

SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

UNDER SECTION 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF SECUNDERABAD HEALTHCARE LIMITED

In respect of

Noticee No.	Name of the Noticees	PAN
1.	Secunderabad Healthcare Limited	AACCS8246B
2.	SKR Supreme Electronics & Trading Private Limited	AAECS9028D
3.	Nishottam Traders Private Limited	AACCN7655D
4.	Hamraj Fashions Consultants Private Limited	AACCH2998F
5.	Nu Pharmedics Private Limited	AACCN2913J
6.	Jabeen Tradelink Private Limited	AACJ2408A
7.	Gajpal Buildinfra Private Limited	AADCG5699R
8.	Nirvana Mall Management Co. Private Limited	AACCN2665B
9.	Anvita Trading Co. Private Limited	AAICA2158E
10.	Aansal Securities Services Private Limited	AAFCA3926K

(The above entities are individually referred to by their corresponding names/ numbers and collectively referred to as "Noticees")

BACKGROUND-

- 1) Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation into trading activities in the scrip of Secunderabad Healthcare Ltd. (hereinafter referred to as "**the Company/SHL**") for the period November 01, 2011 to January 15, 2015 (hereinafter referred as "**the Investigation Period**"). The shares of the *Company* are listed on BSE India Limited (hereinafter referred to as "**BSE**") since February 26, 2001.
- 2) Based on the findings of the investigation, a common Show Cause Notice dated July 19, 2019 (hereinafter referred to as "**the SCN/Notice**") was issued to the *Noticees* asking them to show cause as to why appropriate directions should not be issued against them under Sections 11(1), 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred

to as “**the SEBI Act, 1992**”) for committing violations of Section 12A(a),(b),(c) of the SEBI Act, 1992, regulation 3(a),(b),(c),(d) and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**the PFUTP Regulations**”) and regulations 77(1) and 77(3) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as “**the ICDR Regulations**”).

3) The brief findings of the investigation and the allegations made on the basis of the said findings, as contained in the SCN, are as under:

3.1 SHL had allotted 8,00,00,000 warrants convertible into 8,00,00,000 equity shares of INR 10 each for cash at a premium of INR 8.60 per share on preferential basis to 27 non-promoter entities on October 14, 2010 on the following terms of payment:

(a) At least 25% shall be payable before the allotment of warrants and balance on or before 18 months from the date of allotment or else the money received for the allotment of warrants shall be forfeited by the *Company*.

(b) In the event convertible warrants are issued, the same shall at the option of the allottee, be converted into equivalent number of equity shares in one or more tranches but before expiry of 18 months from the date of allotment.

3.2 Upon first tranche of conversion of warrants to shares, SHL allotted 4,00,96,000 equity shares to 13 entities (including the *Notices nos. 2, 3, 4 and 9*) on March 2, 2011 and the said shares were under lock-in till March 1, 2012. Pursuant to second tranche of conversion of warrants into shares on March 31, 2012, SHL allotted 3,99,04,000 equity shares to 16 entities (including the *Notices nos. 5, 6, 7, 8 and 10*) and the said shares were also under lock-in till March 30, 2013.

3.3 From the analysis of the information gathered during the investigation including the information provided by SHL vide its email dated September 10, 2018 regarding the funds received from 15 out of the 27 allottees, it was observed that there were variations (i.e. either excess or shortage of amounts due to refunds of money by the *Company* to allottees) in the funds received from certain allottees. SHL was asked to furnish detailed information in this regard, however, no sufficient information was provided regarding such variations despite being advised to provide information regarding such variations by SEBI on a few occasions.

3.4 For the remaining 12 allottees, SHL provided information only with regard to receipt of 25% of the consideration towards the preferential allotment of warrants and did not provide information regarding the receipt of the balance 75% of the consideration from

these 12 allottees towards the final allotment of shares upon conversion of warrants issued under the said preferential allotment.

- 3.5 In view of the above, it has been alleged in the SCN that 9 allottees i.e., SKR Supreme Electronics & Trading Private Limited (Noticee no. 2), Nishottam Traders Private Limited (Noticee no. 3), Hamraj Fashions Consultants Private Limited (Noticee no. 4), Nu Pharmalogics Private Limited (Noticee no. 5), Jabeen Tradelink Private Limited (Noticee no. 6), Gajpal Buildinfra Private Limited (Noticee no. 7), Nirvana Mall Management Co. Private Limited (Noticee no. 8), Anvita Trading Co. Private Limited (Noticee no. 9), Aansal Securities Services Private Limited (Noticee no. 10) had received equity shares allotted to them by the *Company* post conversion of warrants, without paying the full consideration. Since, the said allottees did not pay full consideration for the conversion of warrants to equity shares, the said allottees were benefited by the *Company* causing loss to the other shareholders of the *Company*.
- 3.6 It is further noticed that 8 out of the said 9 allottees i.e. the *Noticee nos. 2 to 9* were enjoying connection to the *Noticee no. 1 (the Company)* i.e., SHL/promoters of SHL through a network of common directors.
- 3.7 It has been further noticed that 5 out of the said 9 allottees i.e., the *Noticee nos. 2,3,6,7 and 8* had traded in the scrip of SHL wherein the *Noticee no. 2* sold all the shares received post conversion of warrants issued in the preferential allotment, whereas the *Noticee nos. 3,6,7 and 8* have not sold the entire shares. Further, the *Noticee nos. 2 and 3* had unlawfully gained INR 10.57 Crore through sell of those shares received by them from the *Company* for which no consideration was paid.
- 3.8 It has also been noticed that although the *Company* at that time gave a public impression of capital infusion through preferential allotment, in reality, the *Company, inter-alia*, allotted shares to the said 9 allottees out of 27 allottees without receiving full consideration from them thereby providing huge amount of monetary benefit to them and therefore, SHL along with 9 allottees have perpetrated a fraud on the other allottees, shareholders and the ordinary investing public who had transacted in the shares of the *Company* post preferential allotment.

