

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992

In the matter of Dr. Datsons Labs Ltd. (formerly known as Aanjaneya Lifecare Limited)

S. No.	Names of the Noticee	PAN
1.	Mr. Kashi Vishwanathan	AABPV4807H
2.	Dr. Kannan Vishwanath	ADJPV4912G
3.	Mr. Prabhat K. Goyal	ABQPG0031N
4.	Mr. Shashikant B. Shinde	AAGPS6752D

(hereinafter collectively referred to as “Noticees”)

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **“SEBI”**) conducted an investigation into the Initial Public Offer (hereinafter referred to as **“IPO”**) of Dr. Datsons Labs Limited (formerly known as Aanjaneya Lifecare Limited) (hereinafter referred to as **“the Company/ Datsons”**) for the period from May 27, 2011 to June 30, 2011 (hereinafter referred to as **“Investigation Period”**).
2. The Company was incorporated on January 3, 2006 as a private limited company in the name of Aanjaneya Biotech Pvt. Ltd. In the year 2010, the Company was converted into a Public Limited Company and its name got changed to Aanjaneya Lifecare Ltd. On August 07, 2013, the name of the Company was again changed to Dr. Datsons Labs Ltd.

3. It was observed in the course of investigation that the Company came with Initial Public Offer (hereinafter referred to as **“IPO”**) of 50,00,000 equity shares of face value of Rs. 10 per share. It had filed the Draft Red Herring Prospectus dated September 13, 2010 and RHP (hereinafter referred to as **“RHP/offer document”**) dated April 28, 2011. The issue was opened for subscription on May 09, 2011 and closed on May 12, 2011. The shares were issued at the price of Rs. 234 per share and the Company raised a total of Rs. 117.00 Crore through the IPO. The final Prospectus was filed by the Company on May 18, 2011 and the Company got its shares listed on the Bombay Stock Exchange (hereinafter referred to as **“BSE”**) and National Stock Exchange (hereinafter referred to as **“NSE”**) on May 27, 2011. The Book Running Lead Managers (hereinafter referred to as **“BRLM”**) for the Issue were Anand Rathi Advisors Limited (hereinafter referred to as **“Anand Rathi”**) and IDBI Capital Market Services Limited (hereinafter referred to as **“IDBI Caps”**) and the Registrar to the Issue was Link Intime India Private Limited (hereinafter referred to as **“Link Intime”**).
4. The investigation revealed that the Company did not use the IPO proceeds for the objects as stated in the offer document and diverted the IPO proceeds for usages or purposes other than what were disclosed in the RHP and has also failed to disclose the material information in the RHP regarding raising of a bridge loan which was paid back from the IPO proceeds. Based on the findings in the investigation, it was noticed that the statements made in the RHP were not true and correct. The Noticees have concealed material information from the public at large and the acts of the Noticees appear to be in violation of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **“SEBI Act”**) and rules and regulations made there under.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Based on the aforesaid findings, a Show Cause Notice dated March 16, 2018 (hereinafter referred to as **“SCN”**) has been issued to the Noticees, who were Directors of the Company during the relevant period, calling upon them as to why suitable directions under Sections 11(4) and 11B read with 11(1) of SEBI Act shall not be issued against them for presenting wrong, misleading and distorted disclosure in the offer document, concealing material information from the investors

and thereby fraudulently influencing the decision making of investors in the Securities Market. The Noticees have also been charged for diversion of IPO proceeds and for using the IPO proceeds for objects & purposes other than what have been stated in the RHP. The above acts of the Noticees have been alleged to be in violation of Section 12A (a), (b) and (c) of the SEBI Act, r/w Regulations 3 (b), (c), (d), 4(1), 4 (2)(f) and (k) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **“PFUTP Regulations”**) and Regulations 57 (1), 57(2) (a) read with clause 2(VII)(G) of Schedule VIII and 60 (7) (a) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as **“ICDR Regulations”**).

6. Mr. Kashi Vishwanathan (Noticee no. 1) was the Chairman of the Company, Dr. Kannan Vishwanath (Noticee no. 2) was the Managing Director of the Company, while Mr. Prabhat K. Goyal (Noticee no. 3) and Mr. Shashikant B. Shinde (Noticee No. 4) were the Whole Time Executive Directors of the Company.
7. I note that in response to the issuance of SCN, Noticee no. 1, Mr. Kashi Vishwanathan and Noticee no. 2, Mr. Kannan Vishwanath have separately submitted written replies, each dated April 5, 2018 stating that they have resigned from the Company on April 10, 2012 and February 14, 2015 respectively and are no longer associated with the Company. They also sought inspection of documents relied upon by SEBI in the instant proceedings, which has been provided to them on May 10, 2018.
8. Noticee no. 3, Mr. Prabhat K. Goyal has submitted a written reply to the SCN in April 2018 in which he has stated that:
 - a) He was appointed as a Technical Director in the Mahad Plant and his duties were restricted to the management of the Mahad Plant.
 - b) He was not involved in any commercial or financial matters and was only a full time employee Director of the Company with a duty to establish and run the Mahad Plant.
 - c) Even though he was the Whole Time Director of the Company, he did not use to receive notice of Board Meeting and neither he attended any Board Meeting nor was party to the decisions taken by the Board.
 - d) All the commercial, legal and financial matters were exclusively handled by Noticee no. 2.

- e) He was merely getting salary from the Company. He belongs to a middle class family and has not received any remuneration for two years, causing him huge hardships. He is aged 64 now and retired from work.
9. Noticee no. 4, Mr. Shashikant B. Shinde has submitted a written reply dated April 4, 2018 and May 2, 2018 has made the following submissions:
- a) As a Director, he was in charge of only technical matters relating to manufacturing in the Pune Plant and was not directly involved in the day to day affairs of finance and accounts management and company law matters of the Company.
 - b) He has not made any financial investment in Datsons and has not purchased any shares of Datsons and has no controlling power.
 - c) He merely worked as a salaried employee of the Company and had no role in the raising of fund by the Company through IPO.
 - d) He is 66 years old, retired from work and is not keeping good health.
10. Subsequently, in compliance with the principles of natural justice, Noticees were provided with an opportunity of personal hearing on August 29, 2018. The Authorized Representatives of the Noticees sought adjournment on the ground of taking instructions from their clients and for filing written replies on their behalf. Considering the request, hearing in the matter was rescheduled on September 26, 2018. Subsequently, another adjournment was sought by the Noticees due to unavailability of Counsel and seeking some more time for filing of written reply. Subsequently, Noticee no. 2, Mr. Kannan Vishwanath has submitted a written reply dated October 1, 2018 on behalf of all the four Noticees contending that:
- a) Copy of Investigation Report has not been provided to them.
 - b) He, alongwith another company promoted by him viz:- Aasda Life Care Ltd. were the Promoters of Datsons and collectively held 57.51% of the total paid up shareholding of the Company until March 31, 2012. He has invested his life savings and wealth in setting up the Company and has received several accolades for his achievements in his entrepreneurship.
 - c) Files pertaining to the IPO of the Company, VAT and Income Tax Returns amongst other files, have got destroyed in the Mumbai floods in the year 2013. Company is in liquidation

and an Official Liquidator (hereinafter referred to as “OL”) has been appointed under the order of Hon’ble High Court of Bombay dated January 12, 2016, a copy of which has been enclosed.

- d) Pursuant to his resignation dated February 14, 2015, he is no longer associated with the Company in any manner. Therefore, they are unable to retrieve any of the documents pertaining to the IPO of the Company and the allegations raised in the SCN thereon. Their ability to defend themselves in the matter has been seriously impeded due to non-availability of documents and also due to lapse of seven years since the IPO was made by the Company. He has written to the OL and the independent Financial Advisors etc., to provide him with documents pertaining to the IPO of the Company and has not received any response, hence, his reply is based on documents available with him.
- e) The disclosure made in the RHP that the Company has not raised any bridge loan against the proceeds of the issue was factually correct to the extent that Inter Corporate Deposits (hereinafter referred to as “ICDs”) repaid by the Company from the proceeds of the issue were not bridge loans taken against the proceeds of the issue. Since the ICDR Regulations did not have a specific definition of bridge loans at the relevant time, the Company in consultation with its Investment Advisers assumed that only bridge loan being raised against the IPO proceeds were to be included (and not the ICDs).
- f) It has been disclosed in the RHP that it has unsecured loans which are repayable on demand. The said disclosures were made as on January 31, 2011 and Draft RHP was submitted to SEBI and Stock Exchanges and neither of them directed the Company to update the relevant disclosures upto a date close to filing.
- g) Further, the Company has disclosed in the offer document that the Management of the Company with the approval of the Board of Directors, will have the flexibility in deploying the IPO proceeds and pending utilization for the objects mentioned in the RHP, they intend to invest the funds in high quality interest/dividend bearing liquid instruments. IPO proceeds were thus utilized for repayments of ICDs only as an interim use with the approval of the Board of Directors in accordance with the aforesaid disclosures made in the Prospectus. Copy of minutes of the Board Meeting are in the custody of the OL.
- h) Subsequently, the objects of IPO as disclosed to the public have been duly achieved in due course and copy of a Valuation Report as prepared by an independent third party valuer

has been relied upon in support thereof, which can be verified by carrying out a field visit to assess the Plant to verify the claims that the objects of IPO have been duly met.

- i) There has been no siphoning of IPO proceeds by the Company and delay in meeting the objects has been notified to the Stock Exchanges by the BRLM. Non-disclosures if any were not intentional in nature.
- j) The Company had availed working capital facilities from various lenders which were secured against the pledge of the entire shareholding of the Promoters of the Company and unfortunately in the year 2015, the Company started facing unforeseen cash credit losses affecting the financial results of the Company. Hence, the lenders invoked the pledge of entire 57.51% of the paid-up capital of the Company which in turn led to crash in the price of the shares of the Company from Rs. 850 to Rs. 9.00 In fact, at the time of liquidation, the Promoter had lent an amount of Rs. 39.10 crores which he has lost besides losing his entire shareholding which was his personal wealth earned over the years of continuous hard work and persistence.

11. After receipt of the above written submission, one more opportunity of hearing was accorded to the Noticees on January 9, 2019. A common Authorized Representative on behalf of all the four Noticees attended the hearing on January 9, 2019 and made oral submissions. The Noticees were asked to respond to a few queries raised during the course of hearing, in response to which Noticee no. 2 has submitted a written reply dated January 25, 2019 furnishing the following additional clarifications to the queries raised during the hearing:

- a) In terms of the fixed assets schedule annexed to the Annual Accounts, during 2010-11, the Company had assets worth of Rs. 485,495,620 and in the same year further assets of Rs. 260,037,154 were bought by the Company and soon after the IPO, total value of fixed assets of the Company have increased every year. In 2011-12, 2012-13 and 2013-14 additional assets worth of Rs. 1,591,716,470, Rs. 148,270,000 and Rs. 27,090,000 respectively have been bought by the Company thereby showing an increase in fixed assets of the Company. Therefore, the funds raised by the Company under IPO can be stated to have been duly utilized by the Company for meeting the objects stipulated in the RHP and Annual Returns and Audit Reports shall suffice for the purpose of testing the value of fixed assets of the Company at the time of liquidation of the Company.

- b) They are unable to provide a statement showing that objects of IPO as given in the RHP have been completed along with proof (as sought during the hearing) due to the destruction of all important documents on account of flood in the year 2013. However, the Company has provided an update on the status of the completion of the objects of utilization of funds of the IPO in its quarterly filings. The same is also supported by the Audit Report, Financial Statements of the Company along with the Report of OL to substantiate that the assets have been acquired by the Company in pursuance of the objects stated in the offer document.
- c) As regards the ICDs taken just before the IPO, the Company wanted to start the construction of buildings in Mahad before the arrival of monsoon in June as the IPO funds would have been received by the Company only towards end of May, hence the Company took short term ICDs to start the work and repaid the ICDs from the IPO proceeds.

12. It is also noted that during the course of hearing, the Noticees have expressed their desire to file an application for settlement of the issues under the settlement mechanism of SEBI. I note that all the four Noticees had applied for settlement of the present proceedings in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as **“Settlement Proceedings”**). I note from records that the applications filed by the Noticees for settling the issues under the settlement mechanism have not been accepted and the Noticees have been intimated about the rejection of the same vide letter dated May 17, 2019. Therefore, pursuant to rejection of their applications, it was thought fit in the interest of justice that the Noticees be provided with another opportunity to make additional submissions, if they wish. Accordingly, the Authorized Representative of the Noticees have been informed vide email dated June 6, 2019 that in case they wish to make any additional submissions, they may file within a period of 10 days. However, no further submissions have been received from the Noticees. I also note that the Noticees have submitted that they have not been provided with copy of Investigation Report. I note that the allegations against the Noticees are clearly contained in the SCN and all the relevant and relied upon documents have been provided to the Noticees. In view thereof, I do not find that the Noticees have been prejudiced in any manner. Under these circumstances, I deem it fit to proceed and decide the matter on merit based on the materials available on records.

ISSUES FOR CONSIDERATION AND FINDINGS

13. I have carefully perused the SCN dated March 16, 2018 including all the annexures as referred to in the SCN, written replies and submissions made by the Noticees and all other relevant material available on record and based on them, I frame the following issues for consideration in this case:

ISSUE NO. 1: *Whether the IPO proceeds have been utilized as per the objects mentioned in the offer document or whether any portion of the IPO proceeds have been utilized for purpose other than disclosed in the offer document and whether there has been diversion of IPO proceeds?*

ISSUE NO. 2: *Whether the allegations of misutilisation of the proceeds of IPO for purpose other than disclosed in the offer document, the misleading and distorted disclosure and concealment of material information by the Noticees are in violation of provisions of PFUTP Regulations and ICDR Regulations?*

Now, I proceed to examine the issues framed above based on the materials available on record.

ISSUE NO. 1: *Whether the IPO proceeds have been utilized as per the objects mentioned in the offer document or whether any portion of the IPO proceeds have been utilized for purpose other than disclosed in the offer document and whether there has been diversion of IPO proceeds?*

14. I note that the allegations levelled in the SCN regarding mis-utilization and diversion of IPO proceeds are largely/broadly based on the following:

- a) Rs. 35.25 Crore (30.13% of IPO funds) has been used by the Company for repayment of ICDs taken prior to the IPO.
- b) Rs. 24.18 Crore (20.67% of IPO funds) have been diverted to the Company's cash credit accounts in various banks and out of the same, Rs. 10.68 Crore (9.13% of IPO funds) were credited to the cash credits accounts which were opened prior to the IPO.
- c) Rs. 24.90 Crore (21.28% of IPO funds) have been diverted to Bhawana Interiors.
- d) Rs. 6.41 Crore (5.48% of IPO funds) have been diverted to the Company's related party accounts i.e., Benzolife (as per bank records it is now known as Windsonn Exim Pvt. Ltd.),

Virtuous Capital Ltd., S.E. Investments, Bell Finvest (I) Ltd. and further also siphoned off to the personal account of Kannan Vishwanath .

- e) Rs. 3.25 Crore (2.78% of IPO funds) were used for purchase of polished diamonds by Datsons.

15. In order to appreciate the allegation of misutilization of IPO proceeds or diversion thereof, it would be essential to first note the objects of the IPO and the estimated funds requirement for the said objects as disclosed by the Company in the offer document to the public. In this regard, the objects as disclosed in the offer document (at page no. 72) are enumerated as under:

Table no. 1: Objects of IPO

Sr.	Object of the issue	Estimated Amount (Rs in lakhs)
1	Setting up of Anti-Cancer API Facility at Mahad, Maharashtra	2,654.71
2	Setting up of cGMP Block for APIs at Mahad, Maharashtra	1,479.53
3	Setting up of Intermediate API Block at Mahad, Maharashtra	867.31
4	Expansion of our existing Research and Development centre at Mahad and Pune, Maharashtra	1908.44
5	Setting up of a Quality Control and Quality Assurance Block at Mahad, Maharashtra	1420.48
6	Setting up of Product Development Laboratory at Mahad, Maharashtra	160.96
7	Setting up of Stores Building at Mahad, Maharashtra	705.88
8	Meeting the Expenses for Branding and Registration of our Products in the International Markets	1,000.00
9	General Corporate Purposes	660.67
10	Public Issue expenses	842.02
	Gross proceeds to be raised through Issue ("Issue Proceeds")	11,700.00
11	Less: Public Issue expenses	842.02
	Net proceeds of the Issue after deducting the Public Issue Expenses from the Issue Proceeds ("Net Proceeds")	10,857.98

16. I also note that the offer document also contains the year wise schedule of deployment of proceeds realized from the IPO. The year wise deployment of IPO proceeds as disclosed in the offer document (at page no. 73) are as below:

Table no. 2- Details of schedule of deployment of IPO proceeds

Sr. No.	Particulars	Amount Deployed till FY 2011(Rs. in lakhs)	Amount to be deployed in FY 2012 (Rs. in lakhs)	Amount to be deployed FY 2013(Rs. in lakhs)	Amount Total (Rs. in lakhs)
1	Setting up of Anti-Cancer Facility at Mahad, Maharashtra-		2654.71		2654.71
2	Setting up of cGMP Block for APIs at Mahad, Maharashtra	819.72	659.81		1479.53
3	Setting up of Intermediate API Block at Mahad, Maharashtra		867.31		867.31
4	Expansion of our existing Reseach and Development centre at Mahad and Pune, Maharashtra		1908.44		1908.44
5	Setting up of a Quality Control and Quality Assurance Block at Mahad, Maharashtra		1420.48		1420.48
6	Setting up of Product Development Laboratory at Mahad, Maharashtra		160.96		160.96
7	Setting up of Stores Building at Mahad, Maharashtra		705.88		705.88
8	Meeting the Expenses for Branding and Registration of our Products in the International Markets		450.00	550.00	1000.00
9	General Corporate Purposes		660.67		660.67
10	Public Issue expenses	84.67	757.35		842.02
	Total	904.39	10,245.61	550.00	11,700.00

17. The table no. 1 under para-15 above lists out the objects for which the IPO proceeds have been earmarked to be utilized in terms of the disclosure made in the offer document. A perusal of the list depicted in the table shows that the use of the IPO proceeds were primarily meant for the setting up and development of anti-cancer research and other facilities in Mahad. The table no. 2 demonstrates the projected year wise deployment of the IPO proceeds from which, I note that the Company had intended to utilize most of the IPO proceeds for the aforesaid objects by the end of FY 2012.

18. As against the above projections, the details of receipt of IPO proceeds and the trail of actual utilization of net IPO proceeds amounting to Rs.113.27 Crore as revealed in course of Investigation, are depicted below:

Chart no. 1: Collection of IPO Proceeds:

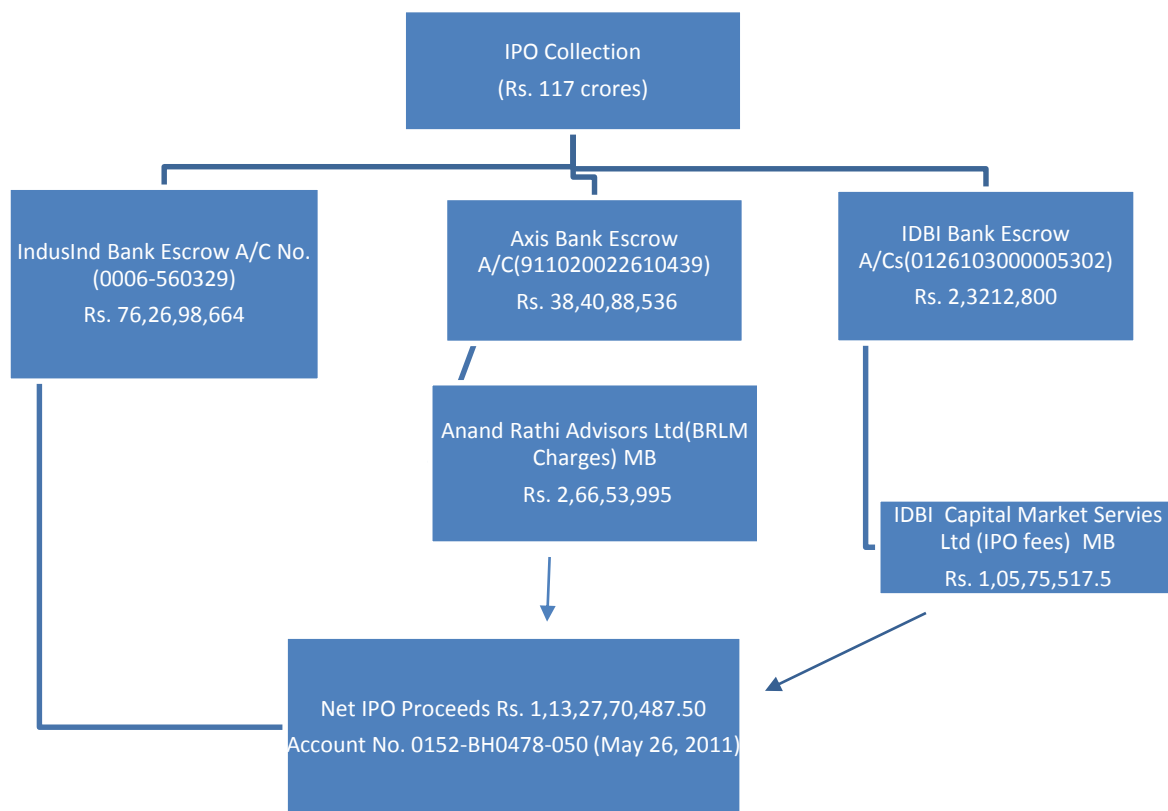
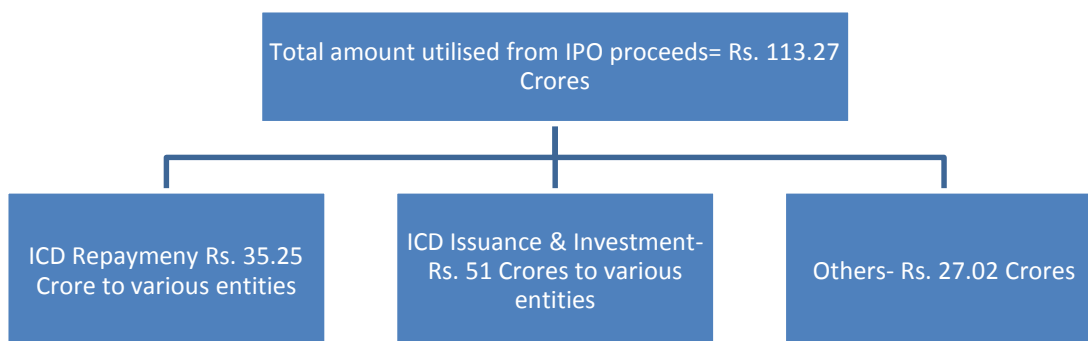


Chart no. 2-Utilization of IPO proceeds:



19. From the above, it is noted that on comparing the objects for which IPO was made as disclosed in the offer document (table no. 1) with the actual utilization (Chart no. 2), I note that *prima facie*, there appears to be a remarkable variance between the two. As stated above, the IPO proceeds were largely intended to be used for the construction & development of research facilities in Mahad, whereas the investigation has revealed that the proceeds have actually been used towards the following three broad categories of transactions:-

- ICDs repayment of Rs. 35.25 Crore.
- ICDs issuance and investments to various entities of Rs. 51.00 Crore.
- Others – Rs. 27.02 Crore.

Each of the aforesaid three categories of transactions is discussed further in subsequent paragraphs.

ICDs Repayment of Rs. 35.25 Crore

20. It is noted from the perusal of Company's letter dated April 04, 2014 addressed to SEBI (Annexure 1 to the SCN), that it had received Inter Corporate Deposits (hereinafter referred to as **"ICDs"**) from 16 entities during the period from **March 25, 2011 to May 13, 2011**. Based on the finding in the investigation, it has been alleged that the IPO proceeds worth Rs. 35.25 Crore has been utilized towards repayment of ICDs to these 16 entities and there was no disclosure to the public at large about availing of such loan through ICDs. The list of entities to whom payments have been made out of IPO proceeds against the ICDs received during the above mentioned months are mentioned hereunder:

Table no. 3: Details of ICD Repayment by Datsons

Name of entity	Amount repaid towards ICD (Rs)
Swarnim Distributors P L	0.60 Crore
Nitin Hire Purchase P L	1.75 Crore
Pluto Vincom P L	1.65 Crore
Blueview Commontrade P L	2.00 Crore
Kaleidoscope Films Ltd	3.25 Crore
Anand Rathi Share & Stock Brokers Ltd.	2.00 Crore
Fidelity Vintrade P L	2.00 Crore
Oxford Vintrade P L	1.00 Crore
Dhanvarsha Merchants P L	1.00 Crore

Amanat Merchantile P L	1.50 Crore
Heaven Tradelink P L	2.50 Crore
Abhinandan Vanijya P L	2.50 Crore
Shreyans Vyapaar P L	2.50 Crore
Techmech Traders P L	1.50 Crore
Times Vanijya P L	2.00 Crore
Polymac Thermoformers P L	7.50 Crore
Total:	35.25 Crore

21. It was also revealed during investigation that the amount received as ICDs from the above 16 entities were credited to the accounts of Datsons maintained with Axis Bank and Dhanlaxmi Bank. Further, the ICD funds so credited in the above mentioned banks were transferred (**Rs 33.00 Crore**) from these two accounts to eight (08) entities namely (i) Montex Trading Co., (ii) Benzolife (Windsonn Exim Ltd.), (iii) Bhawana Interiors, (iv) United Enterprises, (v) Krishna Trading Co., (vi) Classic Trading Co., (vii) S.E. Investments Ltd. and (viii) Kaveri Enterprises. It is noted that Investigating Officer had issued Summons dated Jan 04, 2017 to all the aforementioned eight entities however, the Summons so issued returned undelivered from all except for one entity i.e. S.E. Investments Ltd. This led to further investigation in the matter. On investigating further, it was revealed that the eight entities to whom the funds received under the ICDs from 16 entities were transferred, had opened their Bank accounts in the year 2010 except for United Enterprises which had opened its Bank account only on March 18, 2011. It was also found that Kaveri Enterprises and Krishna Trading Co. had closed their accounts on August 06, 2011 and December 15, 2011 respectively. Similarly, United Enterprises and Bhawana Interiors closed their accounts on April 19, 2012 and May 14, 2012 respectively. Subsequently, Montex Trading Co. closed its account on April 08, 2015. It was noticed that Benzolife (Windsonn Exim Ltd.) and Classic Trading Co. have not closed their accounts but the Summons issued to them at addresses as mentioned in their KYCs documents returned back undelivered. In view of the above findings, allegations have been made that these eight entities were not genuine entities and were created to dupe investors and for diverting the hard earned money of the investors.

22. It is noted from the records that S.E. Investments Ltd. the only entity to whom Summons could be served has vide letter dated January 09, 2017 (Annexure 3 to SCN) furnished that they had given a loan of Rs. 3.00 Crore on April 16, 2011 to Datsons and that in compliance with the

conditions of loan agreement, Datsons was required to provide cash collateral equivalent to 25% of loan amount i.e. Rs. 75 lacs. On verification of the bank accounts to check end use of the above loan amount, investigation has revealed that Rs. 2,78,46,600/- was credited in the overdraft account (A/c No. 1020199400000504) of the Company maintained with the Shamrao Vithal Co-op Bank Ltd. It was further observed that Datsons has transferred Rs. 2,65,00,000 to Bhawana Interiors, immediately after receipt of funds from S.E. Investments Ltd. In this connection it is noted that Summons dated January 04, 2017 was issued to Bhawana Interior to explain the purpose for which the amount was transferred by Datsons to it and to furnish the details of the end use of the same. The summons issued to Bhawana Interiors however returned undelivered.

23. I note that the Noticees have not denied making use of the IPO proceeds worth of Rs. 35.25 Crores for repaying the ICDs taken by them prior to the public issue. It has also not been disputed that repayment of ICDs was not listed in the offer document as one of the stated objects for which the IPO proceeds could be used. There is nothing on record placed by the Noticees to show that the ICDs taken by them from the entities mentioned in table 3 have been duly brought to the notice of the prospective investors before the opening of the public issue. The Noticees have contended that the repayment of ICDs from the IPO proceeds was an interim use made with the due approval of Board of Directors, however, the Noticees have not provided any proof or evidence to show that such an approval of the Board was indeed taken. The Noticees have merely stated that copy of the minutes of the meetings of Board in this regard are in the custody of OL as the Company is under liquidation and they have no access to such documents. In the absence of the same, the Noticees have expressed constrained to defend themselves properly. The Noticees have submitted another justification for the availing of funds through the ICDs by explaining that they intended to start the construction of the project at Mahad before the arrival of monsoon in June and since the IPO funds would have been received only towards the end of May, it was thought proper to avail short term ICDs so as to start the work before the arrival of monsoon. Hence, the loans availed through ICDs were repaid from the IPO proceeds.

24. I have gone through the explanations offered and materials available on records. There is no dispute that the Noticees have raised funds through ICDs and have not disclosed the same in the offer document. From the materials available, I observe that there was no disclosure about the ICDs in the public domain for the investors to take note of the fact before taking an informed

decision. The requirement for disclosure of availing funds under ICDs becomes imperative more so, when the ICDs were raised with a motive to commence the work at Mahad so as to avoid the disruptions expected to be caused with the arrival of monsoon. I find contradictions in the submission of the Noticees. I note that setting up of Anti-Cancer API facility and cGMP Block for APIs at Mahad have been notified and disclosed in the offer document as two of the major objects for which majority of the proceeds were intended to be utilized. The Noticees have submitted that they have received the funds through ICDs so that they can initiate commencement of work at Mahad before arrival of monsoon, and this fact admittedly, has not been disclosed in the offer document for the benefit of public at large. In my view, the time of arrival of monsoon is not something peculiar to a particular year which was beyond the comprehension of the Noticees, as the period of monsoon remain same for all the years. Therefore, in case the Noticees had visualized to commence the work at Mahad much earlier before the receipt of the IPO proceeds, nothing prevented them from disclosing such intention including their intention to make interim funds arrangements through ICDs in the offer document. I further find that the funds were borrowed during the period of March 25, 2011 to May 13, 2011 and RHP was filed on April 28, 2011. By the time the RHP was filed, substantial amounts of funds had been borrowed and decision to borrow the remaining amounts through ICDs should have been taken. Therefore, if the said borrowed funds were meant for the utilization of the objects stated in the RHP, the same could have been fairly disclosed to the prospective investors.

25. As has been revealed in the investigation, the funds received through ICDs were transferred to eight entities as mentioned in para 21 above. Although, it has been contended by the Noticees that the funds were borrowed to commence the work well in advance before the arrival of monsoon, the Noticees have not produced any documents or furnished any explanation justifying the transfer of funds to the eight entities noted above. No details have been made available before me by the Noticees with supporting documents detailing the exact nature of work carried out, if any at all, by the eight entities to whom funds were transferred, pursuant to the receipt of funds under ICDs. Based on the investigation, it has been alleged in the SCN that most of the eight entities, have got their bank accounts opened before the IPO and closed their bank accounts subsequently *i.e.* soon after the IPO was closed. The Noticees have not submitted any details regarding the nature of work these entities were supposed to have undertaken and the specific work assigned to

each such entities against the consideration paid to them from the funds borrowed under the ICDs, which were later on repaid out of IPO proceeds.

26. I further note that Rs. 33 Crore have been paid to the above mentioned eight entities without any due diligence or execution of proper documents to secure such payments, which was financed out of the money of the innocent investors. In the absence of any reasonable justification and documentary evidence substantiating the claims made by the Noticees that the ICDs were taken in order to start work in Mahad, which was listed as the major objective of IPO, I am constrained to conclude that these claims of the Noticees are an afterthought exercises to escape the consequences of the present proceedings. In any case no evidence or justifiable explanation has been advanced to substantiate that the ICDs have been taken and used for developing the facilities in Mahad in terms of the objects of IPO. Considering the fact that the whereabouts or existence of the eight entities to whom the money received from ICDs were transferred are not known and the explanations furnished by the Noticees are without any document in support thereof, I find it impossible to persuade myself to accept the submissions of the Noticees even on their face value.
27. The Noticees have contended that it was disclosed in the offer document that the Management of the Company, with the approval of the Board of Directors would have the flexibility in deploying the IPO proceeds pending utilization of the same for the objects mentioned in the RHP. They intended to invest the funds in high quality interest/dividend bearing liquid instruments. I don't agree with such contentions of the Noticees. In my view, proceeds of any IPO ought to be used strictly for the objects stated in the RHP. Any deviation in utilisation of the IPO proceeds for objects and purpose other than what has been disclosed in the offer document, would require stricter compliance and disclosure and the Promoters should disclose in detail, their interim fund utilisation plan if any, in the offer documents only, otherwise there would be no meaning left for the objects of the issue in the offer document issued by a company, while raising money from the public at large. In any case even going by their argument, it is not the case of the Noticees that the IPO proceeds were deployed in any high quality interest/dividend bearing liquid instruments, but were used to the extent of Rs. 35.25 crores only to repay the ICDs whose end use remains unexplained by the Noticees. In the instant matter, it remains undisputed that funds were raised by means of ICDs during the period March 25, 2011 to May 13, 2011 and the same have not been disclosed in the offer document, though the same was filed on April 28, 2011. It also remains

undisputed that total amount generated through IPO was Rs 117.00 Crore and out of the same, Rs 35.25 Crore amounting to 30.13% of total IPO proceeds, have been utilized towards repaying/settling the amount raised through ICDs. The Noticees have vehemently sought to justify the raising of funds through ICDs, however, their reply without any supporting evidence fails to convince me that the amount raised under the ICDs from 16 entities have actually been utilized for the objects stated in the RHP and there was sufficient disclosure to the public about raising of ICDs.

28. From the observations recorded above, I find that the IPO proceeds worth Rs. 35.25 Crore have not been utilized in terms of the objects stated in the offer document and such funds have been utilized for purposes other than what have been disclosed in the offer document. Therefore, the transfer of funds to the aforementioned eight entities appear to be for the purpose of diversion and misappropriation of investors' hard earned money by the Noticees. The following observations support my view with respect to the transfer of Rs. 35.25 crores by the Noticees: -

- a) Admittedly the IPO proceeds worth Rs. 35.25 Crore have been used for repayment of ICDs, which were not mentioned/disclosed in the offer document as an object for which IPO proceeds can be utilized.
- b) The actual utilization of funds received under the ICDs and repayment thereof out of the IPO proceeds worth Rs. 35.25 Crore remains questionable, considering the fact that no evidence has been furnished by the Noticees to show that the money received from the ICDs have ultimately been utilized *inter-alia* to develop the facilities of setting up of Anti-Cancer Facility at Mahad or for any other object of IPO as stated in the offer document.
- c) The Noticees have not provided any credible piece of documents justifying the need for raising funds under the ICDs to the tune of Rs 35.25 Crore, just prior to receipt of IPO.
- d) Since the reasons provided by the Noticees regarding taking ICDs was to commence the Mahad plant before rainy season, then the amounts raised through ICDs should have been shown to have been utilized for the project at Mahad as per the stated objects in the offer document and the source of the said funds should have been clearly shown as ICDs. However, no such disclosure was made in the offer document.
- e) The Noticees have failed to substantiate their submission and not produced any documents in support of their arguments to justify the transfer of amounts to the eight

entities. No documentations appear to have been executed specifying the nature of work for which the amount were remitted to the eight entities.

- f) There is no evidence to suggest that any due diligence was carried out to know the credential or past performance of these eight entities before parting with the hard earned money of the investors to the eight entities.
- g) No steps have been taken by the Noticees to ensure proper utilization of the money advanced to these eight entities.
- h) Even in the case of S.E. Investments Ltd., on whom a Summons was served and from whom a reply was received, no details has been furnished pertaining to the nature of work to be carried out by them against the money remitted to them. In the explanation furnished by S.E. Investments Ltd. vide its letter dated January 09, 2017 it has stated that it had given a loan of Rs. 3.00 Crore on April 16, 2011 to Datsons i.e the Company. The Noticees have not disputed to the receipt of Rs 3.00 Crore from S.E. Investment Ltd., however, have chosen not to submit any explanation regarding the purpose or usage of the money received from S. E. Investment Ltd. Thus, in any event, funds transferred to S. E Investment Ltd out of the money borrowed from the 16 entities as ICDs remains unexplained by the Noticees.
- i) Incidentally, in one of the eight entities viz:- Benzolife (Windsonn Exim Ltd) the Noticee no. 2 (the M.D.) is the director, however, no explanation has been offered by the Noticee no. 2 for the transfer of funds from IPO proceeds to an entity in which he was interested.

29. The above discussed factual observations and the unsubstantiated claims made by the Noticees on their submissions suggest that there has been flagrant mis- utilisation of IPO proceeds in contradiction to the objects stated in the offer document. The ICDs availed by the Noticees from 16 entities on behalf of the Company, pending the receipt of IPO proceeds, has been onward transferred to eight entities. There is no disclosure about such ICDs or about the onward transfer of borrowed funds to the eight entities in the offer documents. Investors have been kept in dark and no disclosures were made about the true intent of utilisation of the proceeds of IPO. The amounts borrowed through ICDs have been transferred to such eight entities whose identity/existence and purpose for which transfers were made are questionable till date. As noted above, most of the eight entities were not in existence for longer period and got their bank

accounts opened around or before the IPO and their bank accounts were closed after the public issue was accomplished. The Noticees have either grossly failed in carrying out any due diligence before transferring the amounts to these entities or deliberately closed their eyes while transferring ICD amounts to the accounts of these eight entities, for reasons best known to them. The Noticees have also not submitted any documents to show that they have ever received back the funds from these entities or if these eight entities had utilised the money given to them to execute any of the stated objects of the IPO. Therefore, I can conclude that the amount of Rs. 35.25 Crores borrowed from the 16 entities in the form of ICDs have not been utilised for the objects stated in the offer documents and there is no disclosure to this effect in the offer documents.

ICD Issuance & Investment of Rs. 51 Crores

30. Having concluded that the amounts received under the ICDs have not been utilized for the objects stated in the offer documents and that the usage of IPO proceeds for making repayment of ICDs have been concealed from the investors, I note that the Investigation has also revealed that another sum of Rs. 51.00 Crore received from IPO have been transferred to another set of eight entities, which are different from the eight entities mentioned at para 21 above. From the records, I note that vide letter dated July 15, 2013 (Annexure 4 to the SCN), it has been stated that funds were transferred as investments in the eight companies amounting to approx. Rs. 44.00 Crore. However, on perusal of bank statements, it was observed that the amounts transferred to the said eight entities were worth of Rs. 51.00 Crore, which were transferred as ICDs and investment. Details of such funds lent as ICDs or towards Investment in the eight entities are as under:

Table no. 4: Details of ICD issuance and Investment by Company

Name of entity	Amount of investment (Rs)
1. Amit Capital & Securities P L	10 Crore
2. Anand Rathi Capital Advisors P L	10 Crore
3. Sumi Enterprises	1 Crore
4. Nopea Capital Services P L	7 Crore
5. Sagar Infrastructure P L	3 Crore
6. Sagar Infrastructure P L	5 Crore
7. Nakoda Exim P L	5 Crore
8. Luni Finlease Ltd.	5 Crore
9. Drashti Gems P L	5 Crore
Total	51Crore

31. The entity wise details of the aforesaid investments/transfers of fund made by the Company as revealed in the course of investigation are discussed as under:

a. Amit Capital and Securities Pvt. Ltd.:

- i. There was a transfer of Rs. 10.00 Crore to Amit Capital and Securities Pvt. Ltd., on May 26, 2011 as ICDs which was repaid to the Company along with interest by December 17, 2012. The total amount along with interest received was Rs. 10,65,88,000/-. The details of transactions pertaining to transfer of funds to/from Amit Capital and Securities Ltd. are as under:

Table no. 5: Details of fund transfer from/to Datsons to/from Amit Capital and Securities Ltd.

Date	Bank Name	Receipt by Amit Capital (In Crore)	Payment to Datsons (In Crore)	Remarks
26-May-2011	IndusInd Bank Ltd. Current A/c No.200003211902 (Old A/c No.0033-CD5064-050)	10.00		ICD Received
16-Jun-2011	State Bank of India Current A/c No. 30885594774		2.00	Repayment of ICD
24-Jan-2012	Axis Bank Current A/c No. 173010200011556		1.50	Repayment of ICD
02-Feb-2012	Bank of Baroda Current A/c No. 29100500000099		1.50	Repayment of ICD
17-Feb-2012	Bank of Baroda Current A/c No. 29100500000099		1.50	Repayment of ICD
14-Mar-2012	Bank of Baroda Current A/c No. 29100500000099		1.50	Repayment of ICD
22-Mar-2012	Bank of Baroda Current A/c No. 29100500000099		2.00	Repayment of ICD
17-Dec-2012	HDFC Bank A/C No. 00602340026620		0.6588	Interest Payment
	Total	10.00	10.6588	

b. Anand Rathi Capital Advisors Pvt. Ltd:

- i. Similarly, there was transfer of Rs. 10.00 Crore to Anand Rathi Capital Advisors Pvt. Ltd. on May 26, 2011 as ICDs which was repaid by the entity along with interest by December 17, 2012. The total amount along with interest which was received back was Rs. 10,68,38,027/-. Details of the said transactions are given under:

Table no. 6: Details of fund transfer from/to Datsons to/from Anand Rathi Capital Advisors Pvt. Ltd.

Date	Bank Name	Receipt by Anand Rathi (In Crore)	Payment to Datsons (In Crore)	Remarks
26-May-2011	IndusInd Bank Ltd. Current A/c No.200003211896 (Old A/c No.0033-CD5063-050)	10.00		ICD Received
30-Jun-2011	Corporation Bank Current A/c No. CC01100002		1.50	Repayment of ICD
24-Jan-2012	Axis Bank Current A/c No. 173010200011556		1.50	Repayment of ICD
02-Feb-2012	Bank of Baroda Current A/c No. 29100500000099		1.50	Repayment of ICD
17-Feb-2012	Bank of Baroda Current A/c No. 29100500000099		1.50	Repayment of ICD
29-Feb-2012	Oriental Bank of Commerce Current A/c No. 00234015000277		3.00	Repayment of ICD
01-Mar-2012	Oriental Bank of Commerce Current A/c No. 00234015000277		1.00	Repayment of ICD
17-Dec-2012	HDFC Bank A/C No. 00600340008093		0.6838027	Interest Payment
		10.00	10.6838027	

- ii. It has also been noted that Amit Capital and Securities Pvt. Ltd and Anand Rathi Capital Advisors Pvt. Ltd. have repaid the ICDs to Datson by transferring funds to Datsons' accounts in SBI, Axis Bank, etc. and on perusal of these bank accounts of Datsons, it is observed that all the accounts of the Company except for one account (Axis Bank) were cash credit/ overdraft accounts and were used for clearing the overdraft balance. On an examination of Axis Bank account of Datsons, it was observed that Datsons transferred Rs. **3.00 Crore to Bhawana Interiors** immediately after receipt of funds from Amit Capital and Securities Pvt. Ltd. and Anand Rathi Capital Advisors Pvt. Ltd.

c. Nopea Capital Services Pvt Ltd.

- i. There was a transfer of Rs. 7.00 Crore out of IPO proceeds to Nopea Capital Services Pvt. Ltd. as an investment.
- ii. Nopea Capital Services Pvt. Ltd. vide letter dated September 19, 2016 has submitted that out of Rs. 7.00 Crore received by them, they have repaid Rs. 3.50 Crore as detailed out in the table below and remaining amount of Rs. 3.50 Crore were used to buy shares of other companies. On a perusal of account statements, it is noted that Nopea Capital Services Pvt. Ltd. had transferred Rs. 6.50 Crore to Dilip Bagri on May 27, 2011 and had received Rs. 3.40 Crore from Dilip Bagri by May 31, 2011. Further, Dilip Bagri

had made payment of Rs. 3.80 Crore to Indian Clearing Corporation Ltd. (ICCL) as early pay in. In this regard, ICCL vide email dated September 22, 2016 stated that the pay in was made for its client Nopea Capital Services Pvt. Ltd. for the purchase of shares of Well Pack Papers & Containers Ltd. and Farmax India Ltd.

- iii. It has also been noted that out of Rs. 3.50 Crore repaid by Nopea Capital Services Pvt. Ltd. to Datsons, as detailed out in the following table, there was a transfer of **Rs. 1.00 Crore to Benzolife (as per bank records it is now known as Windsonn Exim Pvt. Ltd.)** wherein the Noticee no. 2, Mr. Kannan Vishwanath was a Director during the relevant period as per details available on the MCA website and rest of the amount was transferred to other bank accounts of Datsons. On perusal of bank account of Benzolife, it was observed that post receipt of the aforesaid fund, there were **lots of self-cash withdrawals.**
- iv. Investigation has also revealed transfer of Rs. 1.00 Crore each from A/c No. 911020027021805 to other Datsons account Nos. ECC/01/100002 and 102019940000504 maintained with Corporation Bank and The Shamrao Vithal Co-op Bank Ltd., respectively.

The details of transactions made with Nopea Capital Services Pvt Ltd., out of the amount transferred, received and further usage thereof are depicted and enumerated in the table below:

Table 7: Details of fund transfer from/to Datsons to/from Nopea Capital Services Pvt. Ltd.

Date	Bank Name	Receipt by Nopea Capital	Payment to Datsons	Remarks
26-May-2011	IndusInd Bank Ltd. Current A/c No.200003211896 (Old A/c No.0033-CD5063-050)	7,00,00,000		ICD Received
01-Jun-2011	Axis Bank Current A/c No. 911020027021805		2,00,00,000	Repayment of ICD
02-Jun-2011	Axis Bank Current A/c No. 911020027021805		1,50,00,000	Repayment of ICD
		7,00,00,000	3,50,00,000	

- d. **Sagar Infrastructure Pvt. Ltd.:** The Investigation has also revealed the transfer of Rs. 8.00 Crore to Sagar Infrastructure Pvt. Ltd., as an investment and out of Rs. 8.00 Crore received on May 26, 2011, Sagar Infrastructure Pvt. Ltd. had returned the entire Rs. 8.00 Crore to Datsons between June 25, 2011 and September 07, 2011. Further, from the account statement of the Company, it is noted that there was a transfer of

Rs. 7.00 Crore to Bhawana Interiors immediately after receipt of funds from Sagar Infrastructure Pvt. Ltd.

- e. **Lunia Finlease Ltd.:** The Company has also transferred Rs. 5.00 Crore to Lunia Finlease Ltd., as an investment and out of Rs. 5.00 Crore received from Datsons on May 26, 2011, Lunia Finlease had returned Rs. 3.50 Crore to Datsons between September 9, 2011 and October 10, 2011. Further, from the account statement of the Company, it has been noted that Datsons had transferred **Rs. 2.50 Crore** and Rs. 1.00 Crore **to Bhawana Interiors** and Riull Brosis, respectively, after receipt of funds from Lunia Finlease Ltd.
- f. **Nakoda Exim Pvt. Ltd.:** The Company has transferred Rs. 5.00 Crore to Nakoda Exim Pvt. Ltd., as an investment on May 26, 2011. Nakoda Exim Pvt. Ltd. had returned the entire Rs. 5.00 Crore to Datsons between August 24, 2011 and August 30, 2011. Thereafter, Datsons has transferred **Rs. 5.00 Crore to Bhawana Interiors immediately** after receipt of funds from Nakoda Exim Pvt. Ltd.
- g. **Drashti Gems Pvt. Ltd.:** The Company has transferred Rs. 5.00 Crore to Drashti Gems as an investment and out of Rs. 5.00 Crore received by Drashti Gems, Rs. 3.25 Crore were used towards sale of polished diamonds and the balance Rs. 1.75 Crore was returned to Datsons. Further, Datsons transferred **Rs. 1.75 crores to Bhawana Interiors immediately after** receipt of funds from Drashti Gems Pvt. Ltd.

32. From the details of transactions as observed from the aforesaid tables, charts, the bank account statements and the submissions made by the Noticees, the followings observations can be made:-

- a) The IPO proceeds worth of Rs. 51.00 Crore (almost half of the entire IPO proceeds, which was Rs. 117.00 Crores) were used towards lending as ICDs and making investments for different durations varying between 2 months to 20 months. It is observed that the utilisation of funds towards lending or making investment have not been listed out as an object in the offer document.
- b) Though the transfer of Rs. 20.00 Crore as ICDs or as an investments to Amit Capital and Securities Pvt. Ltd., and Anand Rathi Capital Advisors Pvt. Ltd., were made in May 2011 and the transferred amounts along with interest were received back by December 2012, the lending of aforesaid amounts were not in compliance with the objects disclosed in the offer document.

- c) It has been noted from the offer document as produced under table no. 2 at para 16 above, that major amounts of IPO proceeds had to be utilised by the end of FY 2012, largely for the development of Research, Testing and Laboratory facilities at Mahad. I have already held earlier that the repayment of Rs 35.25 Crores towards ICDs taken from 16 entities from the IPO proceeds constituted violation of disclosures made in the offer document as the amounts have not been utilised for the accomplishment of the objects stated in the offer document. Now, the lending and investment of Rs. 51 crores made out of the IPO proceeds further constrain me to observe that utilisation of the proceeds received from the IPO by the Noticees has been against the stated objects of the issue in the offer documents. As evident from the records, money lent or investment made by the Noticees have been received back by December 2012, whereas the proceeds of IPO were scheduled to be utilised for completion of objects (Mahad Project) as disclosed in the offer document and such utilisation was to be completed on or before March 2012. The nature of actual deployment of the IPO proceeds however shows that there was gross failure on the part of the Noticees in utilising the IPO proceeds in accordance with the objects and as per the scheduled timelines stated/disclosed in the offer document.
- d) The Noticees have also not furnished any plausible justification for such lending. Transfer of the above mentioned funds immediately after the receiving of the IPO proceeds also belies the submissions advanced by the Noticees. The arguments advanced by the Noticee are that the Management had disclosed in the offer documents that with the approval of the Board, the Company would have the flexibility in deploying the IPO proceeds, pending utilization for the objects mentioned in the Prospectus, and in their case they intended to invest the funds in high quality interest/dividend bearing liquid instruments. Such contentions of the Noticees however do not inspire confidence on the following counts;
- i) There is nothing on record to substantiate or justify as to why the IPO proceeds could not be utilized for the objects disclosed to the prospective investors in the offer document, and instead were utilized towards repayment of ICDs or advancing loans/ICDs to various entities.
 - ii) The Noticees have on the one hand justified the borrowing of funds to the tune of Rs 35.25 Crore in the month of March – May, 2011 showing urgency to commence work at Mahad Project before arrival of monsoon and the urgency was such that they

could not even wait for a month till the receipt of IPO proceeds, whereas on the other hand, the Company started lending money either as ICDs or as investment, immediately after the receipt of the IPO proceeds, defying the objects of the IPO as disclosed to the public at large under the offer document.

- iii) The Noticees have not placed any documents to show the approval of the Board or the shareholders to justify their act of lending out of the IPO proceeds without utilising the same for the fulfilment of objects disclosed in the offer document.
- e) It is also observed from the record that there was transfer of Rs. 7.00 Crores to Nopea Capital Services Pvt Ltd. as investment in the month of May 2011. Out of the transferred amount of Rs 7.00 Crore, Rs. 3.50 Crores was received back whereas the remaining Rs 3.5 Crores have been used by Nopea Capital Services Pvt Ltd. to buy shares of other companies. The Noticees have not submitted any documents in support of receiving back the balance amount. It is clearly visible that the investment decision in Nopea can't be held to in compliance with the objects stated in the offer document and rather, the same is a clear cut case of diversion of IPO proceeds and in deviation from the objects disclosed to the public under the Prospectus.
- f) Similarly, there were transfers of Rs. 8.00 Crore, Rs 5.00 Crore and Rs 5.00 Crore to Sagar Infrastructure Ltd., Lunia Finlease Ltd. and Nakoda Exim Pvt Ltd respectively. The said amounts were transferred on May 26, 2011 as investments and were received back without interest in the month of September 2011, August 2011 and October 2011 respectively. Again, these transfers of funds have not been made in terms of the disclosure made in the offer document and therefore, cannot be held to be in compliance with the objects stated in the offer document. Lending of Rs 18.00 Crore without charging any interest further belies the submissions of the Noticees that these investment were investment in high quality interest/dividend bearing liquid instruments. It shows that the proceeds of IPO have been allowed to be utilized for other purpose and no interest were charged on such utilisation.
- g) It is also noted that there was a transfer of Rs. 5.00 Crore to Drashti Gems as investment out of which, Rs. 3.25 Crore were used towards purchase of polished diamonds from Drashti Gems and the balance Rs. 1.75 crore was returned to Datsons. Needless to state

here that purchase of polished diamond was not a part of the objects of issues disclosed in the RHP.

33. It is also noted from the records that out of Rs 51.00 Crore deployed as ICDs and investment, a substantial portion of such invested amount was received back by the Company after varying periods, however after receiving back such amounts, a portion of the amount was further transferred to an entity named Bhawana Interiors. The total amounts so transferred aggregated to a sum of Rs. 19.25 Crores while balance amounts were transferred to other entities/other accounts. I note that no justification has been furnished by the Noticees towards the transfer of such huge amounts to Bhawana Interiors, nor any explanation has been offered to suggest as to how the payments made to Bhawana Interiors were in compliance with the objects stated in the offer document. It is further observed that no details have been provided by the Noticees regarding the final use of the rest of the money received back out of the aforesaid investments of Rs. 51 Crore so as to justify that the IPO proceeds were ultimately utilised in terms of the objects disclosed in the offer document.
34. As observed from the details of transfers and refunds of funds of Rs. 51 Crores narrated in the preceding paragraphs, as soon as the funds were received back from different entities, parts of the same have again been transferred to an entity called Bhawana Interiors. I find that out of the above stated IPO proceeds of Rs. 51 Crores that were utilised for advancing ICDs/Investments, Rs. 19.25 Crores have been ultimately transferred to Bhawana Interiors. With regards to the amounts that have been diverted/transferred to Bhawana Interiors, the Noticees have stated that due to lack of documents they are unable to confirm the exact reasons for making the aforesaid payments to Bhawana Interiors and have requested to call the office of OL to produce the necessary records. Although, the Noticees have cited their reasons for not being able to substantiate the payments made to Bhawana Interiors, they have not even been able to explain the nature of payment despite the fact that it involves transfer of such a huge amount to an entity, whose credential are under question. The Noticees have been insisting for ascertaining the details or verifying the same from the office of OL. During their personal hearing, the Noticees were asked to state as to whether they have ever issued any letter to the OL or filed any application before the competent court praying for access to the documents of the Company so as to enable them to defend themselves in the proceeding before SEBI in a proper and effective manner. In response, the Noticees have

made no affirmation nor have I been able to lay my hands on any such communication/application made by the Noticees to the OL. Further, it is humanly improbable that the Noticees cannot throw any light on the nature of such huge sums of money transferred to a single entity out of IPO proceeds. The response of the Noticees are found to be evasive and disquieting. In addition to the above, I am constrained to reject the submission of the Noticees for the reason that the Noticees on their part have made no efforts to collect evidence from the office of OL so as to be able to respond to the allegations levelled in the SCN. The attitude of the Noticees on this point shows that either they are not serious in collecting documentary evidence from the office of the OL so as to explain the allegations and issues raised in the SCN or they know very well that there is no documentary evidence available in the records under the custody of the OL to justify the nature & purpose of payments made to various entities including Bhawana Interiors to whom a huge amount has been transferred out of IPO proceeds.

35. In respect of the allegation of using IPO proceeds worth Rs. 3.25 Crores for purchase of diamonds, the Noticees have stated that due to lack of documents they are unable to confirm the exact reason for purchase of polished diamonds and again have to call upon the OL to produce the available records. As observed by me above, I am not inclined to accept the Noticees' submissions as I find that the Noticees have made no effort at all to provide documentary evidence in support of their submission, and rather have attempted to escape from the consequences of the proceedings under the pretext of liquidation proceedings. Moreover, purchase of diamonds is not even remotely connected to the business of the Company, hence, being an unusual purpose for which IPO proceeds have been spent, the Noticees cannot escape from their primary onus of explaining the very nature of such purchases under the plea of liquidation proceedings. I, therefore, find that the Noticees have failed to provide any justifiable explanation or documentary evidence in support of their claim that the Company has ultimately used the IPO proceeds towards the objects of IPO as mentioned in the offer document.

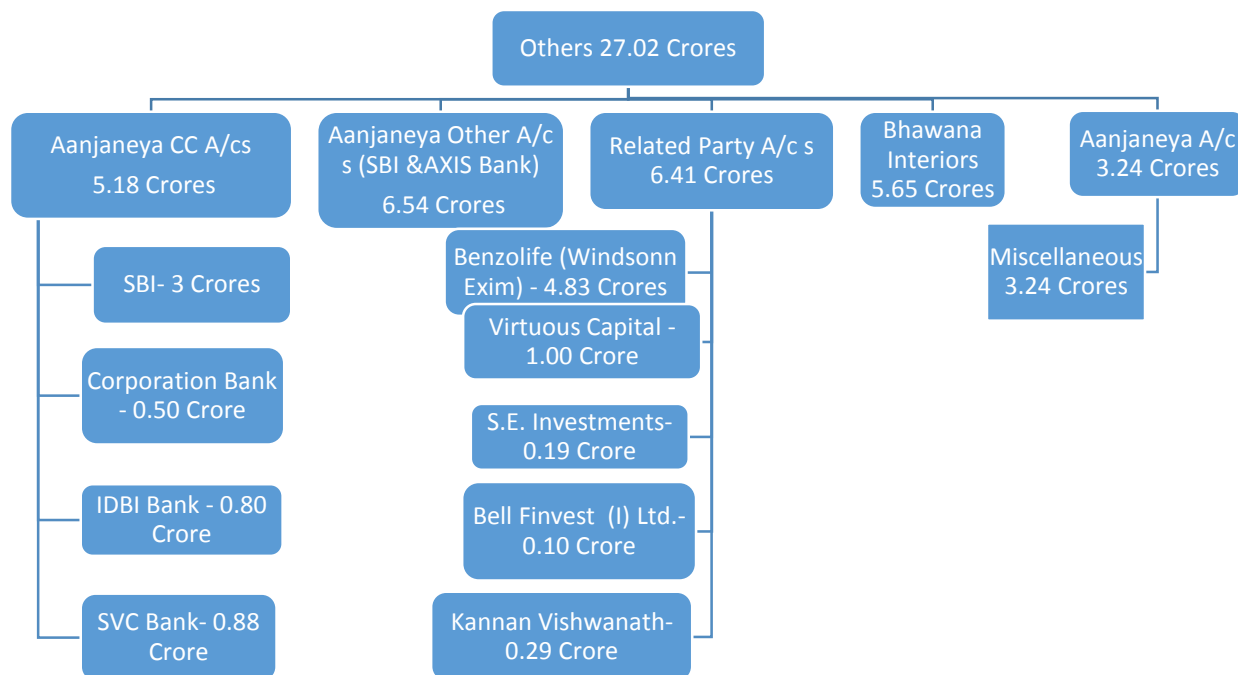
36. In view of my observations in the preceding paras, I find that after the receipt of the proceeds of IPO, an amount worth Rs. 51.00 Crore have been put to utilisation for the objects other than what were stated/disclosed in the offer document. It has been disclosed in the offer document that the proceeds would be utilised for the objects stated in the offer document and such utilisation for

the stated objects would be achieved by end of FY 2012, whereas, after the receipt the of IPO proceeds towards the end of May 2011, an amount of Rs 35.25 Crore have been utilised for repayment of loan availed from the 16 entities mentioned at table 3 at para 20, and another sum of Rs 51.00 Crore have been utilised towards investments or advancing ICDs to eight other entities. The Noticees have craved to justify the urgent borrowing made from 16 entities pending receipt of IPO proceeds on the ground that they wanted to commence Mahad Project before the arrival of monsoon, whereas, after receipt of the IPO proceeds, instead of utilising the funds for completing the Projects as per the objects stated in the offer document, the same have been utilised for making investment and/or for lending as ICDs apparently for no justifiable reasons which in my view, cannot be held to be in conformity with the objects of IPO as stated in the offer document. I also find that by deferring the utilisation of the IPO proceeds for the objects stated in the offer document due to the interim deployment of the same for ICDs/investments in various entities other than for the objects disclosed to the investors of Securities Market, tantamount to putting the hard earned money of the investors/subscribers at risk. I also find that there was no disclosure to the investors/subscribers to this effect that the IPO proceeds would first be utilised, even though temporarily, for purposes and objects like repayment of loans taken through ICDs and for advancing ICD etc. other than for purposes that have been disclosed in the offer document. In a nutshell, I find that the IPO proceeds worth Rs. 35.25 Crores and Rs. 51 crores have not been used in conformity with the objects as stated in the offer document.

Transfer of Rs. 27.02 Crores for other purposes

37. The investigation has further revealed that there have been transfer of funds amounting to Rs. 27.02 Crore out of the IPO proceeds from its IndusInd Bank account (A/c No. 0152-BH0478050) to its various other accounts and also to related party accounts. Details of such funds worth of Rs. 27.02 Crores transferred to the various entities are depicted as under:

Chart no. 3: Details of IPO funds transferred by Datsons to various entities (Figures in Rs.)



38. From the above chart, I note that out of the above stated amount of Rs. 27.02 Crore of the IPO proceeds, Rs. 5.18 Crore have been transferred to different cash credit accounts of the Company maintained with various banks, Rs. 6.54 Crore were transferred to its own account maintained with Axis bank and SBI, Rs. 6.41 Crore were transferred to different related party accounts, **Rs. 5.65 Crores were transferred to Bhawana Interiors** while the details of rest 3.24 Crores could not be traced as no explanation has been provided for the same. I note that the related party fund transactions were with Benzolife (as per bank records it is now known as Windsonn Exim Pvt. Ltd.), where Noticee no. 2, Mr. Kannan Vishwanath, MD of Datsons is a Director and with Virtuous Capital Ltd. (earlier known as Fina Venture India Ltd.), which is a group company of one of the Promoters of Datsons (Finaventure Capital Ltd.). Investigation has also revealed that Bhawana Interiors has further received a sum of Rs 5.65 Crore thus, taking the total amount transferred to Bhawana Interiors to Rs. 24.90 Crore out of the total IPO proceeds.

39. As regard the allegation of transfer/diversion of Rs. 6.41 Crores to the related party accounts, **the Noticees** have denied having siphoned off any funds and have maintained their stand that it was only an interim use of funds in accordance with approval of Board of Directors and ICDR Regulations. However, the Noticees have not provided any details or evidence to show that the IPO proceeds worth of Rs. 27.02 Crores have actually been spent for the objects of IPO. The Noticees have also not provided any evidence to support their submissions that they have made use of the aforesaid IPO proceeds for interim purposes in accordance with the approval of Board of Directors. As noted above, funds to the tune of Rs. 6.12 Crore (Rs. 5.83 Crore and Rs 0.29 Crore) were transferred to entities connected with the Noticee no. 2, however, no justification has been furnished to explain as to how the said transfer was in compliance with the objects disclosed in the Prospectus. The Noticee no. 2 has also failed to provide any justification for such transfer of funds to his connected entity and no evidence has been placed to state that the said amount has been paid back to the Company.
40. I also note that the Noticees have rather expressed their inability to provide any evidence on the ground of destruction of all important documents in the flood of 2013. As a result, the Noticees have attempted to justify the usage of the IPO proceeds without any supporting materials to justify such large scale transfers of IPO proceeds to various entities. The Noticees have not provided any evidence of recovery/refund of funds advanced to the entities named in Chart no. 3 above and at the same time no explanation has been furnished with respect to the source of funds if any, that were used to complete the projects as per their stated objects in the offer document. The Noticees have instead sought to shift their responsibility, by demanding that to approach the OL to get all the documents that it wants as evidence in support of utilization of IPO proceeds. On one hand, it has been submitted that the documents relating to IPO, etc. were destroyed in the flood of 2013, whereas on the other hand, the Noticees have attempted to shift their burden by claiming that the relevant supporting documents can be obtained from the office of OL. In the absence of any credible explanation and evidence in support of use of IPO proceeds worth Rs. 27.02 Crores and considering the fact that amounts from the IPO proceeds have also been transferred to related parties as well as to Bhawana Interiors without any basis or bonafide reason, it is clear that IPO proceeds of Rs. 27.02 Crores have substantially been utilised for objects other than the objects proclaimed in the offer document.

41. After discussing the transactions of the Company involving transfer of its IPO proceeds to various entities in the form of repayment of ICDs, advancing ICDs/investments, transfer to related parties and unexplained transfers of funds such as payments to Bhawana Interiors etc., I find that Noticees have been primarily charged inter-alia on three counts; (i) the IPO proceeds were not utilized for the objects set out in the offer document (ii) the disclosure made in the offer document are not correct and material information have been concealed from the public and (iii) the proceeds of IPO have been diverted. I note that Rs 117.00 Crores have been raised by Datsons from the public. The SCN has made allegations supported by concrete evidence including bank account transactions which show that the proceeds of IPO have been mis-utilised. The Noticees cannot wash their hands off by responding to the said allegations in such a casual manner. It is incumbent on the Noticees to make their submissions supported by adequate evidence in response to the allegations made against them in the SCN. I find that the Noticees have not come forward with sufficient evidence to rebut the allegations as made in the SCN and to prove that the proceeds have not been utilized for objects other than what were disclosed in the offer document. The Noticees have grossly failed to defend the allegations and have failed to furnish any documents in support of their explanations. The Noticees have not disputed the transactions in question, viz: - payment of Rs. 35.25 Crore to the sixteen entities against ICDs taken from them just before receipt of IPO proceeds as ICDs/investments and transfer of Rs. 27.02 Crores for various other purposes, transfer of Rs 51.00 Crore to eight entities out of IPO proceeds. The Noticees have also admitted to have used the IPO proceeds for investment and for lending as ICDs. The Noticees have not furnished any documents to show that these transfers were in conformity with the stated objects of IPO as mentioned in the offer document nor have they provided me with any evidence to suggest that the same were utilized pursuant to due approval by the Board. I also note that majority of transfer of funds have been made immediately after the receipt of proceeds from IPO i.e around May 26, 2011. It is not disputed that after deducting the issue expenses, an amount of Rs 113.27 Crore was available to the Company for utilisation to achieve the objects as stated in the offer document. I have already found that out of the said sum of Rs 113.27 Crore, Rs 35.25 Crore was utilised towards repayment against the ICDs. It is also observed that after the receipt of the aforesaid sum of Rs. 35.25 Crores under the ICDs, Rs 33.00 Crore therefrom were transferred to 08 entities of dubious identities. No explanation has been furnished by the Noticees to demonstrate as to how Rs 33.00 Crores so transferred to eight entities were utilised for

achieving the objects disclosed to the public. Similarly, the Noticees have not disputed their acts of issuing ICDs to various entities aggregating to Rs. 51 Crores, immediately after the receipt of the IPO proceeds. Also a substantial portion of refunds of these ICDs were further transferred/diverted to various entities including Bhawana Interiors to whom Rs. 24.90 Crore has been passed on for which no justifiable explanations have been furnished. Additionally, there have been various related party transactions as well. As per findings made in the preceding paras, an amount to the tune of Rs 7.12 was transferred to the Noticee no. 2 himself and his related entities as follows:

- a) Rs. 5.83 Crores to Benzolife
- b) Rs. 1 Crores to Virtuous Capital
- c) Rs. 0.29 Crore to Noticee no.2

42. Surprisingly, no reasons have been provided for the said transfer of IPO funds to the Noticee no.2 and his related entities. Under the circumstances, based on my discussions in the foregoing paras and in the absence of any explanations or supporting materials furnished by the Noticees to explain the utilization of the IPO proceeds towards the objects stated in the offer documents, I am constrained to conclude that substantial portion of the IPO proceeds have not been utilised as per the objects stated and disclosed in the offer documents.

43. Having observed that a substantial portion of the IPO proceeds was not utilized for the objects stated in the offer documents, it is also noted that out of those misutilised amounts of IPO proceeds huge amounts have been diverted by the Noticees by way of various unexplained transfer of funds from Company's accounts to the accounts of different entities. Based on the materials available on records and considering the submissions advanced on behalf of the Noticees, I find that out of IPO proceeds of Rs 113.27 Crore, at least Rs. 69.27 Crores has been diverted the details of which are stated as under:

S.No	Alleged misutilisation of the IPO proceeds	Funds diverted from the misutilised amounts	Details of such diversion of funds

1.	Rs. 35.25 Crore of the IPO proceeds have been misutilised by the Company for repayment of ICDs taken prior to the IPO.	Rs. 33 Crores	Evidence available on record shows that after receipt of ICDs worth of Rs. 35.25 Crore from sixteen entities, Rs. 33 Crores have been transferred to eight entities (refer to para 21) whose whereabouts as well as the purpose for transfer of such amounts made to them are not ascertainable. There is no explanation about the nature of transfer of funds to the eight entities. No detail is available as to how the funds transferred to eight entities were eventually utilised for the objects of IPO. Further, Noticees have also not furnished any documents to show if any amounts were received back by the Company from the eight entities. Bank accounts of these companies were closed subsequent to the transfer of funds.
2.	Rs. 24.90 Crore have been diverted to Bhawana Interiors.	Rs. 24.90 Crores	Evidence available on record shows diversion from the IPO proceeds on several occasions to Bhawana Interiors, whose whereabouts as well as purpose for transfer of amounts made to it is not ascertainable. No documents were executed and nor produced to explain the nature & purpose for parting substantial portion (around 25%) of the IPO proceeds to this entity. Parting of such amount without carrying out any due-diligence and furnishing no explanation to justify the transfer, compels one to conclude that the transfer was meant for diversion and misappropriation of IPO funds.
3.	Rs. 6.41 Crore have been diverted to the Company's	Rs. 6.12 Crores	Evidence available on record shows the relation between

	related party accounts i.e., Benzolife (as per bank records it is now known as Windsonn Exim Pvt. Ltd.), Virtuous Capital Ltd., S.E. Investments, Bell Finvest (I) Ltd. and further also siphoned off to the personal account of Kannan Vishwanath .	(as per Chart no. 3) Rs 1.00 Crore (at para 31(c) = Total 7.12 Crore	Noticee no. 2, and Benzolife and Virtuous Capital Ltd. The allegations of transfer of funds to Benzolife (Rs. 5.83 Crore), Virtuous (Rs. 1.00 Core) and the Noticee no. 2 (Rs. 0.29 Crore) remain undisputed. The Noticee no. 2, who was also the director in Benzolife has submitted no explanation with respect to the receipt of Rs. 5.83 Crores to the company. Similarly, no explanation has been offered with respect to Virtuous which is also a group company of the promoter company. Hence, the Noticee no. 2 can be stated to be the direct beneficiary of the above transfer of funds has submitted no explanation to justify the receipt of such funds.
4.	Rs. 24.18 Crore have been diverted to the Company cash credit accounts in various banks.	NIL	No evidence is available on record to show if any amount has been diverted to the Noticees or any other related parties/questionable entities belonging to them.
5.	Rs. 3.25 Crore (2.78% of IPO funds) were used for purchase of polished diamonds by Datsons.	Rs. 3.25 Crores	The amount utilised for purchase of polished diamonds was no way linked to business activities of the Company. Such purchases of diamonds prima facie, involves personal interest only. In the absence of any explanation from the Noticees, as to how this transaction was in line of the objects stated disclosed in the offer document, it can be concluded that the transaction was entered only with a motive to misappropriate/ divert the funds of the Company.
6.		Rs. 1 Crore to Riull Brosis	While dealing with ICD Issuance and Investment of Rs. 51.00 Crore, it has been

			observed that after receipt of Rs. 3.50 Crore from Lunia Finlease Ltd, amount of Rs 2.50 was transferred to Bhawana Interiors and Rs 1.00 Crore was transferred to Ruill Brosis. No explanation whatsoever has been furnished justifying the transfer of Rs. 1.00 to Riull Brosis.
7.	Balance amount of Rs. 19.28 Crores – used for Miscellaneous/other purposes included in the category of transfer of Rs. 27.02 Crores.	NIL	The Noticees have not provided documentary evidence to substantiate that the balance amount from the IPO proceeds worth of approx. Rs. 19.28 Crores have been used to fulfil the objects of IPO. However, the material available on record does not show if any of this amount has been diverted to the Noticees or any other related parties/questionable entities belonging to them.
Total	Rs. 113.27 Crores	Rs. 69.27 Crores	

44. From the aforesaid analysis, I can observe that at least Rs. 69.27 Crores has been misappropriated or diverted towards unexplained purposes having no bearing with the stated objects of the IPO. I also note that the Noticees vide letter dated January 25, 2019 have stated that in 2010-11 the Company had assets worth Rs. 485,495,620 and in the same year further assets of Rs. 260,037,154 were acquired by the Company and soon after the IPO, the total value of fixed assets of the Company have increased every year. As per the Noticees, in the years of 2011-12, 2012-13 and 2013-14 additional assets worth Rs. 1,591,716,470, Rs. 148,270,000 and Rs. 27,090,000 respectively have been added to the fixed assets of the Company. However, the Noticees have failed to demonstrate the exact details and location of such assets and the source of funds utilized for meeting the objects stipulated in the offer document, especially when I find that at least Rs. 69.27 Crores have been diverted from the IPO proceeds to related parties or questionable entities and about Rs. 24.18 Crores have been used to adjust the overdraft balances in the Company's cash credit accounts, by utilizing the IPO proceeds. In view of the same, I do not find it factually possible as to how the Company has been able to make such huge additions of Rs. 1,591,716,470

to its fixed assets in the year 2011-12. However, I note that Company being in liquidation, the OL will be in a better position to assess the actual valuation of the fixed assets claimed to have been added by the Company. In the instant Proceedings, on the face of the aforesaid strong evidence suggest large scale misappropriation and diversion of funds to the extent of almost 2/3rd of the entire IPO proceeds, and in the absence of any documentary evidence to support the acquisition of assets, it is not possible for me to accept the claims made by the Noticees that they have utilized the entire IPO proceeds to meet the stated objects of the IPO. The claims put forth by the Noticees are highly improbable, unverifiable and hence not acceptable.

ISSUE NO. 2: *Whether the allegations of misutilisation of the proceeds of IPO for purpose other than disclosed in the offer document, the misleading and distorted disclosure and concealment of material information by the Noticees are in violation of provisions of PFUTP Regulations and ICDR Regulations?*

45. Before I proceed to examine as to whether on the facts of the matter, the aforesaid Regulatory violations as alleged in SCN stand established or not, it would be proper to extract for ready reference, the relevant provisions of SEBI Act, PFUTP Regulations and ICDR Regulations which are re-produced here under:

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;*

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

.....

- (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.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*

.....

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

ICDR Regulations

Manner of disclosures in the offer document.

- 57 (1) The offer document shall contain all materials disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.*
- (2) Without prejudice to the generality of sub regulation (1):*
 - a) The red-herring prospectus, shelf prospectus and prospectus shall contain:*
 - i. the disclosures specified in schedule II of the Companies Act, 1956; and*

ii. the disclosures specified in Part A of Schedule VIII, subject to the provisions of Parts B and C thereof;

Public communications, publicity materials, advertisements and research reports.

60. (7) any advertisement or research report issued or caused to be issued by an issuer, any intermediary concerned with the issue or their associates shall comply with the following:

a) it shall be truthful, fair and shall not be manipulative or deceptive or distorted and it shall not contain any statement, promise or forecast which is untrue or misleading;

Sch. (VIII)

.....

(2) An issuer making a public issue of specified securities shall make the following disclosures in the offer document. However, an issuer making a fast track issue of specified securities may not make the disclosures specified in Part B of this Schedule in the offer document. Further, an issuer making a further public offer of specified securities may not make the disclosures specified in Part C of this Schedule, in the offer document, if it satisfies the condition specified in para 2 of that part:

(VII) Particulars of Issue:

.....

(G) Sources of Financing of Funds Already Deployed: The means and source of financing, including details of **bridge loan or other financial arrangement, which may be repaid from the proceeds of the issue.**

46. While discussing the Issue no. 1 framed by me, I have held that major portion of the IPO proceeds have not been utilised in terms of the objects of IPO mentioned in the offer document and that the proceeds have been misutilized and diverted for purposes other than what have been disclosed to the investors. The way the IPO proceeds have been blatantly transferred to various entities casts a bonafide suspicion on the intention of the Noticees about the utilisation of the IPO proceeds for the projects and purposes as stated in the offer document. I note that immediately after the receipt of the IPO proceeds in the bank accounts of the Company, the same was not put to use for the objects set out in the document and instead, were remitted to different entities either towards repayment of ICDs or towards investment in ICDs, transferred to Bhawana Interiors,

different related parties as well as to different cash credit accounts of the Company. Thus, based on the findings recorded while discussing the Issue no. 1, I have already found that the IPO proceeds have not been used for the purposes envisaged in the offer document. The submission of the Noticees that although the proceeds were not put to use for the stated objects immediately, the same was deferred/delayed and finally have been utilized for the stated objects is without any supporting evidence hence deserves to be rejected. The Noticees have not placed any documents or furnished any details to show as to how the proceeds of IPO have been ultimately utilized. The Noticees have also failed to submit any proof of having received back the funds from many of the entities to whom the IPO proceeds were advanced as investments or ICDs. Further, there is no explanation available for transferring of more than Rs. 24.90 Crore to Bhawana Interiors. Considering the fact that not a shred of evidence has been furnished by the Noticees in support of their submissions that the proceeds of IPO have been finally utilized as per the objects of the IPO, I have to hold that the proceeds of IPO have not been utilized in terms of the statements and disclosure made in the offer document. Therefore, it is but natural for me to hold that the investors have been induced by the misleading and specious statements disclosed in the offer document since the utilization of the IPO proceeds for purposes other than the stated objects was unfair, misleading and a fraud committed upon the investors of Securities Market in general and subscribers to the IPO of Datsons in particular.

47. It is noted that at page no. 73 of the offer document there was a disclosure under the heading 'Capital Structure', stating that no bridge loans had been raised against the proceeds of the issue. However, as discussed in preceding paragraphs, the Company had raised a loan amounting Rs. 35.25 Crore by taking ICDs from 16 entities during the period March 2011 to May 2011. The ICDs were nothing but unsecured loans taken by the Company and constituted material information, but, there was no disclosure about them in the offer documents, even though a substantial portion of such borrowing was made prior to the filing of RHP. Thus, the investors were kept in dark about the actual utilisation of IPO proceeds, when the aforesaid borrowing through ICDs was repaid out of IPO proceeds. The SCN therefore alleges that the Company has failed to disclose the material information with respect to the bridge loans availed by it from different entities thereby making a wrongful disclosure to the public. The Noticees have argued that the disclosures made by the Company were correct as the Company has not raised any bridge

loan against the IPO proceeds. However, such an argument does not hold good and is factually incorrect as the borrowing made from 16 entities were repaid immediately upon the receipt of the IPO proceeds. The contention of the Noticee that the provisions under the ICDR Regulations did not have a specific definition of bridge loans at the relevant time, hence, in consultation with their Investment Advisers it was believed that only bridge loan being raised against the IPO proceeds were to be included for disclosure to the public at large. It has also been contended that disclosures made in the offer document were as on January 2011 and neither SEBI nor the stock exchange has even asked for updated status at the time of filing of RHP.

48. I do not find any force in the submissions of the Noticees. The contentions of Noticees are also fraught with contradictions. On the one hand, the Noticees have submitted that bridge loan has not be defined under the ICDR Regulations, whereas on the other hand, they have argued that ICDs repaid from the IPO proceeds to the 16 entities were not borrowed against the IPO proceeds and were not required to be disclosed. Admittedly, the Noticees have claimed that the ICDs were availed from the 16 entities just prior to receipt of IPO proceeds as an urgent interim arrangement so that the work on the Projects at Mahad commences before the onset of monsoon and the Project work is not disrupted due to monsoon. Therefore, going by the submissions of the Noticees, the ICDs were taken as a stop gap arrangement to finance the Project work which was the main object of IPO, and thus had the characteristics of a bridge loan. Further, the borrowing of ICDs was immediately repaid out of the IPO proceeds as soon as the IPO proceeds were credited to its accounts. Therefore, the submissions of the Noticees that no bridge loan was raised against the IPO proceeds are bound to be rejected. I also find that provisions of ICDR Regulations prescribe that the offer documents shall contain all materials disclosures which are true and adequate so as to enable the applicants/prospective investors to take an informed investment decision. From a perusal of allegations made in the SCN, I note that the provisions of ICDR specifically require that *sources of financing of funds already deployed including details of bridge loan or other financial arrangements, which may be repaid from the proceeds of the issue need to be disclosed*. In my view the expression 'bridge loan or other financial arrangements' adequately covers the ICDs taken by the Company in the months preceding the Public issue by the Company. Thus the law imposed a duty on the Noticees to suo-moto make true, fair and adequate disclosure of all material information in the offer documents, therefore the contention of the Noticees that neither SEBI

nor stock exchange asked them to disclose updated status at the time of filing RHP is erroneous and legally not tenable.

49. Regulation 57(1) of ICDR Regulations mandates that the offer document shall contain all material and true disclosures for enabling the investors to take an informed decision and offer document as mentioned in Regulation 2(x) of ICDR Regulations includes RHP, Prospectus as well as shelf prospectus. Therefore, the Noticees were under the obligation to provide true and relevant information in the RHP. Further, it is noted that the RHP has been filed by the Company with SEBI on April 28, 2011 and as per the letter dated April 4, 2014 (annexure 1 to SCN) addressed by the Company it had raised the ICDs from the 16 entities during the period from the March 25, 2011 to May 13, 2011 i.e. just before the IPO. This clearly shows that the Company had the opportunity to update the information while filing the RHP, however for reasons unknown, have not made such disclosures. In my view, the Noticees have deliberately not provided the true information to the public about the ICDs taken by the Company prior to making the public issue, intending to fraudulently induce the investors to make investment in the IPO of Datsons. Details of such borrowing in the form of ICDs prior to the IPO are as under:

Table no. 8: Details ICD taken by the Company from 01-01-2011 to 30-06-2011

Sr. No.	Name From Whom Loan was Taken	Date of Loan	Amount	Purposes Of Loan	Date of Repayment	Amount Repaid	O/s on 30-06-11
1	Polymac Thermoformers (P) Ltd	3/25/2011	15000000	Project Cost	5/26/2011	75000000	0
		3/26/2011	30000000	Project Cost			
		3/28/2011	5000000	Project Cost			
		3/29/2011	25000000	Project Cost			
2	Abhinandan Vanijya Pvt Ltd	4/20/2011	15000000	Project Cost	5/26/2011	25000000	0
		4/21/2011	10000000	Project Cost			
3	Amanat Mercantile Pvt Ltd	4/25/2011	15000000	Project Cost	5/26/2011	15000000	0
4	Blueview Commotrade Pvt Ltd	04/02/2011	20000000	Project Cost	5/26/2011	20000000	0
5		4/26/2011	5000000	Project Cost	5/26/2011	10000000	0

	Dhanavarsha Merchants Pvt Ltd	4/28/2011	5000000	Project Cost			
6	Fidelity Vintrade Pvt Ltd	4/21/2011	10000000	Project Cost	5/26/2011	20000000	0
		4/23/2011	6000000	Project Cost			
		4/25/2011	4000000	Project Cost			
7	Heaven Tradelink Pvt Ltd	4/16/2011	10000000	Project Cost	5/26/2011	25000000	0
		4/19/2011	5000000	Project Cost			
		4/20/2011	10000000	Project Cost			
8	Kaleidoscope Films Ltd	5/13/2011	32500000	Project Cost	5/26/2011	32500000	0
9	Nitin Hire Purchase Pvt Ltd	04/09/2011	17500000	Project Cost	5/26/2011	17500000	0
10	Pluto Vincom Pvt Ltd	04/02/2011	22500000	Project Cost	4/29/2011	6000000	0
					5/26/2011	16500000	
11	Shreyans Vyapar Pvt Ltd	4/18/2011	10000000	Project Cost	5/26/2011	25000000	0
		4/19/2011	15000000	Project Cost			
12	Swarnim Distributors Pvt Ltd	4/25/2011	6000000	Project Cost	5/26/2011	6000000	0
13	Techmech Traders Pvt Ltd	4/25/2011	15000000	Project Cost	5/26/2011	15000000	0
14	Times Vanijya Pvt Ltd	4/21/2011	10000000	Project Cost	5/26/2011	20000000	0
		4/28/2011	10000000	Project Cost			
15	Anand Rathi Capital Advisory Pvt Ltd	3/31/2011	20000000	Project Cost	5/26/2011	20000000	0
16	Oxford Vintrade Pvt Ltd	4/21/2011	10000000	Project Cost	5/26/2011	10000000	0

50. I have already held above that the ICDs taken by the Company were practically short term bridge loans taken to meet short term finance needs of the Company. As per Company's own admission and from the above table it can be observed that the ICDs were taken to meet the project costs of the Company. Since these ICDs were meant to be repaid out of IPO proceeds, they should

have been disclosed in the offer documents. The true and fair disclosure about the utilization of funds are not only the requirement of law, but also imposes an onerous duty on any entity to make the fullest disclosure of all material facts while raising money from the public. I note that a similar issue pertaining to bridge loan and its disclosure had come up for consideration before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as **"SAT"**) in *Corporate Strategic Allianz Ltd v. SEBI* (Appeal No 224/2017- DoD- 29.03.2019) in which the relevant observations of Hon'ble SAT are as under;

"7. From a perusal of the Regulation 57 it is apparently clear that the offer document is required to contain all material disclosures so as to enable the applicant to take an informed investment decision. Schedule VIII clearly indicates that the means and sources of financing including details of bridge loan or other financial arrangement are specifically required to be indicated in the prospectus.

8. In the present case, admittedly a loan of Rs.5.94 crores was taken immediately before the issuance of the IPO which admittedly was not disclosed in the prospectus. The means and sources of this loan was not disclosed to the public in the prospectus. In the absence of this material fact the investors were unaware of this financial liability as well as the fact that this loan would be paid from the IPO proceeds. Such information was required to be disclosed in the prospectus. Non-disclosure was in violation of Regulation 60(4) of the ICDR Regulations which requires disclosure of all material developments. Loans taken prior to the issuance of the IPO has a bearing in as much as the said loan was eventually paid from the IPO proceeds. In our opinion, this was a material fact which was required to be disclosed in the prospectus. Thus, the Adjudicating was justified in holding that there was a violation of Regulation 57 of the ICDR Regulations.

9. In the light of violation of the provisions of Regulation 57 we find that the appellant did not exercise due diligence nor satisfied himself with regard to all aspects of the issue including the veracity and adequacy of disclosure in the offer document. We find that quite apart from the fact that the loan taken was not disclosed in the prospectus, a wrong statement was made in the prospectus that the Company had not raised any bridge loan against the proceeds of this issue. This statement was factually incorrect as the loan of Rs.5.94 crores was clearly a bridge loan. The contention of the learned counsel for the appellant that the said loan was not a bridge loan but a general loan is misconceived in as much as we are of the opinion that a loan which is of less than one year is generally called a bridge loan. A bridge loan is generally taken as an interim measure "to bridge the gap" during the times when financing is needed but is not available. In the instant case, it was urged that the said

loan was taken in order to pay off the earlier loan which therefore clearly proves that the loan taken comes under the category of a bridge loan.”

51. Based on the above finding and observations of Hon’ble SAT, I can clearly observe that in the instant matter also there was a deliberate concealment of material disclosure, as the RHP filed on April 28, 2011 neither mentions about the availing of temporary loan from 16 entities and the proposed repayment thereof from the proceeds of IPO nor did it mention about the investments/ICDs proposed to be given to the eight entities out of IPO proceeds. The Noticees have taken a defense stating that it was mentioned in the RHP that the Company has unsecured loans which are repayable on demand. This claim again aggravates the inconsistency in the submissions of the Noticees. On the one hand, the Noticees claim that the disclosure about the fact that the Company has unsecured loans which are repayable on demand was adequate disclosure while at the same time, have argued that money borrowed through ICDs was not against the IPO proceeds and hence was not disclosed. Further, the Noticees have not admitted that disclosure about unsecured loan actually referred to the availing of the loan under the ICDs by the Company. Hence, any statement about unsecured loans in the offer documents cannot be suo moto imputed to compensate the non-disclosure about the specific loans such as the ICDs taken by the Company. The offer document is mandated to be filed by an issuer of a public issue so that adequate and true disclosures can be made to the public so as to enable the investors to take an informed decision. Companies ought to be cautious while making any statements in the offer document and it cannot take shelter under the plea that since it had not been directed to update the disclosures required to be made, no fault can be fastened on the Noticees. Entity raising capital from the public and the persons responsible for the management of the affairs of such entities at the time of raising such capital are required to come clean on all significant and material information/changes in the offer documents so that the investors can take a proper and informed decision before making any investment in the shares of the Issuing Company. I therefore find that the allegations of making specious and misleading statement in the offer document by the Noticees stand vindicated, *inter alia*, on following two major grounds:

- a) By mentioning that there is no bridge loan raised against the IPO proceeds whereas, an amount to the tune of Rs 35.25 Crore was actually raised under ICDs just before the

IPO and the proceeds of IPO were subsequently used to repay the borrowings made under the said ICDs, from 16 entities.

- b) By not using the IPO proceeds as per the objects mentioned in the offer document and further utilizing the proceeds of IPO for purposes other than what have been disclosed in the offer document such as investing in ICDs, transferring funds to related parties and also unrelated entities like Bhawana Interiors etc. and such utilisation of the proceeds were without any Board approval and not in compliances with the disclosures made about the objects of IPO in the offer document.

52. As observed in the beginning, the very objectives of the IPO as identified in the RHP were for development of the research facilities at Mahad for ailments like cancer which eventually have got defeated by the deliberate acts of the Noticees. I note that Mr. Kashi Vishwanathan (Noticee no. 1) was the Executive Chairman of the Company, Dr. Kannan Vishwanath (Noticee no. 2) was the Managing Director of the Company while Mr. Prabhat K. Goyal (Noticee no. 3) and Mr. Shashikant B. Shinde (Noticee No. 4) were the Whole Time Executive Directors of the Company. Admittedly, Noticees no. 1 as the Chairman and Noticee no. 2 as the Managing Director and Promoter of the Company have been managing the affairs of the Company. They have also not disputed their role in the management of the Company and the transfer of funds to various entities. Therefore, they are liable for the misutilisation and diversion of the IPO proceeds as well as for the wrong, misleading and distorted information in the RHP. The submissions of the Noticees no. 1 and 2 that they have subsequently resigned on April 4, 2012 and February 14, 2015 respectively will not come to their help, since the Noticee no. 1 was the Executive Chairman of the Company and Noticee no. 2 was the Managing Director and Promoter of the Company during the relevant period when the funds were raised by issuance of securities and funds were transferred out to various entities for objects other than the objects of IPO.

53. The primary submissions of the Noticees no. 3 are that he was not involved in the commercial or financial matters and was only a full time employee Director of the Company with a duty to establish and run the Mahad Plant. He further states that even though he was the Whole Time Director of the Company, he has never attended any board meeting nor was he party to the decisions taken by the board. Similarly, Noticee no. 4, Mr. Shashikant B. Shinde vide his written

reply dated April 4, 2018 has stated that he was in charge of only technical matters relating to manufacturing in the plant at Pune and was not directly involved in the day to day affairs of the Company. Notwithstanding their contentions, the Noticees no. 3 and 4 have not disputed to their directorship during the relevant period. The Noticee no. 3 and the Noticee no. 4 were admittedly the Whole Time Directors and signatory to the RHP along with the Noticee no.1 and the Noticee no. 2. and by holding such post, they were supposed to be responsible for the day to day business affairs of the Company. I have also perused the letter dated June 15, 2009 addressed by Noticee no. 2 to Noticee no. 4 (relied upon by Noticee no. 4), clarifying that the role of Noticee no. 4 was to look after only the technical matters of the Company plant like production, quality control etc. and that he will not be responsible for compliance and payment of govt. dues and that even if he will be signing any Company documents like Balance Sheet, etc. the same will be for convenience sake for which Noticee no. 4 shall not be responsible. Further, Noticee no. 3 and 4 have stated that they have resigned from the directorship of the Company w.e.f. May 25, 2015. After considering the submissions made by Noticees no. 3 and 4, I get an impression that these two Noticees were practically functioning as operational heads and have not actively participated in Board matters. Nevertheless, these Noticees cannot get away from the fact that they were on the Board of the Company as Whole Time Directors and were subjected to the same provisions of law and Regulations of Companies Act and provisions of Securities Market and are not entitled to receive any differential treatment because of their actual functioning in the Company. Moreover, I find that the Noticees no. 3 and 4 were part of IPO Committee as per the Annual Report for the FY 2011-12. I also note that all the Noticees are signatories to the offer document and therefore were equally liable for incorrect and misleading disclosure in the said offer document. Raising of capital from the public at large by way of issuing offer document which contains vital information about the future utilization of IPO proceeds is a serious matter and the Whole Time Directors cannot afford to be part of such a crucial decision taking process without knowing the detailed strategy, the proposed plan of action, financial outlays and the rationale behind raising of capital from the public. At the same time even believing their submissions that they continued to function as mere employee of the Company would not be of much help for the reason that they knowingly accepted to become Whole Time Director and not remain as mere employee simpliciter. In such an event, they must know that on becoming Whole Time Director, their liability would not be of an employee. Further, the reliance on the letter dated June 15, 2009 would

also not be of any assistance as the same apparently doesn't pertain to the Company, *i.e.* Datsons but of Prophyla Biologicals Pvt. Ltd. Under the circumstances, while appreciating the pleas taken by these two Noticees, *i.e.* 3 and 4, I cannot ignore the infraction of law caused by them by not observing due diligence and required alertness on their part before becoming signatories to the IPO offer documents. They would have very well recused themselves from signing the offer documents, which were drawn up and decided by the Board sans their presence as per their claim. Therefore, Noticees no. 3 and 4 are liable for the misutilisation of the IPO proceeds and the wrong, misleading and distorted information in the RHP. However, since the material available on record does not show their active involvement in diversion of the IPO proceeds and the Noticees no. 1 and 2 have not stated anything adverse about the role of Noticees no. 3 and 4, I do not find the Noticees no. 3 and 4 liable for diversion of the IPO proceeds.

54. At this stage, I find it appropriate to refer to and rely on the observation made by the Hon'ble Supreme Court of India, while dealing with the role and responsibility of a Director of a Company. In *N. Narayanan Vs. Adjudicating Officer, SEBI* (2013) 12 SCC 152, while dealing with the case of imposition of monetary penalty on a director for mis-statements in the financial statements of a listed company wherein the defence taken by the director was that he was in charge of the human resources functions of the company, Hon'ble Supreme Court has observed as under:

"33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially."

55. In my view, all the Noticees have failed grossly to perform their duties while occupying the position of Chairman and Directors and have failed to come clean and apprise the investors with all the material facts in the RHP as required under law. From the facts narrated and observations made above, it is clear that the Noticee Directors have knowingly utilized the issue proceeds for

the purposes other than the stated objects disclosed in the RHP. Further, they have not only failed to disclose the fact that the proceeds of IPO would be substantially utilized for various other purposes such as repayment of ICDs, investments in other companies, payments to various entities including related parties etc. but also have made wrong, misleading disclosure in the RHP. The conduct of the Noticees shows that they have actively concealed crucial material information from the investors, hence have violated the Regulations 57 (1), 57(2) (a) read with clause 2(VII)(G) of Schedule VIII and 60 (7) (a) of the ICDR Regulations which mandated them for making all material and adequate disclosures in the offer document, that are true and adequate enough to enable the share applicants to take an informed investment decision. The offer document ought to contain information, which is truthful, fair and not any information that can be termed as manipulative or deceptive or distorted as has happened in this case.

56. The offer document should not contain any statement, promise or forecast which is untrue or misleading. However, going by factual analysis in the preceding paragraphs, the Noticees, by concealing material information and by providing information in a distorted manner in the offer document especially the information with respect to the proposed utilisation of IPO proceeds, have acted in breach of the provisions as alleged in the SCN. The above acts of Noticees have resulted in creating a misleading appearance about the business prospect and future projects of the Company and about the prospect of its scrip in the Securities Market. This was done to mislead and induce the investors to subscribe to the securities of the Company and as a result has made the Noticees liable for violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (b), (c), (d), 4(1), 4 (2)(f) and (k) of PFUTP Regulations. Had the prospective investors been aware of the exact intended utilization of the IPO proceeds that was weighing in the minds of the Noticees at the time of issuing offer documents, the investors certainly would have taken their investment decisions differently in a more informed manner. Further, by not utilizing the IPO proceeds in terms of the objects stated in the offer document knowingly, the Noticees have deliberately committed an act of fraud on their shareholders and on the investors in the Securities Market at large. The fraudulent manner in which the Noticees have handled the IPO proceeds reflect the opaqueness with which the entire IPO has been carried out by the Noticees and exhibits a kind of conspiracy against the innocent investors, who got misled about the true intentions regarding the actual utilization of the IPO proceeds.

57. In this context it will be relevant to refer the views held by the Hon'ble SAT in the matter of *HSBC Securities and Capital Markets (India) Private Ltd. v. SEBI*, SAT Appeal No. 99 of 2007, when the Hon'ble SAT has observed that "*an incorrect or wrong information in a letter of offer or other similar documents issued for the benefit of investors in general could lead to serious consequences including loss of credibility for the market operators and for the regulatory system. This kind of failure has to be taken very seriously by the market regulator*".

58. It is also relevant here to refer to the judgment of the Hon'ble SAT in the matter of *V. Natarajan vs. SEBI*, SAT Appeal No.104 of 2011, wherein it was held that:-

"... we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated. These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging 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 that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities... ... A basic premise that underlies the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities."

59. Further, it would be also appropriate here to refer to the following observations made by the Hon'ble Supreme Court in its judgment dated April 26, 2013, in *N. Narayanan v. Adjudicating Officer SEBI* (Civil Appeal Nos.4112-4113 of 2013) wherein the Hon'ble Apex court, while observing the power and function of SEBI have held that "*SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in*

their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."

60. In the present case, Noticees have acted in a manner highly detrimental to the interests of investors in securities market. The rulings discussed and cited above in the preceding paragraphs squarely apply to the facts of the instant case. The violations of law on the part of the Noticees, if not dealt with sternly, could give rise to a situation of mistrust where, raising of capital would become extremely difficult even for honest companies. Such acts, if not checked, would not only violate the provisions of Securities Law but also would erode the confidence of investors.
61. For the reasons detailed in the preceding paragraphs, it is clear that the Company and its Directors have not utilized the IPO proceeds for the objects stated in the RHP and have utilized the IPO proceeds for other un-disclosed purposes. Thus, the Noticees, by resorting to unfair means behind the back of innocent investors have concealed material information from them and have deliberately published misleading information in the offer document. Under the circumstances, the Noticees are found to have grossly violated the provisions of SEBI Act, PFUTP Regulations and ICDR Regulations.
62. I note that SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 has been rescinded and SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 (hereinafter referred to as "ICDR, 2018") as notified on 11/09/2018 and has been brought into force from sixtieth day from 11/09/2018. Regulation 301 of ICDR, 2018 provides as under:

Repeal and Savings

301. (1) On and from the commencement of these regulations, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations 2009 shall stand rescinded.
- (2) Notwithstanding such rescission:

a) anything done or any action taken or purported to have been done or taken including observation made in respect of any draft offer document, any enquiry or investigation commenced or show cause notice issued in respect of the said Regulations shall be deemed to have been done or taken under the corresponding provisions of these regulations.

b) any offer document, whether draft or otherwise, filed or application made to the Board under the said Regulations and pending before it shall be deemed to have been filed or made under the corresponding provisions of these regulations.

Thus, the present proceeding is saved by above mentioned regulation of ICDR, 2018.

DIRECTION:

63. Keeping in view the foregoing discussions and findings and after taking into account the facts of the present case and role of the Noticees and my observations in para 53, I, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11(1), 11(4) and 11B of the SEBI Act read with PFUTP Regulations and the ICDR Regulations, 2009 read with Regulation 301(2)(a) of SEBI (ICDR) Regulations, 2018 hereby issue the following directions:

- a) The Noticees are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities market, directly or indirectly in any manner, for a period mentioned below, from the date of this order. It is clarified that during the period of restraint, the existing holding of securities of the Noticees including units of mutual funds, shall remain frozen.
- b) The Noticees are restrained from associating themselves with any public listed company and/or any public company which intends to raise money from the public, and are further restrained from holding or occupying position as Director or any Key Managerial personnel in any other listed company or any registered intermediaries for a period mentioned below, from the date of this order.

S. No.	Names of the Noticee	PAN	Period of restrain and prohibition.
1.	Mr. Kashi Vishwanathan	AABPV4807H	Three years

2.	Dr. Kannan Vishwanatth	ADJPV4912G	Three years
3.	Mr. Prabhat K. Goyal	ABQPG0031N	One year
4.	Mr. Shashikant B. Shinde	AAGPS6752D	One year

64. The Order shall come into force with the immediate effect.

65. A copy of this order shall be forwarded to the Noticees, all the recognized stock exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

66. A copy of this order shall also be forwarded to the Official Liquidator in terms of para 44.

-Sd-

S.K. MOHANTY

DATE: SEPTEMBER 13, 2019

WHOLE TIME MEMBER

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA