt Ltd.                | a) Ashiana Unique Techn<br>b) Bhagat and tara Build<br>c) GTB Farm Developer<br>d) Singh and Kajla drea<br>e) Nupur Buildcon Pvt L                                                       |





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|   |                               |                                                                                                                               |
|---|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 5 | GAD City Developers Pvt. Ltd. | a) GTB Quality Build<br>b) Ashiana Buildways<br>c) Singh and Ghyasi rea<br>d) Sunshine Unique Prom<br>e) Hajura and Saini rea |
|---|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------|

15. It was observed that the contribution agreements for all the 25 entities were executed in Delhi, though these companies were based in different states. Further, PACL has address in New Delhi which is 401-406, Indra Prakash Building, Barakamba Road, New Delhi. The details of common directors/shareholders of the 25 investor companies are placed as **Annexure 7**.

**PACL connection with the investee companies of Scheme-I viz. DDPL and Unicorn**

**16. Directors of DDPL:**

The Directors of DDPL as on September 30, 2011 as provided in Annual return is as under (before the investment made by SVCT):

| Sl. No. | Name of the Shareholder | Date of appointment | Date of Cessation |
|---------|-------------------------|---------------------|-------------------|
| 1       | Ankush Prabhakar Yadav  | 27/03/2008          | -                 |
| 2       | Prateek Kumar           | 01/02/2010          | -                 |
| 3       | Dharmendra P Shah       | 27/03/2008          | -                 |
| 4       | Hemant A. Patil         | 27/03/2008          | -                 |
| 5       | Shakar Rao Borkar       | 27/03/2008          | -                 |
| 6       | Amol Borkar             | 27/03/2008          | -                 |
| 7       | Gurmeet Singh           | 01/06/2011          | -                 |

17. It was observed that Noticee 2 (director of PACL) was also the director in DDPL (before the investment made by SVCT)

18. Directors of DDPL after the investment made by SVCT: as on September 30, 2012





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| Sl. No. | Name of the Shareholder | Date of appointment | Date of Cessation |
|---------|-------------------------|---------------------|-------------------|
| 1       | Gurmeet Singh           | 01/06/2011          | 11/09/2012        |
| 2       | Prateek Kumar           | 01/02/2010          | -                 |
| 3       | Dharmendra P Shah       | 27/03/2008          | -                 |
| 4       | Hemant A. Patil         | 27/03/2008          | -                 |
| 5       | CP Kahandelwal          | 11/09/2012          | -                 |
| 6       | Tushar Sarda            | 11/09/2012          | -                 |

19. It is observed from the above table that after the sale of stake of DDPL by PACL to SVCT, Noticee 2 resigned from the directorship in DDPL.

20. Directors of Unicorn:

The Directors of Unicorn as on September 30, 2011 as provided in Annual return is as under (before the investment made by SVCT):

| Sl. No. | Name of the Shareholder | Date Of appointment | Date of Cessation |
|---------|-------------------------|---------------------|-------------------|
| 1       | Prateek Kumar           | 05/03/2010          | -                 |
| 2       | Dharmendra P Shah       | 04/12/2007          | -                 |
| 3       | Hemant A. Patil         | 04/12/2007          | -                 |

21. Directors of Unicorn after the investment made by SVCT: as on September 30, 2012

| Sl. No. | Name of the Director | Date Of appointment | Date of Cessation |
|---------|----------------------|---------------------|-------------------|
| 1       | Tushar Sarda         | 11/09/2012          | -                 |
| 2       | Prateek Kumar        | 05/03/2010          | -                 |
| 3       | Dharmendra P Shah    | 04/12/2007          | -                 |
| 4       | Hemant A. Patil      | 04/12/2007          | -                 |
| 5       | CP Kahandelwal       | 11/09/2012          | -                 |





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22. It is observed from the above table that Hemant Patil and Dharmendra P Shah were the directors of Unicorn and DDPL at the time when SVCT made investments in Unicorn and DDPL. Further, Noticee 6 was the director in both the investee companies before and after investment made by the SVCT.

**23. Shareholding pattern of DDPL:**

24. The shareholding pattern of DDPL as on March 31, 2012, as provided with the due diligence report of Pravin P. Shah & Company (auditor appointed by SVCT), is as under (before the investment made by SVCT):

| Sl. No. | Name of the Shareholder | No. of shares held (FV-Rs. 10 per share) | % of holding |
|---------|-------------------------|------------------------------------------|--------------|
| 1       | PACL India Ltd.         | 4,00,000                                 | 40.00        |
| 2       | Prateek Kumar           | 1,10,000                                 | 11.00        |
| 3       | Dharmendra P Shah       | 1,63,350                                 | 16.34        |
| 4       | Hemant A. Patil         | 1,63,350                                 | 16.34        |
| 5       | Shakarrao Borkar        | 1,53,300                                 | 15.33        |
| 6       | Amol Borkar             | 10,000                                   | 1.00         |
|         | <b>Total</b>            | <b>10,00,000</b>                         | <b>100</b>   |

25. It was observed that PACL together with Noticee 6 held 51% of total shareholding of DDPL.

**26. Shareholding pattern of DDPL after the investment made by SVCT:**

| Sl. No. | Name of the Shareholder                                                                         | No. of shares held | % of holding |
|---------|-------------------------------------------------------------------------------------------------|--------------------|--------------|
| 1       | SVCT                                                                                            | 5,00,000           | 50.00        |
| 2       | NSB Infrastructure & Projects P. Ltd. (New Name: Synergyone Infrastructures & Projects Pvt Ltd) | 1,63,300           | 16.34        |
| 3       | Dharmendra P Shah                                                                               | 1,63,350           | 16.34        |
| 4       | Hemant A. Patil                                                                                 | 1,63,350           | 16.34        |
| 5       | Gurmeet Singh                                                                                   | 10,000             | 1.00         |





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|-------|-----------|-----|
| Total | 10,00,000 | 100 |
|-------|-----------|-----|

27. It was observed that SVCT held 50% equity of DDPL, after it bought the said equity from PACL and Noticee 6. Further, Noticee 2 held 1% and Synergyone Infrastructure and Projects Ltd. where Noticee 6 held majority stake held 16.34 % of DDPL.

**28. Shareholding pattern of Unicorn:**

29. The shareholding pattern of Unicorn as on March 31, 2012, as provided with the due diligence report of Pravin P. Shah & Company is as under (before the investment made by SVCT):

| Sl. No.      | Name of the Shareholder                                                                         | No. of shares held<br>(FV-Rs. 10 per share) | % of holding |
|--------------|-------------------------------------------------------------------------------------------------|---------------------------------------------|--------------|
| 1            | NSB Infrastructure & Projects P. Ltd. (New Name: Synergyone Infrastructures & Projects Pvt Ltd) | 5,000                                       | 50.00        |
| 2            | Prateek Kumar                                                                                   | 1,667                                       | 16.67        |
| 3            | Dharmendra P Shah                                                                               | 1,666                                       | 16.66        |
| 4            | Hemant A. Patil                                                                                 | 1,667                                       | 16.67        |
| <b>Total</b> |                                                                                                 | <b>10,000</b>                               | <b>100%</b>  |

30. It was observed that Prateek Kumar together with NSB Infrastructure & Projects P. Ltd. held 66.67% shareholding in Unicorn as on March 2012. Further, Noticee 6 was the major shareholder of NSB Infrastructure & Projects P. Ltd. which was later renamed as Synergyone Infrastructures & Projects Pvt Ltd. SVCT made the investment in Unicorn in April 2012. Thereafter, Noticee 6 transferred 80% of the shareholding in the Synergyone Infrastructures & Projects Pvt Ltd. (erstwhile NSB Infrastructure & Projects P. Ltd.) to PACL as per Schedule 4 of the Definitive Agreement dated October 02, 2013 (placed as **Annexure 8**).





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31. PACL submitted a letter to Lodha Committee dated June 21, 2016, providing the list of its 639 associates/subsidiaries companies. It was observed from the said list that one company namely NSB Relators Private Limited (shown as an associate/subsidiary of PACL) had common directors with Synergyone Infrastructures & Projects Pvt Ltd. Hence, it is observed that PACL Ltd was connected with Synergyone Infrastructures & Projects Pvt Ltd. Therefore, NSB Infrastructure & Projects P. Ltd. which was later renamed as Syner-gyone Infrastructures & Projects Pvt Ltd was connected to PACL. Further, PACL held Investment in Unicorn through Synergyone Infrastructures & Projects Pvt Ltd.

32. Shareholding pattern of Unicorn after the investment made by SVCT:

| Sl. No. | Name of the Shareholder | No. of shares held | % of holding |
|---------|-------------------------|--------------------|--------------|
| 1       | SVCT                    | 5,000              | 50.00        |
| 2       | Prateek Kumar           | 1,000              | 10.00        |
| 3       | Dharmendra P Shah       | 1,666              | 16.66        |
| 4       | Hemant A. Patil         | 1,667              | 16.67        |
| 5       | Gurmeet Singh           | 667                | 6.67         |
| Total   |                         | 10,000             | 100%         |

33. It is observed from the above table that SVCT held 50% of the equity of Unicorn after buying the stake from NSB Infrastructure & Projects P. Ltd. It was also observed that Noticee 2 held 6.67% and Noticee 6 held 10% in Unicorn subsequent to the investment made by SVCT (copy placed as **Annexure 9**). Further, Noticee 2 (director of PACL) became shareholder in both the investee companies DDPL and Unicorn after the investment made by SVCT. He was director in DDPL before the investment made by SVCT. It was observed that NSB Infrastructure & Projects P. Ltd., which was renamed as Synergyone Infrastructures & Projects Pvt. Ltd, was a company Noticee 6. Noticee 6 was a director and subscriber of Memorandum of





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Association of Synergyone Infrastructures & Projects Pvt. Ltd. Further, Noticee 6 was a major shareholder of Synergyone Infrastructures & Projects Pvt. Ltd. With regard to relationship of Noticee 6 with PACL, the following facts are observed:

- a) As per the information provided by PACL *vide* its letter dated September 30, 2016 to the PACL Committee, around Rs. 1,500 crore were transferred to Noticee 6 by PACL. PACL and Noticee 6 had entered into Definitive Agreement for Settlement dated October 02, 2013.
- b) Further, Noticee 6 was the director in the both the investee companies i.e. DDPL and Unicorn. Both the investee companies were closely related/connected entity of PACL.
- c) It was observed from Schedule 4 of the Definitive Agreement dated October 02, 2013 between PACL and Noticee 6 that Noticee 6 has transferred 80% of the shareholding in the Synergyone Infrastructures & Projects Pvt Ltd to PACL, detail of which already bought out above.
- d) The Definitive Agreement dated October 02, 2013 between PACL and Noticee 6 *inter-alia* states the following:  
"PACL states that, as per its books and records as on the date of this Agreement, it has from time to time and in various tranches, transferred to the following entities an aggregate gross amount of Rs. 2285.79 Crores (Rupee two thousand two hundred eighty five crores and seventy nine lakhs only) ("Advance") for the purpose of acquiring lands in various parts of India, development of various projects wherein land was in the name of PACL or its PACL Group, providing liaison services relating to various kind of approvals and permission for development of land, etc, for and on behalf of and in trust for PACL, which Prateek Kumar hereby confirms. Details of the major amount transferred are as under:





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| Sl. No. | Name of receiving party                       | Amount in aggregate (in Rs.) |
|---------|-----------------------------------------------|------------------------------|
| 1.      | Greenfield Estates                            | 1,885.03                     |
| 2.      | Sunshine Developers                           | 64.50                        |
| 3.      | Synergyone Infrastructures & Projects Pvt Ltd | 288.28                       |
| 4.      | Synergyone InfraDevelopers Pvt Ltd            | 12.98                        |
|         | <b>Total</b>                                  | <b>2,250.79</b>              |

34. Vide email dated February 27, 2020 PACL was asked to provide the relationship details of PACL or/and its promoters, directors and key managerial person with Noticee 6. In reply, vide email dated March 03, 2020 independent director of PACL Mr. Sikender Singh Dhillon, *inter-alia*, submitted that *"Mr. Prateek Kumar came into picture in PACL Limited in 2008 as a broker who entered into MOU's with PACL Limited for procuring land at various states of India for PACL Limited. Later on PACL Limited advanced him from time to time huge funds approximately Rs. 2000 crores for land procurement. He manipulated the funds and bought land in his own companies managed by his employees / relatives. Then he had good terms with executive directors of PACL Limited and he introduced Mr. C P Khandelwal to directors of PACL Limited. Later on friendship developed and Mr. Prateek kumar became front bencher of PACL Limited."* (copy placed as **Annexure 10**).

35. PACL and Noticee 6 were together holding 51% stake in DDPL prior to the investment made by SVCT as PACL was holding 40% and Noticee 6 was holding 11% in DDPL. Further, Noticee 6 was the director in both the investee companies. Hence, based on shareholding pattern and directorship, both PACL and Noticee 6 were connected prior to the investment made by SVCT.

36. Based on the aforesaid, it was observed that Noticee 6 was a front of PACL and/or closely related/connected to PACL. Further, DDPL and Unicorn were related to PACL, as PACL held 51% stake in DDPL and 67% in Unicorn (directly or indirectly through its front/connected entity Noticee 6 and Synergyone Infrastructures & Projects Pvt Ltd) at the time of investment by SVCT. Further, it was also observed





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that SVCT while making investment in Scheme-I was aware that they are buying equity shareholding of DDPL and Unicorn from PACL and its related entities (Noticee 6 and his companies).

**Scheme-I of SVCT was meant to be a conduit for transferring the funds from one set of associates of PACL to another set of associates of PACL by using the venture capital route**

37. It was observed that SVCT has launched only 1 scheme "Scheme-I" since inception. The Scheme-I raised Rs.113.45 crores (including Rs. 2.50 crores from one subsidiary of the investment manager). All the other 25 investors in Scheme-I of SVCT, were admittedly associate companies of PACL. The break-up of investments made by Scheme-I in DDPL and Unicorn as provided by SVCT vide its letter dated August 17, 2017 is as under:

| Sl. No. | Investee Company | Equity (in Rs. Lacs) | OFCD (in Rs. Lacs) | Total (in Rs. Lacs) |
|---------|------------------|----------------------|--------------------|---------------------|
| 1       | DDPL             | 1375.00              | 3733.00            | 5108.00             |
| 2       | Unicorn          | 449.50               | 5546.00            | 5995.50             |
|         | <b>Total</b>     | <b>1824.50</b>       | <b>9279.00</b>     | <b>11103.50</b>     |

38. SVCT had initially acquired 50% of the equity of said investee companies. Thereafter, in the year 2015, the investee companies came out with an offer of rights issue for the existing shareholders. The investment Committee of SVCT decided to subscribe the said rights issue. The shareholding of SVCT after the right issue was 58.02% and 59.92% in DDPL and Unicorn respectively due to non-subscription by some of the shareholders.

39. The funds raised by SVCT (through 25 associated entities of PACL) were used to purchase the stake of PACL in DDPL and that of its front, Noticee 6 in Unicorn. As per the submissions made by SVCT vide its letter dated April 17, 2017 (copy placed





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as **Annexure 11**), SVCT has paid Rs.9.4 crores for purchase of 4,00,000 equity shares of PACL in DDPL in the year 2012. Further, SVCT had purchased 1,00,000 shares of DDPL from Noticee 6 for a total consideration of Rs 2,35,00,000. SVCT had purchased 5,000 shares being 50% equity of Unicorn from Synergyone Infrastructure & Projects Pvt Limited (erstwhile NSB Infrastructure & Projects Pvt Limited a company of Noticee 6) for a total consideration of Rs 3,75,00,000.

40. In view of the above, it was observed that SVCT through its Scheme-I had purchased equity in DDPL and Unicorn from PACL and its connected/associated entities.
41. Vide email dated February 27, 2020, PACL was requested to give reasons/purpose behind transferring money from 25 PACL associates companies to another two PACL associates companies through SVCT. In reply, vide email dated March 03, 2020 independent director of PACL Mr. Sikender Singh Dhillon submitted that *"reason behind transferring money from PACL limited to SVCT through 25 companies may be not to establish direct connection between PACL and DDPL & Unicorn. At the time, matter of CIS of SEBI vs PACL was pending before the apex court and the investment may be made to disguise SEBI or connected authorities."*
42. With regard to relationship with Noticee 6, PACL submitted that *"As per our information, Mr. Prateek Kumar introduced Mr. C P Khandelwal the owner of SVCT to executive directors of PACL Limited and with the passage of time good relations were developed among them. Khandelwal advised the management of PACL to invest into DDPL Global and Unicorn project through his owned SVCT with a promise to refund the money with good returns."*
43. In view of the above, it is alleged that Scheme-I of SVCT was meant to be a conduit for transferring the funds from one set of associates of PACL to another set of associates of PACL by using the venture capital route.





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**Concerns raised by the auditor with regard to investment in two investee companies:**

44. It was observed that, at the time of investment made by SVCT in DDPL and Unicorn, SVCT had conducted a financial due diligence of DDPL and Unicorn through M/s Pravin P Shah & Company (Auditor). Several concerns were raised by the auditor regarding DDPL and Unicorn in its report, some of which are indicated below (copy placed as **Annexure 12**):

- a) Total liability of land cost was not fixed. The payment of land cost is made by cheques and in few cases cheques issued are cancelled.
- b) Unicorn sold the development rights to Mercury developers for Rs.25 lakh in FY 2010-11 and buy back of the said rights in the next year i.e. FY 2011-12 from Mercury Developers for Rs. 2.75 crores, resulting in loss of Rs.2.5 crores. This raises questions whether the same would be allowed as expense under Income tax and there was no valid reason and justification for such abnormal increase in price in a very short time. Raised concerns that this may be treated as a device to avoid tax.
- c) Not able to verify the receivables.
- d) Land purchased in the name of the director and not in the name of the company.
- e) Statutory non-compliances/delayed compliances like TDS, Income Tax and RoC which were either not complied or complied with delay from the due date.
- f) Under the land cost, several crores of rupees were shown to have been paid to third parties and concerns were raised whether stamp duty has been paid, TDS was deducted and whether these amounts would be allowed as deduction under income tax considering its quantum, regularity, documentation and reasonableness.
- g) Certain land purchase entries are passed but actual payments were not made.





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45. It was observed that despite the aforesaid concerns raised by the auditor, SVCT went ahead and invested money in DDPL and Unicorn. SVCT had also initiated legal due diligence for the investment made in DDPL and Unicorn which was done by Rajani & Associates.
46. The founder and managing partner of Rajani & Associates was Noticee 9, a trustee of Noticee 14. Thus, SVCT ignored the significant conflict of interest and appointed Rajani & Associates for legal due diligence of DDPL and Unicorn. This raises concerns regarding independence of such opinions particularly in light of the fact that serious concerns were raised by M/s Pravin V Shah, who did the financial due diligence.

**Alleged violations of VCF Regulations**

47. Regulation 17(1)(b) of VCF Regulations states as under:

*"17. (1) The placement memorandum or the subscription agreement with investors referred to in sub-regulation (1) of regulation 16 shall contain the following, namely:—*

*.....*

*(b) (i) the proposed corpus of the fund and the minimum amount to be raised for the fund to be operational;*

*(ii) the minimum amount to be raised for each scheme and the provision for refund of monies to investor in the event of non-receipt of minimum amount;"*

48. It is observed that the VCF Regulations mandated the placement Memorandum/ subscription agreement of any scheme of VCF to contain the minimum amount to be raised for the fund to be operational, the minimum amount to be raised for each scheme and provision of refund of monies to investors in event of non-receipt of minimum amount etc. However, the placement Memorandum/subscription agreement of Scheme-I of SVCT does not contain the said information.





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49. Therefore, it is alleged that the Scheme-I of SVCT is in violation of Regulation 17(1)(b) of VCF Regulations.

50. Regulation 12 (d)(i) of VCF Regulations states as under:

*"12. All investment made or to be made by a venture capital fund shall be subject to the following conditions, namely:—*

*.....*

*(d) venture capital fund shall make investment as enumerated below:*

*(i) at least 66.67% of the investible funds shall be invested in unlisted equity shares or equity linked instruments of venture capital undertaking"*

51. As per aforesaid Regulation, SVCT was required to invest at least 66.67% of the investible funds in unlisted equity shares or equity linked instruments of the venture capital undertaking. As per the VCF Regulations, Investible funds means corpus of the fund net of expenditure for administration and management of the fund. Though corpus of a fund is not defined in the VCF Regulations, as per the Private Placement Memorandum (PPM) of Scheme-I of SVCT, the scheme corpus is the aggregate of all the capital contributions to the fund under Scheme-I including any premium and/or interest or any other amount in respect thereof received from the contributions, all realized profit from portfolio investment and all income from portfolio investments, as reduced by expenses of the fund under Scheme-I and amounts distributed to contributors. In the said PPM, total Capital Contribution is defined as the aggregate of capital actually paid by all contributors of the fund under Scheme-I at or prior to such time.

52. Further, as per subscription agreement of the Scheme-I of SVCT, the Fund Corpus means the Capital Contributions made to Scheme-I including any additions thereto and undistributed income accumulated in respect thereof but does not include the initial settlement. Further, Capital Contribution is defined in the subscription agreement as such portion of Capital Commitment actually paid from time to time





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by the contributors to the trust in respect of the Scheme-I, in the manner provided under this agreement and subsequently in accordance with the Drawdown notice. Therefore, from the collective reading of these definitions, the Fund Corpus includes the Capital Contribution actually received and the undistributed income.

53. The Scheme-I of SVCT raised Rs. 113.45 crores from the investors, which is the corpus of the fund as per the above definitions. However, the said scheme invested only Rs.18.245 crores in the equity of the investee companies, and the balance fund i.e. Rs. 92.79 crore was invested in Optional Fully Convertible Debentures (OFCDs) of DDPL and Unicorn. With respect to whether OFCDs are Equity Linked instrument or Debt instrument, following was observed:

- i. *The contribution agreements of all the 25 investors of SVCT ("VCF") have been signed during April 2012, the earliest date being April 03, 2012. As contribution agreements are typically entered into only after or along with intimation of Fund Closing, the farthest date that can be considered for Fund Closing is April 03, 2012. The date April 03, 2012 is taken as a Fund Closing date also because, as stated by SVCT in their letter to SEBI dated February 26, 2018, the VCF did not approach any new investors after receiving commitments from the 25 PACL related entities.*
- ii. *As per clause 18.1 of the contribution agreement the term of Scheme-I of SVCT was for a period of 7 years from the date of the initial closing i.e. the term of the Fund would have ended latest by April 02, 2019.*
- iii. *As seen from the debenture certificates (copy placed as **Annexure 13**), investments in OFCDs of both DDPL and Unicorn were made on September 21, 2012. As per the terms and conditions of the investment in these debentures, conversion to equity at the request of the debenture-holder would be effected in three tranches as under:*
  - a) *1/3rd of the Debentures on the 7th anniversary from the execution date of the Shareholders Agreement*





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- b) 1/3rd of the Debentures on the 8th anniversary from the execution date of the Shareholders Agreement; and
- c) 1/3rd of the Debentures on the 9th anniversary from the execution date of the Shareholders Agreement.
- iv. *The shareholder agreement as stated on the debenture certificates is dated September 11, 2012 i.e. the first tranche of debentures would be converted only on September 11, 2019, after the term of the VCF has ended. Further, as stated by SVCT in their letter to SEBI dated February 26, 2018, the OFCDs were due for redemption in September 2019. This also bears out the view that the VCF did not propose to exercise the option to convert debentures to equity.*
- v. *Therefore, for the entire duration of the VCF's investment in DDPL and Unicorn, the OFCD would have had characteristics only of debt.*
- vi. *Further, in terms of Regulation 23(1) (a) of VCF Regulations, scheme of fund is considered as wound up when period of the scheme is over. The trustees are given responsibility of informing SEBI and investors about the winding up of the scheme (sub regulation 3 of Regulation 23). From the date of intimation to the SEBI about winding up, fund cannot make further investment and within 3 months, should liquidate the assets of the scheme and pay to the investors after clearing liabilities (sub regulation 1 & 2 of Regulation 24).*
- vii. *Considering the aforesaid regulatory provisions, it can be stated that post winding up of the scheme, the fund cannot continue with the investments and needs to pay investors within 3 months after realizing assets and settling liabilities. In other words, the fund has to redeem OFCD and pay the investors in accordance with the aforesaid provisions.\**





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54. In view of the above, it was observed that despite the fact that debentures had the option to be converted into equity, however, as per the terms and conditions of OFCDs and in terms of the aforesaid regulations, the OFCDs would have been compulsorily liquidated before the date the OFCDs could have been converted into equity. Therefore, VCF's investment in OFCDs of DDPL and Unicorn had the characteristics of debt and are considered as investment in debt or debt instrument.

55. Therefore, 16% of the corpus of the Scheme-I was invested in equity of the investee companies as compared to the minimum requirement of 66.67%. In view of the above, it is alleged that SVCT violated regulation 12(d)(i) of VCF Regulations.

56. Regulation 12(d)(ii)(b) of VCF Regulations states as under:

*"12. All investment made or to be made by a venture capital fund shall be subject to the following conditions, namely*

*(d) venture capital fund shall make investment as enumerated below:*

*(ii) Not more than 33.33% of the investible funds may be invested by way of:*

*(b) debt or debt instrument of a venture capital undertaking in which the venture capital fund has already made an investment by way of equity"*

57. It was observed that SVCT first acquired equity shares of DDPL and Unicorn (around 16% of the investible funds) and then invested around 81.79% of the investible funds in the OFCDs of the said two companies. Hence, it is alleged that SVCT violated Regulations 12(d)(ii)(b) of VCF Regulations as more than 33.33% of the investible funds were invested in debt or debt instrument of a venture capital undertaking.

58. Regulation 12(b) of VCF Regulations states as under:





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*"12. All investment made or to be made by a venture capital fund shall be subject to the following conditions, namely-*

*.....*

*(b) Venture capital fund shall not invest more than 25% corpus of the fund in one venture capital undertaking;"*

59. As mentioned in above paragraphs, the corpus of Scheme-I of SVCT was around Rs.113.45 crores. Scheme-I of SVCT invested Rs.51.08 crores in DDPL and 59.95 crores in Unicorn (around 98% of the investible funds). Further, as seen from shareholding and directorship of both DDPL and Unicorn both were related entities. Hence, it is alleged that SVCT has violated Regulation 12(b) of VCF Regulations as more than 25% of the fund was invested in one venture capital undertaking.

60. Regulation 11(3) of VCF Regulations states as under:

"Each scheme launched or fund set up by a venture capital fund shall have firm commitment from the investors for contribution of an amount of at least Rupees five crores before the start of operations by the venture capital fund"

61. It was observed that, SVCT has submitted that the commitment received was for Rs. 400 crore. However, the signed contribution agreements of Scheme-I for the 25 investors related to PACL do not mention the contribution amount or tentative drawdown dates. Hence, it is alleged that SVCT has violated Regulation 11 (3) of VCF Regulations as there was no specific commitment from the investors for contribution of an amount of at least Rupees five crores before the start of operations by the venture capital fund.

**Role of SVCT and its trustees, Investment Manager (Noticee 14) and its directors**

62. SVCT is a trust and a trust can act only through its trustees.





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- a) As per Clause 2.1 of the Private Placement Memorandum (PPM) *"the property of the Trust will vest with Trustees. The Trustees shall have all powers in respect of the Trust investments/ Trust properties including the power to manage Trust investments/Trust properties. These powers has been delegated to an Investment Manager at the sole discretion of the Trustees under an investment management agreement executed between the Trustee and the Investment Manager for managing and administering the Trust."*

*"The trustee has delegated all its powers under the Trust Deed to the Investment Manager under the Investment Management Agreement except those statutorily required to be exercised by it."*

- b) As per Clause 3.13 of the PPM *"The investment manager (shall currently constitute an Investment Committee comprising the following person:*

*Mr. CP Khandelwal*

*Mr. Ramesh Raizada*

*Mr. Nikhil Khandelwal*

*Mr. Sunil Sarda*

*The Investment Committee shall be responsible for making investment decision on behalf of the Fund. The decisions of the Investment Committee will be final and binding upon the Investment Manager."*

It was observed that all the members of investment committee are directors of investment manager.

- c) As per clause 5.2 of the PPM *"The Fund, through the Investment Manager, shall do all other things necessary and conducive to the attainment of the investment objective as stated herein, subject to the provisions of the Regulations."*





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63. In view of the above, it is observed that the Trust is represented by the Trustees and all the property of the Trust is vested with the Trustees. Further, the Trustee has appointed the Investment Manager. Investment Manager through its members/directors is responsible for making investments on behalf of the Fund and do all the things which are necessary for attaining the investment objective. Therefore, all the trustees, investment manager and its directors are responsible for the statutory compliances under VCF Regulations.
64. Therefore, it is alleged that trustees of SVCT viz. Noticees 7, 8, 9 and Investment Manager i.e. Noticee 14 and its directors viz. Noticees 10, 11, 12 and 13 violated Section 11 (3), 12 (d) (i), 12 (d) (ii), 12 (b), 17(1) (b) of VCF Regulations.
65. Also, as per the quarterly reports filed with SEBI (March 2016, June 2016, Sept 2016, Dec 2016 and March 2017), SVCT has shown the investible funds as Rs.391 crores though the total funds raised was only Rs.113.45 crores. (copy placed as **Annexure 14**). In this regard, it is observed that SVCT vide its own letter dated Nov 01, 2016 has stated that the Fund received Rs.113.45 crore as contribution for subscription of the units of the Scheme-I of SVCT. Further, from the bank statements of SVCT, it was observed that total amount received from 25 associates of PACL is Rs. 113.45 crores only. Therefore, SVCT has made wrong disclosure to SEBI which was not in line with the requirement of SEBI circular number SEBI/IMD/DOF-1/VCF/CIR-1/2010. Therefore, it is alleged that Noticees 7 to 14 have violated SEBI circular number SEBI/IMD/DOF-1/VCF/CIR-1/2010 read with Regulation 22 of VCF Regulations.
66. It was observed that the legal due diligence for the investment made in DDPL and Unicorn, was made by Rajani Associates, whose founder and managing partner was Noticee 9, a Trustee of Noticee 14. Thus, SVCT ignored the significant conflict of interest and appointed Rajani & Associates for legal due diligence of DDPL and Unicorn. This raises concerns regarding independence of such opinions





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particularly in light of the fact that serious concerns were raised by M/s Pravin V Shah, who did the financial due diligence.

67. Further, Noticee 10 (member of Investment Management Team of SVCT) was made a director of DDPL and Unicorn with effect from September 11, 2012 after investment by SVCT in these two companies. As per the reply of SVCT dated March 01, 2016, SVCT entered into an agreement dated January 27, 2016 to sell the equity investments in DDPL and Unicorn. The equity investments of SVCT in the said two companies was bought by one Trinity Investments Pvt. Ltd., a company of Manoj Gupta incorporated in 2015. Manoj Gupta was the founding director of Systematix Commodities Trading Pvt. Ltd. with effect from May 09, 2013 and the other Director is Ragini Gupta. The email id of Systematix Commodities trading is Manojgupta251@yahoo.co.in. Further, Noticee 10 (founder of SVCT) was the director of Systematix Commodities Trading Pvt. Manoj Gupta was made a director of DDPL and Unicorn with effect from March 09, 2017.

68. Hemant Patil and Dharmendra P Shah (directors of Unicorn and DDPL) were designated directors in Divisha Realty LLP, which was incorporated on February 13, 2014 by Noticee 10. This indicates that Noticee 10 had business interests with the directors of Unicorn and DDPL and his role in these two companies does not appear to be limited to supervising investments made by SVCT in these two companies. Thereby, it is observed that Noticee 10 is connected with the investee companies.

69. In view of the above, it is alleged that SVCT through its Trustees, Investment Manager and its directors was acting as a conduit for PACL, facilitating the transfer of funds from some PACL associated entities to other PACL associated entities.

**Utilization of amount received from SVCT by two investee companies**





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70. Bank statement of DDPL and Unicorn were sought from the banks during the course of the investigation. It was observed from the bank statement of DDPL that Rs. 27.68 crores (out of 37.33 crores received from SVCT) was transferred to Greenfield Estate (a firm of Noticee 6 and Noticee 1). It was observed from Schedule 4 of the Definitive Agreement dated October 02, 2013 between Noticee 6 and Noticee 1 that Noticee 6 has transferred 80% of the shareholding to Greenfield Estate. Hence, Greenfield was majorly owned by Noticee 6 and PACL.

71. Further, it was observed from the bank statement of Unicorn that Rs. 45 Lacs (out of Rs. 55.46 crores received from SVCT) were transferred to NSB Infrastructure & Projects P. Ltd. (New Name: Synergyone Infrastructures & Projects Pvt Ltd) a company of Noticee 6. Hence, it was observed that majority of money invested by PACL in DDPL through SVCT were ultimately received by Greenfield Estate (front entity Noticee 6).

72. In view of the above, it is observed as under:

- a) PACL through its 25 associate entities transferred money to SVCT which was in-turn used to invest in DDPL and Unicorn.
- b) PACL and its connected entities were the major shareholders in both the investee companies i.e. DDPL and Unicorn prior to the investment made by SVCT.
- c) SVCT used the aforesaid money to purchase equity held by PACL and its connected entities (i.e. Noticee 6 and his companies) in DDPL and Unicorn.
- d) Money received by SVCT from 25 associate entities of PACL was also used to purchase OFCDs from DDPL and Unicorn. The substantial amount received by DDPL through issuance of OFCDs was transferred to companies of Noticee 6.
- e) Hence, majority of money invested by PACL in DDPL through SVCT were ultimately received by Greenfield Estate, a firm of Noticee 6 (front entity of





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PACL). Further, Noticee 6 has transferred 80% of the shareholding in the Greenfiled Estate to ???.

#### **Redemption by SVCT**

73. It was observed that SVCT had refunded Rs. 1947 Lacs (including Rs. 42.90 Lacs to one subsidiary of the investment manager) against redemption of OFCD issued by both the investee companies i.e. DDPL and Unicorn to 26 companies who invested in SVCT. 25 associate companies of PACL were refunded Rs. 1904.10 Lacs from the said redemption.

#### **Role of 30 associate/subsidiary companies of PACL in transfer of funds to SVCT**

74. It was observed that PACL first transferred Rs.110.95 crores to 5 companies viz. GAD Decent Home Builders Pvt. Ltd., GAD Lifestyle Developers Pvt. Ltd., GAD Colonisers Pvt. Ltd., GAD Decent City Developers Pvt Ltd. and GAD City Developers Pvt. Ltd who in turn transferred these funds to 25 associate/subsidiary companies of PACL for investment in the Scheme-I of SVCT.

75. Following were observed with regard to these 30 associate companies of PACL:

- a) It was observed from the PACL letter dated September 29, 2016 that these 25 companies are associate companies of PACL. Further, vide email dated March 3, 2020 PACL also submitted that these 25 companies are associate of PACL.
- b) Further, with regard to aforementioned five companies (five companies received funds from PACL and in turn transferred funds to 25 associates of PACL for investment in PACL), PACL submitted vide email dated July 16, 2020 that these five companies are associates of PACL.





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- c) PACL submitted a letter to Lodha Committee dated June 21, 2016, providing the list of its 639 associate/subsidiary companies. It was observed that these 30 (5+25) companies were among the 639 associate/subsidiary companies of PACL.
- d) These 30 associates of PACL having common directors with each other.
- e) SVCT also refunded money to PACL committee on behalf of 25 associates of PACL.
- f) It was observed from the MCA database that 26 companies out of aforesaid 30 companies were struck off by ROC.

76. In view of the above, it was observed that all the aforesaid 30 companies were PACL associate/subsidiary companies and they were used by PACL merely as a conduit to invest money in Scheme-I of SVCT. It is further observed that the majority of these associate/subsidiary companies of PACL were struck off by ROC. Also, PACL was in control of the investments and its associate/subsidiary companies in the scheme of fraudulent transfer of funds and the ultimate beneficiary behind this investment scheme was PACL itself.

77. In view of SEBI order in the matter of PACL on August 22, 2014, schemes offered and operated by PACL are Collective Investment Schemes, Further, money received in the schemes from the investors through fraudulent practices and same is need to be refunded as per Hon'ble Supreme Court order. However, the investor money received by PACL was transferred using venture capital route. Hence, transfer of investors' money by PACL comes under SEBI's jurisdictions.

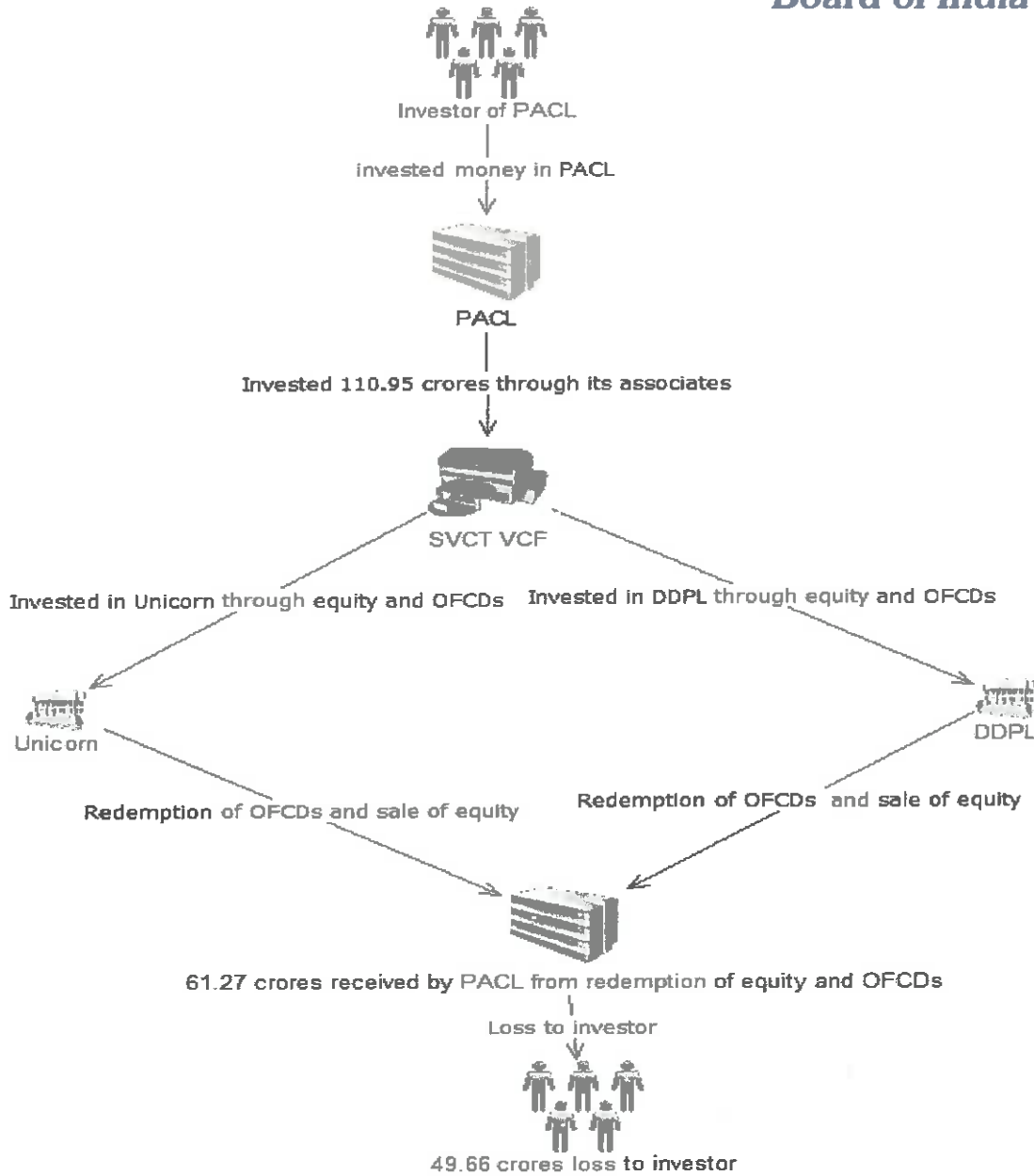
**Modus operandi adopted by PACL, SVCT and investee companies**





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- 25 associate companies of PACL had invested Rs. 110.95 crores in Scheme-I of SVCT. These 25 companies are admittedly the group companies of PACL as per the letter of PACL dated September 29, 2016 and as detailed in above paragraphs.
- SVCT raised Rs. 113.45 crores from the date of its registration. Out of that Rs. 110.95 crores were received from 25 PACL's associates and remaining





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Rs. 2.5 crores were received by SVCT from their investment manager. Hence, since its inception/registration, SVCT has not received money from anyone except PACL associates and SVCT's investment manager. The said funds were invested in Scheme-I of SVCT.

- c) SVCT invested the funds of Scheme-I in equity shares and OFCDs of two investee companies, viz. DDPL and Unicorn. SVCT collected Rs. 113.45 crore under Scheme-I, out of which an amount of Rs. 18.245 crore was invested in equity and Rs. 92.79 crore were invested in OFCDs of the two investee companies, viz. DDPL and Unicorn.
- d) DDPL and Unicorn were entities related to PACL prior to investments by SVCT, as PACL together through its director i.e. Noticee 2 and/ or through associate companies of Noticee 6 (a front/related entity of PACL) was holding majority stake (51% and 67% respectively) in these two companies.
- e) The funds received from the group companies of PACL in Scheme-I were utilized by SVCT to purchase the stake of PACL and its associates in the said two companies viz. DDPL and Unicorn
- f) At the time of investment made by SVCT in two investee companies in 2012-13, certain serious concerns with respect to financial due diligence were raised by the auditor before investment in the said two investee companies were made by SVCT (especially the land held by the both the companies).
- g) SVCT had violated various provisions of VCF regulations (as mentioned in above paragraphs) in order to facilitate the transfer of funds from one set of PACL associated entities to other PACL associated entities.
- h) Money received by SVCT from 25 associate entities of PACL was also used to purchase OFCDs from DDPL and Unicorn. The majority of amount received by DDPL through issuance of OFCDs was transferred to the firm of Noticee 6. (Director of DDPL submitted to ED that amount was transferred to the firm of Noticee 6 as a loan repayment).
- i) Hence, it was observed that majority of money invested by PACL in DDPL through SVCT were ultimately received by (Greenfield estate) firm belong





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to Noticee 6 (front entity of PACL). Thereafter, Noticee 6 has transferred 80% of the shareholding in the Greenfiled Estate.

- j) Therefore, it is alleged that SVCT through its Trustees, Investment Manager and its directors were meant to be a conduit for facilitating the transfer of funds from one set of associates of PACL to another set of associates of PACL by using the venture capital route.
- k) Vide email dated March 03, 2020 independent director of PACL Mr. Mr. Sikender Singh Dhillon submitted that *"reason behind transferring money from PACL limited to SVCT through 25 companies may be not to establish direct connection between PACL and DDPL & Unicorn. At the time, matter of CIS of SEBI vs PACL was pending before the apex court and the investment may be made to disguise SEBI or connected authorities"*.
- l) The total amount paid by PACL through its 25 associates was Rs.110.95 crores and total amount received by Associates of PACL and PACL committee was Rs. 61.29 crores approximately on behalf of 25 associates of PACL. Hence, total loss to investor by this arrangement is Rs. 49.66 crores approximately (excluding interest cost).
- m) In view of the above, it is alleged that PACL and its directors (directors during 2012-13 at the time of investment) i.e. Noticees 2, 3, 4 and 5, front entity of PACL i.e. Noticee 6, Trustees of SVCT i.e. Noticees 7, 8 and 9, Investment Manager i.e. Noticee 14 and its directors i.e. Noticee 10, 11, 12 and 13 and Noticees 15 and 16 have acted in concert and were part of scheme to fraudulently transfer the investors' money through venture capital route by using shares and OFCDs. Therefore, it is alleged that Noticees have violated Regulation 3(a) and Regulation 4(1) of PFUTP Regulations.

78. The text of the aforesaid provisions is reproduced as under:

**PFUTP Regulations:**

3. *Prohibition of certain dealings in securities* No person shall directly or indirectly—





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

*4(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities*

**SEBI Circular SEBI/IMD/DOF-1/VCF/CIR-1/2010**

1. Please refer to SEBI circular No SEBI/MFD/VCF/CIR no 1/7352/03 dated April 29, 2003 regarding submission of quarterly report on venture capital activity in the prescribed format.
  2. Format for the quarterly report on venture capital activity to be submitted by Venture Capital Funds has been revised as per enclosed Annexure. In accordance with Regulation 22 of SEBI (Venture Capital Funds) Regulations, 1996, all venture capital funds are directed to submit the report on venture capital activity to SEBI, complete in all respects in the new format with effect from the quarter ended 31st March, 2010.
  3. The report is to be uploaded online on SEBI portal within 7 days from the end of each calendar quarter. Physical copies of the report are not required to be submitted.
79. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under section 15A(b), 15HA and 15HB of SEBI Act as applicable, which are reproduced as under:

**SEBI Act**

**Penalty for failure to furnish information, return, etc.**

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





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*(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.*

**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 which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

**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 which shall not be less than one lakh rupees but which may extend to one crore rupees.*

80. You are, therefore, called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4 of the SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15I of the SEBI Act (hereinafter referred to as '**Adjudication Rules**'); and why penalty should not be imposed under section 15HA of SEBI Act in respect of Noticees 1 to 16 and under Section 15A(b) and 15HB of SEBI Act in respect of Noticees 7 to 14.

81. Your reply, if any, should reach the undersigned or through email at [maninderc@sebi.gov.in](mailto:maninderc@sebi.gov.in) and [harshalp@sebi.gov.in](mailto:harshalp@sebi.gov.in) within 14 days from the date of receipt of this Notice, failing which it shall be presumed that you have no reply to submit and the matter would be further proceeded with on the basis of the evidence





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available on record in terms of sub-rule (7) of Rule (4) of the Adjudication Rules.

You may also indicate whether you desire a personal hearing in the matter.

82. Further, you are required to keep the undersigned informed about the change in your correspondence address, if any, till the conclusion of the proceedings. You are also required to submit a photocopy of your PAN card and contact details viz. Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records.

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

**MANINDER CHEEMA**  
**ADJUDICATING OFFICER**



Enclosure:

- 1) Annexure 1 - Copy of the communiqué appointing the Adjudicating Officer
- 2) Annexure 2 – Copy of Private Placement Memorandum of Scheme-I of SVCT
- 3) Annexure 3 – Copy of PACL letter dated September 29, 2016
- 4) Annexure 4 - Copy of the minutes of the meetings of the Board of Directors of 25 companies
- 5) Annexure 5 - List of 639 associate/subsidiary companies of PACL
- 6) Annexure 6 - Details of the fund transfers from 5 associate companies of PACL
- 7) Annexure 7 - The details of common directors/shareholders of the 25 investor Companies
- 8) Annexure 8 – Copy of Definitive Agreement dated October 02, 2013
- 9) Annexure 9 - Shareholding pattern of Unicorn and DDPL
- 10) Annexure 10 – Copy of email of independent director of PACL dated March 03,



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- 11)Annexure 11 – Copy of SVCT letter dated April 17, 2017
- 12)Annexure 12 – Copy of M/s Pravin P Shah & Company (Auditor) Report
- 13)Annexure 13 – Copy of debenture certificates
- 14)Annexure 14 - Quarterly reports of SVCT filed with SEBI