REPLY, PERSONAL HEARING AND SUBMISSIONS

- 4) From the perusal of details available on record, I note that the SCNs were sent to the *Noticees* through SPAD at the addresses mentioned in the SCN. In this regard, I note that except for the *Noticee no. 1 and 10*, the SCNs could not get delivered to the other *Noticees*. Thereafter, an exercise was conducted by SEBI in which email addresses of the remaining *Noticees* except for

the *Noticee no. 4* were obtained from the website of Zaubacorp.com on the basis of which SEBI served the SCNs to the remaining *Noticees*, except for the *Noticee no. 4* through such emails as could be ascertained in this regard. At the same time, the SCN was served to the *Noticee no. 4* by way of paper publication. The details of service/delivery of the SCNs to the *Noticees* and reply of the *Noticees* received so far, are tabulated herein below:

Table no.-1

Noticee no.	Name	Delivery of SCN	Reply, if any
1	Secunderabad Healthcare Limited	Delivered through SPAD	No Reply
2	SKR Supreme Electronics Limited	Served through email dated 11/09/2020	No Reply
3	Nishottam Traders Private Limited	Email sent to the existing email address on 11/09/2020.	Thereafter, vide email dated 24/10/2020 the entity requested for copy of SCN and Annexures to be sent to a separate email address. Accordingly, vide an email a copy of SCN along with its annexures was delivered on the entity on 18/11/2020 at the new email address provided.
4	Hamraj Fashions Consultants Private Limited	Served through Newspaper publication on 21/09/2020	No Reply
5	Nu Pharamalogs Private Limited	Served through email dated 11/09/2020	No Reply
6	Jabeen Tradelink Private Limited		
7	Gajpal Buildinfra Private Limited		
8	Nirvana Mall Management Co. Private Limited		
9	Anvita Trading Co. Private Limited	Delivered through email dated 11/09/2020	Reply dated 01/10/2020 received through email dated 14/10/2020.

10	Aansal Securities Services Private Limited	Delivered through SPAD	Requested for time to file reply vide email dated 24/10/2020.
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- 5) Having served the SCNs on *Notices*, an opportunity of personal hearing was afforded to them on March 02, 2021. The details of service/delivery of hearing notices to the *Notices* are given below:

Table no.-2

Noticee no.	Name of the Noticees	Service/delivery of hearing notice
1	Secunderabad Healthcare Limited	Delivered through SPAD
2	SKR Supreme Electronics Limited	Hearing notice along with SCN served by way of newspaper publication on 09/02/2021
3	Nishottam Traders Private Limited	Delivered through email dated 02/02/2021
4	Hamraj Fashions Consultants Private Limited	Hearing notice along with SCN served by way of newspaper publication on 09/02/2021
5	Nu Pharmalogics Private Limited	Hearing notice along with SCN served by way of newspaper publication on 15/02/2021
6	Jabeen Tradelink Private Limited	Hearing notice along with SCN served by way of newspaper publication on 09/02/2021
7	Gajpal Buildinfra Private Limited	
8	Nirvana Mall Management Co. Private Limited	
9	Anvita Trading Co. Private Limited	Delivered through email dated 02/02/2021
10	Aansal Securities Services Private Limited	Delivered through email dated 02/02/2021

- 6) I note that no *Notices* except for the *Noticee no. 9* has chosen to file a reply to the SCN on merits or to avail the opportunity of personal hearing. In response to the SCN, the *Noticee no. 9* vide its email dated October 14, 2020 has forwarded a copy of its reply dated October 1, 2020. Further, on the scheduled date of hearing held through Video Conferencing, the *Noticee no. 9* appeared through its Authorized Representative and made oral submissions on the lines of its earlier reply dated October 1, 2020. The submissions of the *Noticee no. 9* made through written reply as well as oral arguments advanced before me are summarized as under:

- 6.1 The payment details in respect of it as provided by SHL are factually incorrect.
- 6.2 It had subscribed for 36,25,000 shares at the issue price of INR 8.60 per share and the total required amount for subscription of 36,25,000 shares was INR 6,74,25,000.

- 6.3 As per the terms of the preferential allotment, it had paid full consideration of INR 6,74,25,000 by February 26, 2011. Thereafter, the above 36,25,000 shares were allotted to it on March 02, 2011.
- 6.4 Based on the rightful legal ownership, it has sold shares to others, which it has full right to do so and the profit/loss generated from such transactions rightfully belongs to it only and no one else has rightful claim over it.
- 6.5 It has not received any unlawful benefit from the said share allotment and is not a party to such perpetrated fraud on the other allottees, shareholders and the ordinary investing public who had transacted in the shares of the *Company* post preferential allotment.

CONSIDERATION

- 7) I have perused the findings recorded in the SCN, the submissions advanced on behalf of the *Noticee no. 9* and the other materials available on record. In my view, the only issue that needs adjudication in the present proceedings is whether or not, the *Noticee no. 2 to 10* have received equity shares allotted to them by the *Noticee no. 1* (the *Company*) post conversion of the warrants, after paying the full consideration for the said shares allotted to them, to the *Company*? If the answer to the aforesaid issue is in negative, then it would automatically follow that;
- (a) The *Noticee no. 1* (the *Company*) has provided undue monetary benefit to the *Noticee nos. 2 to 10* thereby causing loss to the other shareholders of the *Company* and therefore, the *Noticee no. 1* along with the *Noticee nos. 2 to 10* have perpetuated a fraud on the other allottees, shareholders and the ordinary investing public within the ambit of the PFUTP Regulations and
- (b) The *Noticee nos. 2 and 3* have made unlawful gains amounting to INR 10.57 Crore by selling shares for which no adequate consideration was paid.
- 8) Before advertng to the factual conspectus of the case, I note that the *Noticees* have been alleged to have violated applicable provisions of SEBI Act, 1992, the PFUTP Regulations and the ICDR Regulations. Therefore, the said provisions are reproduced hereunder for ease of reference and better appreciation:

The SEBI Act, 1992

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

12A. No person shall directly or indirectly—

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

The PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilization or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

The SEBI(ICDR) Regulations, 2009

Payment of consideration.

77. (1) Full consideration of specified securities other than warrants issued under this Chapter shall be paid by the allottees at the time of allotment of such specified securities:

Provided that in case of a preferential issue of specified securities pursuant to a scheme of corporate debt restructuring as per the corporate debt restructuring framework specified by the Reserve Bank of India, the allottee may pay the consideration in terms of such scheme.

(2) An amount equivalent to at least twenty-five per cent. of the consideration determined in terms of regulation 76 shall be paid against each warrant on the date of allotment of warrants.

(3) The balance seventy-five per cent of the consideration shall be paid at the time of allotment of equity shares pursuant to exercise of option against each such warrant by the warrant holder.

- 9) Before dealing with the merits of the allegations levelled against the *Notices* in the SCN, I find it necessary to first deal with the conduct of the *Notices* during the investigation and the proceedings before me.
- 10) The SCN states that though the *Noticee no. 1* had, vide email dated September 10, 2018, provided certain details regarding the funds received from 15 out of the 27 allottees, but failed to provide details regarding the variations noticed (i.e. excess or shortage of amounts due to refunds of money made by the *Company* to allottees) in the funds received from certain allottees despite being advised by SEBI to provide such details regarding such variations for better understanding of the funds transfers by the allottees /payment of considerations made by the allottees towards the shares allotted to them by the *Company* . It is further stated in the SCN that for the remaining 12 allottees, the *Company* provided information only with regard to receipt of 25% of the consideration towards the preferential allotment of warrants and did not provide information with supporting evidence regarding the receipt of the balance 75% of the consideration from these 12 allottees towards the final allotment of shares upon conversion of those warrants. I note from the records that since the *Company* did not provide information regarding the payment details with respect to the said 12 allottees, vide email dated January 16, 2019 and reminder email dated January 25, 2019, the 12 allottees were advised to provide the information pertaining to the details of payment made by them to the *Company* against the preferential allotment of warrants and thereafter on conversion of the said warrants into equity shares by the *Company*. However, no reply was received from any of these 12 allottees.
- 11) Further, it is noted that summons dated September 21, 2018 was issued under section 11C (2) and 11C (3) of the SEBI Act to the *Company* seeking information in respect of the total funds received from each of the 27 preferential allottees as well as explanation with respect to the variations noticed in the amounts of funds received from certain allottees. The said summons was delivered to the *Company* on September 27, 2018 but the *Company* failed to provide any information sought vide the above summons.

- 12) It is no one's guess that the aforesaid details sought by SEBI with respect to the purchase considerations received from the allottees of warrants/shares were fundamental and critical for the determination of the issues in the investigation and the failure of the *Company* to provide the said details has severely impeded the entire investigation process. It is of paramount importance that every person, (including the *Noticee no. 1* which is a listed company) from whom information is sought by issuance of a summons or otherwise, should fully cooperate with the Investigating Officer and promptly produce all documents, records, information as may be necessary for the investigations. If persons are allowed to disobey the summons issued to them during the course of the investigations, SEBI as the watchdog of the Securities Market will not be able to perform its duties in protecting the interests of the investors and safeguarding the integrity of the Securities Market as mandated under the SEBI Act. Thus, non-cooperation with the market regulator cannot be viewed with leniency.
- 13) In this regard, I find that Hon'ble Securities Appellate Tribunal (SAT), while recognizing the importance of compliance with summons and furnishing of the information called for therein, in the matter of *DKG Buildcon Pvt. Ltd. v. SEBI* (Appeal No. 106 of 2006, decided on January 07, 2009), has *inter alia* held that:

"...By not responding to the summons, the representative(s) of the appellant did not appear before the investigating officer as a result whereof their statements could not be recorded. This, obviously, hampered the investigations. In the result, the inescapable conclusion is that the appellants were adamant in not furnishing the information sought from them though vital to the investigations and that they stonewalled the investigations as commented by the adjudicating officer. It is of utmost importance that every person from whom information is sought should fully cooperate with the investigating officer and promptly produce all documents, records, information as may be necessary for the investigations. If persons are allowed to flout the summons issued to them during the course of the investigations, the Board as the watchdog of the securities market will not be able to perform its duties in protecting the interests of the investors and safeguarding the integrity of the securities market."

- 14) I would also like to refer to the decision of the Hon'ble SAT in the matter of *Mr. Jalaj Batra vs. SEBI* (Appeal no. 184 of 2010, decided on December 06, 2010) wherein it was observed that:

".....We have observed time and again that it is of utmost importance that market players like the appellant should fully cooperate with the investigations that are carried out by the Board, the watchdog of the securities market. If market players and intermediaries avoid appearing before the investigating officer or furnish the necessary information sought from them, the Board as a market regulator will not be able to carry out its statutory functions and duties of protecting the integrity of the securities market and the investigations would be

grossly hampered. Non-cooperation with the market regulator has to be viewed seriously. We do not know what else would have come to light if the appellant had appeared before the investigating officer or if he had furnished the requisite information that was sought from him."

- 15) It is noted that the *Noticee no. 1* has duly received both the SCN and the hearing notice however, neither did it participate in the investigation and submitted those information as called for by the Investigation Officer nor did it participate and file the details of such basic facts in the proceedings before me despite being aware that the SCN has pointed out its failure and non-cooperation in furnishing such essential information called from it. Talking of the other *Noticees* I also note that a copy of the SCN along with its annexures was sent by SEBI vide email dated September 11, 2020 to the existing email address of the *Noticee no. 3*. Thereafter, the *Noticee no. 3* vide email dated October 24, 2020 requested for a copy of SCN and annexures to be sent to a separate email address as provided by it. Accordingly, a copy of SCN along with its annexures was delivered to the *Noticee no. 3* vide email dated November 18, 2020 at the separate email address as provided by it and delivered the hearing notice as well at the said email address, however, it is noted that the *Noticee no. 3* has also neither filed its reply to the SCN nor has availed opportunity of personal hearing to offer any explanation in its defense or advance any arguments in rebuttal of any of the allegations made in the SCN.
- 16) It is also noted from the records that the hearing notice and the SCN were served on the *Noticee no. 5* by way of newspaper publication on February 15, 2021. Subsequently, the *Noticee no. 5* vide email dated February 20, 2021 confirmed having noticed the aforesaid newspaper publication and requested for a copy of SCN and its annexures. Interestingly from the records it is noted that earlier, a copy of the SCN and Annexures had been sent on September 11, 2020 to the same email address of the *Noticee no. 5* before making the Newspaper publication through which the *Noticee* has confirmed having seen the newspaper publication of the hearing notice, but no reply was received from the *Noticee* at that time when the SCN was served on him through the said email address. Nevertheless, SEBI vide its email dated February 22, 2021 forwarded the requested documents again to the said email address from which the said request was made by *Noticee no. 5*. However, I note that the *Noticee no. 5* has chosen again not to file any reply to the SCN on merit and has even preferred to abstain from personal hearing despite being duly served with hearing notice and SCN in this regard.
- 17) As regards the *Noticee no. 10*, it is noted that after receiving the SCN, the said *Noticee*, vide its email dated October 24, 2020 requested for additional time to file its reply. Subsequently, the hearing notice was also served on the *Noticee no. 10* through email address from which request for additional time for filing a reply to the SCN was earlier received from it. Thus, it is noted that despite being served with the SCN and hearing notice, the *Noticee no 10* has neither filed

its reply to the SCN on merits nor has attended the personal hearing. In respect of the *Notices nos. 2, 4, 6, 7 and 8* also, I note that they have neither filed any reply to the SCN nor have availed the opportunity of personal hearing despite being legitimately served with the SCN and hearing notice, the details of which have already been mentioned in Table no.1 and 2 above.

- 18) There cannot be any doubt that the investigation is a fact finding process and a vital tool for gathering relevant facts and information so as to help in identifying all the pertinent issues confronting the Investigation Officer, based on which the veracity of complaints and allegations can be determined and charges, if any, can be framed accordingly. Despite being a listed company, SHL has shown utter disregard for regulatory framework and its conduct of non cooperations with the investigation carried out by SEBI to ascertain the transactions involving allotment of warrants and shares by it, in my considered view, smacks of the defiant attitude and callousness and as well as non-compliant nature of the *Company* and such attitude and unbecoming conduct by listed entities can adversely impact the functioning of SEBI to maintain integrity and facilitate orderly development of Securities Market. I note that the failure to furnish the basic minimum information by the *Company* and some of the other *Notices* have hampered the investigation since the complete details with respect to the funds received by the *Company* from the other *Notices* towards the allotment of shares made to them or otherwise, could not be gathered as a result of which investigation had to be concluded based on whatever information/documents were available on records. Further, even during the personal hearing none of the *Notices* except for the *Notice no. 9* appeared thereby reinforcing their non-cooperative stand once again and obstructing the last opportunity available before me to unravel the truth/basic facts pertaining to the allegations of non-payment or partial payment of considerations against the shares allotted by the *Company* to them which constrains me to conclude that these *Notices* apparently have nothing substantial to offer in response to the allegations made against them and have no explanation or evidence to offer in rebuttal to the said allegation, which in effect amounts to admission of commission of those violations alleged in the SCN.
- 19) Having made the aforesaid observations on the irresponsible conduct of the *Notices* as reflected in their non-compliant behaviour, I now proceed further to discuss the case on merits. In this regard, I note from the SCN that the allegation against the *Notices* is that the *Notice nos. 2 to 10* had received equity shares allotted to them by the *Notice no. 1* (the *Company*) post conversion of warrants for which adequate consideration was not paid to the *Notice no. 1* and thus the *Notice nos. 2 to 10* were benefited by the *Notice no. 1* at the cost of other shareholders of the *Company*. Subsequently, the *Notice nos. 2,3,6,7 and 8* were also found to have traded in the scrip of the *Company* wherein the *Notice nos. 2 and 3* by selling those shares

received by them in the preferential allotment made to them by the company against which no consideration was paid by them to the company, have gained unlawfully a sum of INR 10.57 Crore from such sale. The aforesaid acts of the *Notices* have been alleged to be in violation of Section 12A(a),(b),(c) of the SEBI Act, 1992, regulation 3(a),(b),(c),(d) and 4(1) of the PFUTP Regulations and regulations 77(1) and 77(3) of the ICDR Regulations.

- 20) In this respect, I find the SCN provides the details of preferential allotment of warrants, conversions of warrants into equity shares, allotment of equity shares to the *Notices*, total consideration allottees were required to pay to the *Noticee no. 1* against which actual payment made by the *Notices* allottees to the *Noticee no. 1* (against the warrants/ equity shares pursuant to conversion of warrants) which are summarised here under:

Table no.-3

Notice No.	Preferential Allotees/ Noticee no.	Warrant / Shares allotted	Total consideration to be paid	Date of Conversion to Equity Shares		Amount paid by the allottees	Amount to be paid or recovered from the allottees.
				Marc h 02, 2011	Marc h 31, 2012		
2	SKR Supreme Electronics & Trading Private Limited	36,25,000	67425000	√		1,68,56,250	5,05,68,750
3	Nishottam Traders Private Limited	29,25,000	54405000	√		1,43,28,125	4,00,76,875
4	Hamraj fashions Consultants Private Limited	37,00,000	68820000	√		1,72,05,000	5,16,15,000
5	Nu Pharmalogics Private Limited	36,00,000	66960000		√	1,67,50,000	5,02,10,000
6	Jabeen Tradelink Private Limited	29,00,000	53940000		√	5,36,45,000	2,95,000
7	Gajpal Buildinfra Private Limited	17,50,000	32550000		√	3,05,50,000	20,00,000
8	Nirvana Mall Managemenet Co. Private Limited	25,25,000	46965000		√	4,41,40,000	28,25,000
9	Anvita Trading Co. Private Limited	36,25,000	67425000	√		2,48,06,250	4,26,18,750
10	Aansal Securities	27,50,000	51150000		√	4,65,18,750	46,31,250

	Services Private Limited						
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- 21) With regard to the funds received by the *Company* from the 27 allottees (including the *Noticee nos. 2 to 10*) towards the preferential allotment of warrants as well as subsequent conversion of the warrants into equity shares as indicated in the SCN, I note that the *Company* vide its email dated September 10, 2018 has provided the said details in two parts, wherein in the first part, the *Company* has provided the details regarding funds received from 15 allottees out of 27 allottees and in the second part, it has provided details in respect of remaining 12 allottees.
- 22) Upon analyzing the information provided by the *Company* regarding the funds received by it from the 15 allottees, it was observed that there were several variations (i.e. excess or shortage of figures due to refund of money made by the *Company* to allottees) in the funds received from certain allottees out of these 15 allottees. Further, two bank accounts of the *Company* i.e. A/c no. 000684000002574 with Yes Bank and A/c no. 3230011029725 with Kotak Mahindra Bank, in which funds towards preferential allotment was received by the *Noticee no. 1* (the *Company*) from the *Noticee nos. 2 to 10* were also examined. From the detail of funds transactions/transfers submitted by the *Company* and the analysis of the aforesaid two bank accounts of the *Company* as mentioned in the SCN, I note that 6 *Noticees* i.e., 2, 6, 7, 8, 9 and 10 have not only failed to pay the 75% consideration towards preferential allotment of equity shares post conversion of warrants but also there were lapses noticed even in their remittances of the initial payment of 25% consideration at the time of the initial allotment of warrants made to those allottees on October 14, 2010. Nevertheless, I find that the SCN does not make any allegation qua the shortfalls in paying the initial allotment amount by the allottees, hence I would prefer to confine my proceedings to the issues pertaining to the non-payment of consideration of remaining 75% of the purchase price as soon as the warrants were converted into equity shares and allotted to the *Noticees*, as alleged in the SCN. From the detail of receipt of funds submitted by the *Company* and the analysis of the two bank accounts of the *Company*, I note that the SCN narrates the details of payments received by the *Company* from the *Noticee no. 2 to 10* as explained hereunder:
- i. **SKR Supreme Electronics & Trading Private Limited-Noticee no.2:** The *Noticee no. 2* was required to pay INR 6,74,25,000 for subscription of 36,25,000 shares. The *Company* only provided details regarding the receipt of 25% of the total consideration from the *Noticee no. 2*. Based on the transactions noticed in the bank account statements of the *Company*, it was observed that the *Noticee no. 2* had transferred INR 1,68,56,250/- (from account 0028CD4119060-Indusind Bank Ltd) to the bank account of the *Company* through

multiple transactions between August 14, 2010 and February 02, 2012 which is equivalent to only 25% of the subscription amount.

- ii. **Nishottam Traders Private Limited-Noticee no.3:** The *Noticee no. 3* was required to pay INR 5,44,05,000 for subscription of 29,25,000 shares @ INR 18.60 per share. The *Company* has provided details pertaining to the receipt of only 26.34% of the total consideration from the *Noticee no. 3*. Based on the transactions noticed in the bank account statements of the *Company*, it was noticed that the *Noticee no. 3* had transferred INR 1,43,28,125 (from account 8284000001159-YES Bank) to the bank account of the *Company* through multiple transactions between August 16, 2010 and August 24, 2010 which is equivalent to only 26.34% of the subscription amount.
- iii. **Hamraj fashions Consultants Private Limited-Noticee no.4:** The *Noticee no. 4* was required to pay INR 6,88,20,000 for subscription of 37,00,000 shares @ INR 18.60 per share. The *Company* could provide the details regarding the receipt of 25% of the total consideration from the *Noticee no. 4*. Based on the transactions noticed in the bank account statements of the *Company*, it was noticed that the *Noticee no. 4* had transferred INR 1,72,05,000 (from account 8284000001244 - Yes Bank) to the bank account of the *Company* through multiple transactions between August 12, 2010 and October 06, 2010 which is equivalent to only 25% of the subscription amount.
- iv. **Nu Pharmalogics Private Limited-Noticee no.5:** The *Noticee no. 5* was required to pay INR 6,69,60,000 for subscription of 36,00,000 shares @ INR 18.60 per share. The *Company* has provided details regarding the receipt of only 25% of the total consideration from the *Noticee no. 5*. Based on the transactions noticed in the bank account statements of the *Company*, it was noticed that the *Noticee no. 5* had transferred INR 1,67,50,000 (from account 07220100013031-Development Credit Bank) to the bank account of the *Company* through multiple transactions between August 12, 2010 and October 06, 2010 which is equivalent to only 25% of the subscription amount.
- v. **Jabeen Tradelink Private Limited-Noticee no.6:** The *Noticee no. 6* was required to pay INR 5,39,40,000 for subscription of 29,00,000 shares @ INR 18.60 per share. However, the *Noticee no. 6* had transferred INR 5,69,85,000 (from accounts No. 00602000043872-HDFC Bank Ltd, Accounts Nos. 500011041828 & 550011046397 – Kotak Mahindra Bank) to the bank account of the *Company* through multiple transactions between August 14, 2010 and July 06, 2011. It is further observed that the *Company* had also transferred back INR 33,40,000 to Noticee no. 6 [i.e. INR 30,00,000 on February 23, 2012 (before conversion of warrants) and INR 3,40,000 on April 17, 2012 (after conversion of warrants)]

thereby leading to a shortfall in the subscription amount by INR 2,95,000 (i.e. INR 30,45,000 excess amount received by the *Company* from the *Noticee no. 6* less INR 33,40,000 returned by the *Company* to the *Noticee no. 6*).

- vi. **Gajpal Buildinfra Private Limited-Noticee no.7:** The *Noticee no. 7* was required to pay INR 3,25,50,000 for subscription of 17,50,000 shares @ INR 18.60 per share. However, the *Noticee no. 7* had transferred INR 4,05,50,000 (from Account no. 6642090000959-Kotak Mahindra Bank Ltd & Account no.23105137949- Standard Chartered) to the bank account of the *Company* through multiple transactions between August 13, 2010 and July 09, 2011 and the *Company* had transferred back INR 1,00,00,000 to the *Noticee no. 7* on June 20, 2011 thereby leading to a shortfall in the subscription amount by INR 20,00,000 (i.e. INR.80,00,000 excess amount received by the *Company* less INR 1,00,00,000 returned by the *Company*).
- vii. **Nirvana Mall Management Co. Private Limited-Noticee no.8:** The *Noticee no. 8* was required to pay INR 4,69,65,000 for subscription of 25,25,000 shares @ INR 18.60 per share. However, the *Noticee no. 8* had transferred INR 4,85,00,000/- (Account No. 014611023918-Dena Bank, Account Nos. 550011046404 & 561011014153- Kotak Mahindra Bank) to the bank account of the *Company* through multiple transactions between August 13, 2010 and July 13, 2011. The *Company* had also transferred back INR 43,60,000 to the *Noticee no. 8* on April 04, 2012 thereby leading to a shortfall in the subscription amount by INR 28,25,000 (i.e. excess funds INR 15,35,000/- received by the *Company* from the *Noticee no. 8* less INR 43,60,000/- returned by the *Company* to the *Noticee no. 8*).
- viii. **Anvita Trading Co. Private Limited-Noticee no.9:** The *Noticee no. 9* was required to pay INR 6,74,25,000 for subscription of 36,25,000 shares @ INR 18.60 per share. The *Company* only provided details regarding the receipt of 25% of the total consideration from the *Noticee no. 9*. Based on the transactions noticed in the bank account statements of the *Company*, it was noticed that the *Noticee no. 9* had transferred INR 2,68,56,250 (from Account No. 561011013665-Kotak Mahindra Bank) to the bank account of the *Company* through multiple transactions between August 23, 2010 and July 08, 2011. However, the *Company* had accounted for the funds amounting to INR 20,50,000 paid by the *Noticee no. 9* for another allottee named Adamina Traders Pvt. Ltd. Therefore, the funds transferred by the *Noticee no. 9* towards subscription was equivalent to INR 2,48,06,250/- (i.e. INR 2,68,56,250 less INR 20,50,000) and thus full consideration towards subscription of the shares was not received by the *Company* from the *Noticee no. 9* to that extent.

ix. **Aansal Securities Services Private Limited-Noticee no.10:** The *Noticee no. 10* was required to pay INR 5,11,50,000 for subscription of 27,50,000 shares @ INR 18.60 per share. However, the *Noticee no. 10* had transferred INR 5,15,18,750 (from Account No. 00602560003610-HDFC Bank Ltd, Account No. 016283900000168-Yes Bank & Account No. 550011045386 – Kotak Mahindra Bank) to the bank account of the *Company* through multiple transactions between August 16, 2010 and July 02, 2011. The *Company* had also transferred back INR 50,00,000 to the *Noticee no. 10* on August 18, 2011 thereby leading to a shortfall in the subscription amount by INR 46,31,250 (i.e. INR 3,68,750 /- excess amount received by the *Company* from *Noticee no. 10* less INR 50,00,000/- returned by the *Company* to the *Noticee no. 10*).

23) I note that the SCN alleges that the *Noticee nos. 2 to 10* have received equity shares allotted to them by the *Noticee no. 1* (the *Company*) pursuant to conversion of warrants, without paying the full consideration to the *Company*. In this regard, from the details of information furnished by the *Company* as narrated above, I observe that though initially the *Noticee nos. 6, 7, 8 and 10* had transferred amounts in excess of subscription amount required to be paid towards the allotment of warrants, the records show that there have been a few instances of reversal of funds by the *Company* to these *Noticees* at a later date, which effectively caused shortfall in payment of the subscription amount required to be paid by them against the allotment of warrants and later against allotment of shares to them by the *Company*. As narrated above, the allegation against the *Company* and the other *Noticees* who were preferential allottees, is that the *Company* had allotted shares without receiving proper consideration and these allottees have received shares post conversion of warrants without paying the requisite consideration. From the perusal of records before me, I find that the *Company* has not submitted any specific details or reasons to explain the purpose of transfer of funds back to the *Noticee nos. 6, 7, 8 and 10*. Further, I note that the *Noticee no. 3* has paid only 26.34% of the total subscription amount to the *Company*. Since the considerations received from the *Noticee nos. 3, 6, 7, 8 and 10* were less than the required amount and neither the *Company* nor the allottees have filed any documentary support to prove that full consideration has been paid to the *Company* against the allotment of warrants followed by shares (after conversions of warrants), it is established that the *Company* has issued equity shares to *Noticee nos. 3, 6, 7, 8 and 10* without receiving full consideration and the *Noticee nos. 3, 6, 7, 8 and 10* have received shares in preferential allotment without paying full consideration for the said allotment.

24) As noted above from the details of funds received by the *Company*, I note that the *Company* has provided information only with respect to receipt of 25% of the total consideration from the *Noticee nos. 2, 4, 5 and 9* towards the preferential allotment of warrants and has not been able

to provide any information pertaining to the receipt of the balance 75% of the total consideration towards the final allotment of shares to them upon conversion of the said warrants. Thus, neither the *Company* nor individual *Notices* have provided any details in this regard, to controvert the allegations of having been allotted equity shares through preferential issue without paying the consideration.

- 25) The SCN narrates that the *Noticee no. 9* had transferred INR 2,68,56,250 (from Account No. 561011013665-Kotak Mahindra Bank) to the bank account of the *Company* through multiple transactions between August 23, 2010 and July 08, 2011 as against total required subscription amount of INR 6,74,25,000. Further, the *Company* for reasons best known to it, has accounted the funds amounting to INR 20,50,000 paid by the *Noticee no. 9* for another allottee named Adamina Traders Pvt. Ltd, one of the preferential allottees, instead for accounting the said amount to the credit of the *Noticee no. 9*. Therefore, the SCN alleges that the actual funds transferred by the *Noticee no. 9* towards subscription effectively comes to be INR 2,48,06,250/- (i.e. INR 2,68,56,250 less INR 20,50,000) resulting non-payment of full consideration towards subscription of the shares to the *Company* by the *Noticee no. 9*.
- 26) In this context, I note that the *Noticee no. 9* has filed a reply in rebuttal to the aforesaid allegations made in the SCN stating that the allegations made against it for getting the shares allotted without paying full consideration of INR 6,74,25,000/- to the *Company* is not correct as it has paid full consideration to the *Company* by February 26, 2011. The *Noticee no. 9* has furnished the details of the payment it had made to the *Company* as consideration against the allotment of warrants and then towards the equity shares post conversion of warrants which are as below:

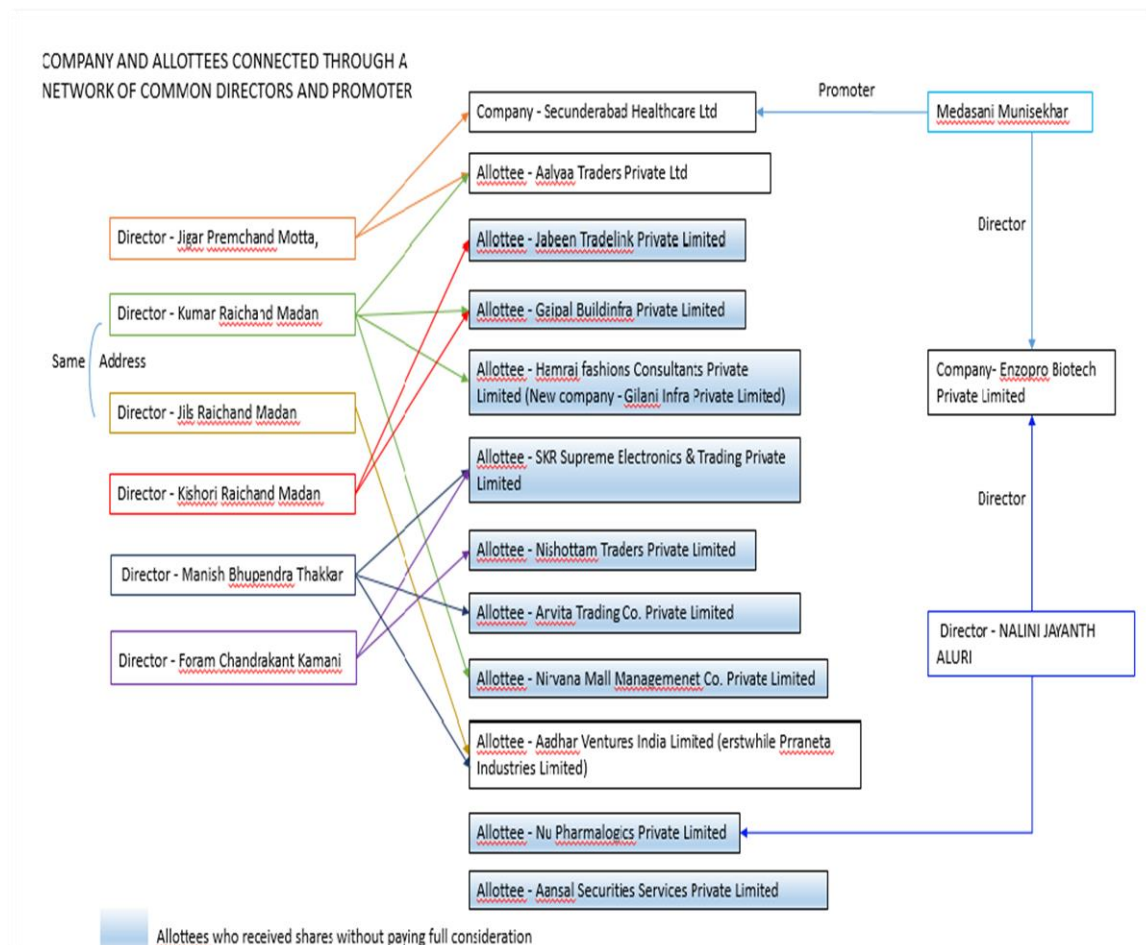
Table no. -4

Date	Name of the bank	Amount Paid	Mode of payments
23-Aug -2010	RBS Bank Limited	6,765,625	RTGS
23-Aug -2010	RBS Bank Limited	5,000,000	RTGS
23-Aug -2010	RBS Bank Limited	5,000,000	RTGS
*08-Oct- 2010	RBS Bank Limited	90,625	RTGS
10-Nov- 2010	RBS Bank Limited	97,25,000	RTGS
10-Nov- 2010	RBS Bank Limited	10,160,000	RTGS
10-Nov- 2010	RBS Bank Limited	10,115,000	RTGS
12-Nov- 2010	RBS Bank Limited	59,75,000	RTGS
12-Nov- 2010	RBS Bank Limited	67,50,000	RTGS
12-Nov- 2010	RBS Bank Limited	72 75,000	RTGS
26-Feb- 2011	RBS Bank Limited	5,68,750	RTGS
Total		6,74,25,000	

*inadvertently, it was mentioned as 06-Oct-2010 in the reply. In fact, from the perusal of account statement of RBS bank it is seen that there is no entry on October 6, 2010 in the said statement.

From a perusal of the copy of the Bank Statements of RBS bank for Financial Year 2010-2011 furnished by the *Noticee no. 9* in support of its afore-stated claim of having paid the full consideration against the allotment of warrants and equity share, I find that different sums of money on different dates aggregating to INR 6,74,25,000 as indicated above in Table no.-4 have been transferred from RBS Bank account no. 1634999 of the *Noticee no. 9* to the Yes Bank account of the *Company* during the period August 23, 2010 and February 26, 2011. The said receipt of funds gets corroboration from the amounts paid in tranches by the *Noticee no. 9* as shown in the above table to have been paid from its RBS Bank account on the respective dates. Evidences furnished by the *Noticee no. 9* clearly supports the claim that it had paid full consideration to the Yes Bank account of the *Company* by February 26, 2011 from its aforesaid RBS Bank account, which included a sum of INR 1,68,56,250 paid between August 23, 2010 and October 08, 2010 as referred to in the SCN. Therefore, according to me the *Noticee no. 9* is successful in rebutting the allegations made against it in the SCN by establishing that it had indeed paid adequate consideration for the allotment of warrants as well as the equity shares post the conversion of those warrants. I am therefore, inclined to give exoneration to *Noticee no. 9* by accepting its submission that it has paid full consideration of INR 6,74,25,000/- by February 26, 2011 to the *Company* from its RBS Bank account.

- 27) It is noted that the SCN alleges that the *Noticee nos. 2 to 9* are connected through a network of common directors to the *Noticee no. 1* (the *Company*)/promoter. The said connections between the aforesaid *Noticees* are highlighted below:



28) It is observed from the table above that the *Noticee nos. 4, 7 and 8* enjoyed connection through Mr. Kumar Raichand Madan, who is a common director in them and Mr. Jils Raichand Madan is a common director in the *Noticee no. 1* and in another corporate allottee, viz; Aadhar Ventures India Ltd. Further, Mr. Manish Bhupendra Thakkar is a common director in Aadhar Ventures (a preferential allottee) and in the *Noticee nos. 2 and 9*. Further, both the directors Mr. Kumar Raichand Madan and Mr. Jils Raichand Madan shared a common address. It has also been noticed that Mr. Kishori Raichand Madan is a common director in the *Noticee no. 6* and in the *Noticee no. 7*. Mr. Medasani Munisekhar who is a promoter of the *Noticee no. 1* (the *Company*) is also a director in a company called Enzoopro Biotech Private Limited wherein Ms. Nalini Jaynath Aluri was another director, hence, they were also enjoying connection directly or indirectly. The above pictorial diagram further shows that Ms. Nalini is also a director in the *Noticee no. 5*, whereas Mr. Foram Chandrakant Kamani is a common director in the *Noticee no. 2 and 3*. I further note that the *Noticees* including the *Noticee no. 9* have not disputed the allegation in the SCN that they enjoyed inter-se connections through a network of common directors

with the *Noticee no. 1* (the *Company*)/promoter. Thus, I find that the said allegations/findings regarding connections amongst *Noticees* stands *prima facie* established and does not require any further deliberation.

29) As discussed aforesaid, that except for the *Noticee no. 9* none of the other preferential allottees who are the *Noticees* herein has filed any reply rebutting the allegation of not paying the balance consideration, i.e. full 75% after the exercise of conversion of warrant into equity shares of the *Company*. Details furnished by the *Company* as well the preferential allottees have not been supportive of any evidence to show that adequate consideration was paid against the allotment of equity shares. Moreover, except for the *Noticee no. 9* all other *Noticees* chose to remain absent during the personal hearing and also none of the *Noticees* has been able to advance any justification or evidence to rebut the allegations made against them in the SCN. In the above circumstances, I would seek reference to and reliance on the observations of Hon'ble Securities Appellate Tribunal (SAT), in the matter of *Classic Credit Ltd. vs. SEBI* (Appeal No. 68 of 2003, decided on December 8, 2006), wherein it was inter alia, observed that "*.....the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them*".

30) It is also pertinent to refer to the observations of Hon'ble SAT in the matter of *Sanjay Kumar Tayal & Others vs. SEBI* (Appeal No. 68/2013, decided on February 11, 2014) wherein while endorsing the above view, the Hon'ble SAT has observed as follows:

"...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices..."

31) Therefore, in the absence of any material contrary to the allegations, I am constrained to conclude that the allegations/charges made in the SCN against the *Noticee no. 2* to *8* and *10* that they have failed to rebut the allegations of having not paid adequate consideration towards the shares of the *Company* allotted to them post conversion of the warrants. Under the circumstances, the acts of receiving shares without paying adequate consideration as established above and further indulging in offloading these shares in the market are sufficient in themselves to be held as fraudulent and unfair trade practice well within the ambit of the PFUTP Regulations.

32) As stated above, the SCN alleges that some of the *Noticees*, who were allotted warrants convertible into shares for which no adequate consideration was paid, subsequently, sold those converted shares in the market and in the process, have made gains. In this regard the SCN

has especially highlighted the gains of substantial amounts earned by two *Notices*, viz : the *Notice no. 2* and *Notice no. 3*, the details of which, as presented in the SCN, are tabulated below:

Table no.-5

Notice No.	Preferential Allotees	Shares allotted - (A)	Conversion Price (INR 18.6) - (B)	Computed Pref Allotment Amount (INR) - (A)*(B) = (C)	Funds Received by the company from Allottee (INR) - (D)	Amount returned by the company to the allottee (INR) - (E)	Funds actually paid (Rs) F=(D-E)	Average Sale price taking into consideration all sell trades during IP (Rs) (G)	Sale Value of total allotted shares (H)	Unlawful gain, if any (Rs) I = (H-F)
2	SKR	3625000	18.6	67425000	16856250	-	1,68,56,250	23.57	8,54,54,466	6,85,98,216
3	Nishottam	2925000	18.6	54405000	14328125	-	1,43,28,125	17.59	5,14,50,750	3,71,22,625
	Total									10,57,20,841

33) I observe from the trading history of the *Notice nos. 2 to 10* as indicated in the SCN that the *Notice nos. 4 and 5* have been holding their shares in demat accounts of as on the date of issuance of the SCN. In respect of the *Notice no. 10* it is revealed that the said *Notice* did not have any shares in its demat account nor was having any transaction history in its demat account for the period July 1, 2010 to November 27, 2018, both in CDSL/NSDL.

34) As noted above, the SCN alleges that 02 *Notices* i.e. the *Notice nos. 2 and 3*, have sold shares of the *Company* in the market and have made unlawful gains. It is also noted that while the *Notice no. 2* had sold all the shares received in the preferential allotment the *Notice no. 3*, had gained by selling a part of shares received in the preferential allotment. The methodology (average sale price multiplied by total no. of allotted shares less funds paid to the *Company* for the allotment of shares) adopted to determine the unlawful gains made by the aforesaid 02 *Notices* i.e. the *Notice nos. 2 and 3* indicates that they (02 *Notices*) had together gained INR 10,57,20,841 (INR 10.57 Crore) unlawfully by selling those shares for which inadequate consideration was paid and in this process, the 02 *Notices* have gained to the tune of INR 6,85,98,216 and INR 3,71,22,625, respectively. In the absence of any material to the contrary or any explanation offered by these 02 *Notices* or even by the *Company* justifying allotment of shares without receiving full consideration from these *Notices* (preferential allottees), I see no reason to deviate from the stand of the SCN and have to hold that the allegations of unlawful gains earned by the above noted 02 *Notices* stand established qua the *Notice nos. 2 and 3*.

35) To sum up, at the end of the foregoing factual analysis and deliberations, I find that the *Company* made a futile as well as ill-conceived attempt to give a public impression of capital

infusion through the above discussed preferential allotment, but in reality, the *Noticee no. 1*(the *Company*), *inter-alia*, allotted shares to 8 allottees (i.e., *Noticee no. 2 to 8 and 10*) out of the total no. of 27 allottees to whom preferential allotments were done, without receiving full consideration and thus has deliberately bestowed economic benefit to the said 8 *Noticees*, viz; the *Noticee no. 2 to 8 and 10* at the cost of and in complete disregard for the economic interest of the other shareholders of the *Company*. Under the circumstances, there is no doubt that the *Noticee no. 1* (the *Company*) in collusion with the *Noticee no. 2 to 8 and 10* has perpetrated a fraud on the other allottees, shareholders and the ordinary investing public who had transacted in the shares post preferential allotment by indulging in those acts of allotment of shares without adequate consideration behind the back of those shareholders and investing public etc. Further, the aforesaid *Noticees* were also found to be connected through a network of common directors to the *Noticee no. 1*(the *Company*)/promoter. By its acts and conduct as highlighted above, the *Noticee no.1* also blatantly helped the *Noticee no. 2 and 3* in making those unlawful gains amounting to INR 10,57,20,841 by trading in the shares of the *Company* in the market after receiving the said shares without paying the full consideration thereon, to the *Company*.

36) In view of the facts and circumstances of this case and aforesaid discussions, I hold that:

- a) The *Noticee nos. 2 to 8 and 10* had received equity shares allotted to them by the *Noticee no. 1*(the *Company*) post conversion of warrants, without paying the full consideration and thereby have violated regulations 77(1) and 77(3) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
- b) The *Noticee no. 1*(the *Company*) was instrumental in providing undue benefit to the *Noticee no. 2 to 8 and 10* at the cost of other shareholders of the *Company* and therefore, the *Noticee no. 1* along with the *Noticee no. 2 to 8 and 10* were part of a fraudulent arrangement through which they have perpetuated fraud on the other allottees, shareholders and also on the ordinary investing public who had transacted in the shares of the *Company* post issuance of the aforesaid preferential allotment and thereby have explicitly violated the provisions of Section 12A(a),(b),(c) of SEBI Act, 1992, regulation 3(a),(b),(c),(d) and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003
- c) The *Noticees* are found to be connected through a network of common directors to the *Noticee no. 1*(the *Company*)/promoter.
- d) The *Noticee no. 2 and 3* have unlawfully gained a sum of INR 6,85,98,216/- and INR 3,71,22,625/- respectively by selling those shares received by them without paying full consideration to the *Company*.

DIRECTION

37) In view of the facts and circumstances of the case and the aforesaid discussions and findings, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(1), 11(4), 11B of the SEBI Act, 1992 hereby pass following directions:

- i. The Noticee no. 1 is directed not to access the securities market, directly or indirectly, by issuing prospectus, offer document or advertisement soliciting money from the public for a period of 02 years and is further restrained and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in whatsoever manner, for a period of 02 years.
- ii. The Noticee no. 2 to 8 and 10 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner whatsoever for a period of 02 years from the date of this order.
- iii. The Noticee no. 1 is directed to collect the balance consideration from the Noticee no. 2 to 8 and 10 and the Noticee no. 2 to 8 and 10 are directed to pay the balance consideration to the Noticee no. 1 in terms of amount shown to be recovered in Table no.-5 of the order. The above collection and payment shall be completed within a period of 60 (sixty) days from the date of this order.
- iv. The Noticee no. 2 and 3 shall disgorge the wrongful gain of INR 6,85,98,216/- and INR 3,71,22,625/-, respectively with simple interest @ 6% per annum till the date of actual payment. For the purpose calculation of interest, the period shall commence from December 2012 for the Noticee no. 2 and August 2013 for the Noticee no.3, respectively and continue till the date of actual payment made. The wrongful gain of INR 6,85,98,216/- and INR 3,71,22,625/- along with interest shall be remitted by them to Investor Protection and Education Fund (IPEF) as referred to in Section 11(5) of the SEBI Act, 1992, and intimation, if any may be forwarded to “Division Chief, Enforcement Department-1, DRA-4, Securities and Exchange Board of India SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051”. In case, the Noticee nos. 2 and 3 fail to comply with the said direction, they shall be restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in the securities market, till the actual payment of disgorgement amount or till the completion of the debarment directed at sub-paragraph (ii) above, whichever is later.
- v. The Banks, with whom the Noticee no. 2 and 3's accounts are maintained, are directed that no debit shall be made, without permission of SEBI, in respect of the bank accounts held by them except for the purposes of compliance of this order.

- vi. The Noticee no. 2 and 3 are directed to furnish details of assets, properties owned directly or indirectly by it respectively and further directed not to dispose of or alienate any of his assets/ properties/ securities, till such time the direction of this order is complied with.
 - vii. The Noticee no. 1 having received the balance consideration as directed in terms of sub-paragraph (iii) above is directed to furnish to SEBI, a Certificate from a Chartered Accountant along with necessary documentary evidencing certifying the compliance of this direction and said Certificate will be furnished within a period of 03 months from the date of this order.
 - viii. This direction is without prejudice to any other action including action for recovery of such amounts from these Noticees which may be initiated by SEBI.
 - ix. It is further clarified that during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the Noticee nos. 1 to 8 and 10 shall remain under freeze.
 - x. Obligation of the aforesaid the Noticee nos. 1 to 8 and 10, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange (s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the aforesaid Noticees in the F & O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.
 - xi. In light of my observations noted at paragraph 26 of this Order, proceeding against the Noticee no. 9 is disposed of without any direction.
- 38) This Order shall come into force with immediate effect.
- 39) A copy of this Order shall be served upon the recognized Stock Exchanges, Depositories, Registrar and Transfer Agents and all the banks for necessary compliance.

-SD-

DATE: April 30, 2021

PLACE: Mumbai

S. K. MOHANTY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA