National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/66171	**Date: January 16, 2025**
Circular Ref. No: 432/2025	

To All NSE Members,

Sub: SEBI Interim Ex Parte Order in the matter of Pacheli Industrial Finance Limited.

This has reference to SEBI Order no. WTM/AB/CFID/CFID-TPD/31115/2024-25 dated January 16, 2025, wherein, SEBI has restrained following entities from buying, selling or dealing in securities or accessing capital market either directly or indirectly, in any manner whatsoever till further Orders.

Sr. No.	Name	PAN
1.	Pacheli Industrial Finance Limited	AAACD2979C
2.	Abhijit Trading Company Ltd	AACCA5498B
3.	Calyx Securities Pvt. Ltd	AAECC7114Q
4.	Hibiscus Holdings Pvt. Ltd	AACCH8332F
5.	Avail Financial Services Ltd	AADCA5834G
6.	Edoptica Retail India Ltd	AABCK3433H
7.	Sulphur Securities Pvt. Ltd	AAQCS9353M

The detailed order is available on SEBI website (https://www.sebi.gov.in/enforcement.html).

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page at the below mentioned link:

https://www.nseindia.com/regulations/member-sebi-debarred-entities

Members are advised to take note of the above and ensure compliance.

National Stock Exchange of India

In case of any further queries, members are requested to email us at dl-invsg-all@nse.co.in

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

Annexure: SEBI Interim Ex Parte Order in the matter of Pacheli Industrial Finance Limited

WTM/AB/CFID/CFID-TPD/31115/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM EX - PARTE ORDER

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

In respect of:

Noticee No.	**Name of Noticee**	**PAN**
1.	Pacheli Industrial Finance Limited	AAACD2979C
2.	Abhijit Trading Company Ltd	AACCA5498B
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(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee No. and collectively as "Noticees" unless the context specifies otherwise).

In the matter of Pacheli Industrial Finance Limited

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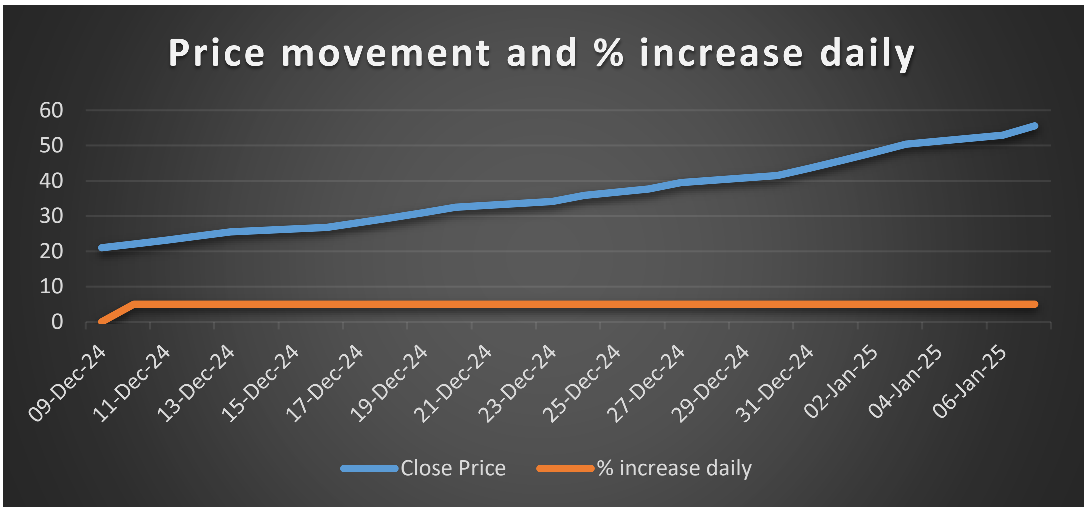
1. Pacheli Industrial Finance Limited (PIFL/Company) is a company listed on the BSE Ltd. (BSE) having its registered office at C-001, Prathamesh Horizon, New Link Road, Borivali (W), Mumbai. As per the Annual Report of the Company for FY24, PIFL is engaged in providing *"consultancy services related to hotels, lodging houses and other multiple services".*

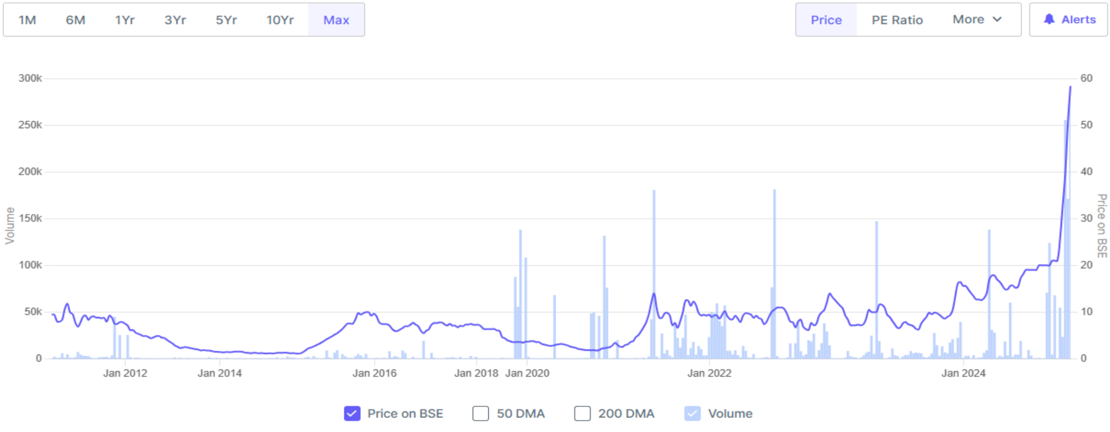
2. The Company was taken up for examination based on Internal alerts generated at SEBI primarily because the share price of movement of PIFL did not appear consistent with the reported financials. Between December 02, 2024, and January 16, 2025, the share price of PIFL moved from ₹21.02 to ₹78.2 —an increase of 372% in just over a month. Notably, the Company, which is under Additional Surveillance Measure (ASM) Stage 4, was also hitting the 5% upper circuit every day since December 09, 2024 (the daily circuit limit under ASM Stage 4 is 5%). The details of the same are given in the Chart below:



Price movement from December 02, 2025 till 08 January 2025

(Source:Screener.in)

Price movement since listing till 08 January 2025



(Source:Screener.in)

3. The market cap of the company as on January 16, 2025 was ₹4,057 Cr. The financials of the Company were examined on Screener.in and it was noted that the company had reported negligible revenues in the last three financial years, the details of which are given in the Table below:

(Amount in Rs. crore)

Particulars	**FY 22**	**FY 23**	**FY 24**
Operating Revenue	-	-	1.07
Other Income	0.02	-	-
Total Revenue	0.042	-	1.07
Total Expenses	0.08	0.02	1.05
Profit Before Tax	(0.06)	(0.02)	0.01
Profit After Tax	(0.06)	(0.02)	0.005

4. The Company did not record any operating income in FY22 and FY23. Further, the operating revenue of ₹1.07 crore reported in FY 24 was driven by bad debt recovery (₹0.44 crore) and interest income from loans (₹0.63 crore). Consequently, the *Price to Earnings* (P/E) ratio moved to 4,05,664 (January 16, 2024) —an extraordinarily steep valuation showing an apparent disconnect between the share price and fundamentals of the company.

5. Given the above, the trading and conduct of affairs by the Company was taken up for detailed examination to identify whether there were any potential violations of securities laws.

6. As the financials reported by the Company did not seem to explain the dramatic increase in share price, the corporate announcements made by the Company for the period May 23, 2023 to December 14, 2024 were examined. The major announcements made by the Company during this period are given in the Table below:

Date	Event
May 23, 2023	**Change in management.** a) Paras Nath Verma appointed as Managing Director and designated official b) Promoter director Pankaj Padamchand Dhoot resigned from the Company
June 30, 2023	Intimation by the Company regarding the receipt of a request letter from promoters for reclassification to the 'public' category
September 02, 2023	Intimation regarding the resignation of Shyam C Agarwal & Co. as Statutory Auditor of the Company
September 05, 2023	Board meeting outcome – including others a) Appointment of Vinay Bhusan & Associates as Statutory Auditor of the company b) Increase the Authorised share capital of the company from ₹4.5 crore to ₹55 crore c) Approval of reclassification request as above approved by the Board
September 28, 2023	AGM outcomes: a) Increase the Authorized share capital of the company from ₹4.5 crore to ₹55 crore b) Reclassification to 'public' category from 'promoter' category for 8 entities
October 06, 2023	Intimation of company's application to BSE wr.t. reclassification to 'public' category from 'promoter' category for 8 entities
November 10, 2023	Board meeting outcomes Increase in the borrowing limits of the Board to ₹1000 crore subject to the approval of Shareholders by way of Special Resolution in an Extra Ordinary General Meeting.
December 02, 2023	Board meeting outcomes a) Fundraising in the Company through availing loans from various corporate entities, up to ₹750 crore b) Conversion of loan into equity shares in the event of default
January 04, 2024	Results of the EGM held on January 04, 2024 approving the increase in borrowing limit and conversion to equity in case of default.
February 02, 2024	Appointment of Mr. Tarun Khandelwal to act as an Internal Auditor of the Company from FY24 to FY29.
April 19, 2024	Resignation of Internal Auditor who was appointed on February 02, 2024

May 27, 2024	Resignation of Statutory auditor of FY 2022-23, M/s Vinay Bhushan & Associates who was appointed on September 28, 2023 till March 31, 2028 and M/s GSA & Associates LLP, Chartered Accountants were appointed as the Statutory Auditors of the Company with effect from May 28, 2024.
August 28, 2024	Board meeting was held with 49 shareholders attending the meeting through video conferencing with 4.6 % of the votes polled on outstanding shares (intimation given vide disclosure dated July 29, 2024 and Notice dated August 05, 2024) and the following decisions were taken: a) Approval of resolution of the resignation of M/s Vinay Bhushan & Associates as Statutory Auditor and appointment of M/s GSA & Associates LLP, Chartered Accountants as new Statutory Auditor of the company. b) <u>Amendment of Loan Agreement executed between the persons belonging to Non-Promoter and the Company as approved by the Board of Directors of the Company at their meeting held on August 01, 2024 for inserting, *inter alia*, which includes a clause for conversion of Unsecured Loan into equity.</u> c) Increase in Authorised Share Capital from ₹55 crore to ₹10,000 crore (₹10 per share) with power to increase and reduce the capital of the company and to divide the shares in the capital for the time being into different classes and to attach thereto respectively such preferential or special rights or privileges or conditions as may be determined by or in accordance with the regulations of the Company. d) Issuance of up to 51,51,51,500 equity shares on a preferential basis upon conversion of outstanding unsecured loan, to the non-promoter group to the extent of ₹849,99,99,750 at an issue price of ₹16.50/- to 6 proposed allottees. e) To increase the borrowing limit of the company up to ₹1100 crore.
September 12, 2024	*Board meeting held and following decision taken:* *"Pursuant to the approval of the Board of Directors at its meeting held on August 01, 2024 and approval of the members of the Company at their Annual General Meeting held on August 28, 2024 and pursuant to In-principle approval granted by BSE Limited vide their respective letter dated September 10, 2024, the Board of Directors of the Company in its meeting held today, i.e. September 12, 2024 , has considered and approved the allotment of 51,51,51,500 (Fifty One Crore Fifty one Lakh Fifty one Thousand Five Hundred) equity shares of face value of INR 10.00/(Indian Rupees Ten only) each on preferential basis to non-promoters ('Allottees') (as per the list enclosed marked as Annexure I), towards conversion of outstanding unsecured loan into equity shares to the extent of Rs. 8,49,99,99,750/- (Rupees Eight Hundred Forty-Nine Crore Ninety-Nine Lakh Ninety-Nine Thousand Seven Hundred and Fifty Only) at an issue price of INR 16.50/-(Indian Rupees Sixteen and Fifty Paise Only) per share including a premium of INR 6.50/- (Indian Rupees Six and Fifty Paise Only) per Equity Share."*
September 19, 2024	Reclassification of Promoters from existing "Promoter and Promoter Group Category" to "Public Category"
November 14, 2024	Board meeting : a) Alteration of Memorandum of Association (MOA) to insert a new clause in the objects of the Company. b) To Increase the Borrowing Limit of the Company up to ₹2,500 crore.
December 02, 2024	Statement of Deviation / Variation in utilization of funds raised through preferential allotment for ₹849.99 crore
December 14, 2024	Monitoring Agency Reports for the quarter ended September 30, 2024, issued by Infomerics Valuation and Rating Private Limited to monitor the utilization of proceeds of

	the Preferential Issue of the Company confirming that the funds have been used for the objects of the issue and there is no deviation.

7. It was noted from the announcements that there was a change in management of the Company in May 2023. The erstwhile promoter director resigned and in his place, Paras Nath Verma was appointed as the Managing Director (MD). It was further noted that promoter holding in the company steadily decreased over the years as many of the earlier promoters reclassified their holding as 'Public'. As of January 2025, almost the entire shareholding of the Company is held by public shareholders. The shareholding pattern of the Company between March 2019 and September 2024 is given below:

Category of the shareholders	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Sep-24
Promoters	29.56%	19.14%	9.35%	2.89%	2.89%	1.63%	0.01%
DIIs	4.57%	4.57%	4.57%	4.57%	8.59%	4.57%	0.03%
Public	65.87%	76.29%	86.08%	92.54%	88.52%	93.80%	99.96%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

8. Subsequent to the change in management in May 2023, the Company—which had not reported any major financial events in the previous years—initiated significant alterations to its financial structure and operations, the details of which are given below:

- **Increase in Authorized Share Capital**:
  The BoD approved increasing the authorized share capital from ₹4.5 crore to ₹55 crore on September 28, 2023
- **Enhanced Borrowing Limits**:
  In its meeting dated November 10, 2023, the Board approved an increase in borrowing limits, under section 180(1)(c) of the Companies Act, 2013, to ₹1000 crore.
- **Fundraising through Loans**:
  In December 2023, specific approval was granted to secure loans of up to ₹750 crore from various corporate entities. The Board also sanctioned the conversion of these loans into equity shares in the event of default.

- **Conversion of loan into equity**:

  In the Annual General Meeting (AGM) held on August 28, 2024, approval was granted for increasing the authorised share capital of the Company from ₹55 crore to ₹10,000 crore and issuance of 51,51,51,500 equity shares on preferential basis upon conversion of outstanding unsecured loan to the extent of ₹849,99,99,750 at an issue price of ₹16.50/- to six proposed allottees. It was further noted that the AGM also approved a proposal to amend a loan agreement executed by the company by inserting a clause permitting the conversion of the outstanding loan into equity.

9. It was, therefore, noted that the Company, which had recorded negligible revenue for the past many years, was able to avail a loan for ₹1000 crore subsequent to the change in management. The details regarding the nature and purpose of the loan and cost of financing were not disclosed by the Company, either in the notes on accounts or in the Annual Report for FY24. While in the Balance Sheet and Cash Flow Statement for FY 24, the Company disclosed a ₹1000 crore loan under "Current Borrowings", the notes on accounts did not provide other details of the borrowings. The extract of the relevant 'notes on accounts' is given below:

NOTE 11 : BORROWINGS

₹in Lac

PARTICULARS	AS AT 31ST MARCH 2024	AS AT 31ST MARCH 2023	AS AT 1ST APRIL 2022
Borrowings	1,00,000.00	-	-
Total	**1,00,000.00**	**-**	**-**

Standalone Notes to Financial Statements

OTHER NON CURRENT ASSETS

NOTE 3: NON CURRENT INVESTMENT

₹in Lac

PARTICULARS	AS AT 31ST MARCH 2024		AS AT 31ST MARCH 2023		AS AT 1ST APRIL 2022	
Name of the Company	No of Share	Amount	No of Share	Amount	No of Share	Amount
Unquoted Equity Shares						
Investment in Equirt Shares		94,568.51		25.52		25.52
** Market Price of shares are 94570.29*						
Total		**94,568.51**		**25.52**		**25.52**

NOTE 5: LOANS AND ADVANCES

₹in Lac

PARTICULARS	AS AT 31ST MARCH 2024	AS AT 31ST MARCH 2023	AS AT 1ST APRIL 2022
Unsecured, Considered Good			
instalment received (include overdue Amount)			
Standard Assets	5,403.99		
Loss Assets	490.20	449.93	449.93
Total	**5,894.19**	**449.93**	**449.93**

10. The details of the lenders were also not made available in the disclosures put out by the Company. It was noted that the Board of Directors of the Company subsequently in the meeting held on August 28, 2024, approved a proposal to convert certain unsecured loans into equity and proposed to issue 51,51,51,500 equity shares on preferential basis at an issue price of ₹16.50/- to six entities. The cumulative value of the shares allotted was ₹849,99,99,750.

11. It can, therefore, be noted that the only information that was made available by PIFL was the total quantum of the borrowing (₹1000 crore), the names of the entities who were allotted shares in the preferential allotment pursuant to the conversion of the outstanding loan into equity and valuation at which the shares were issued.

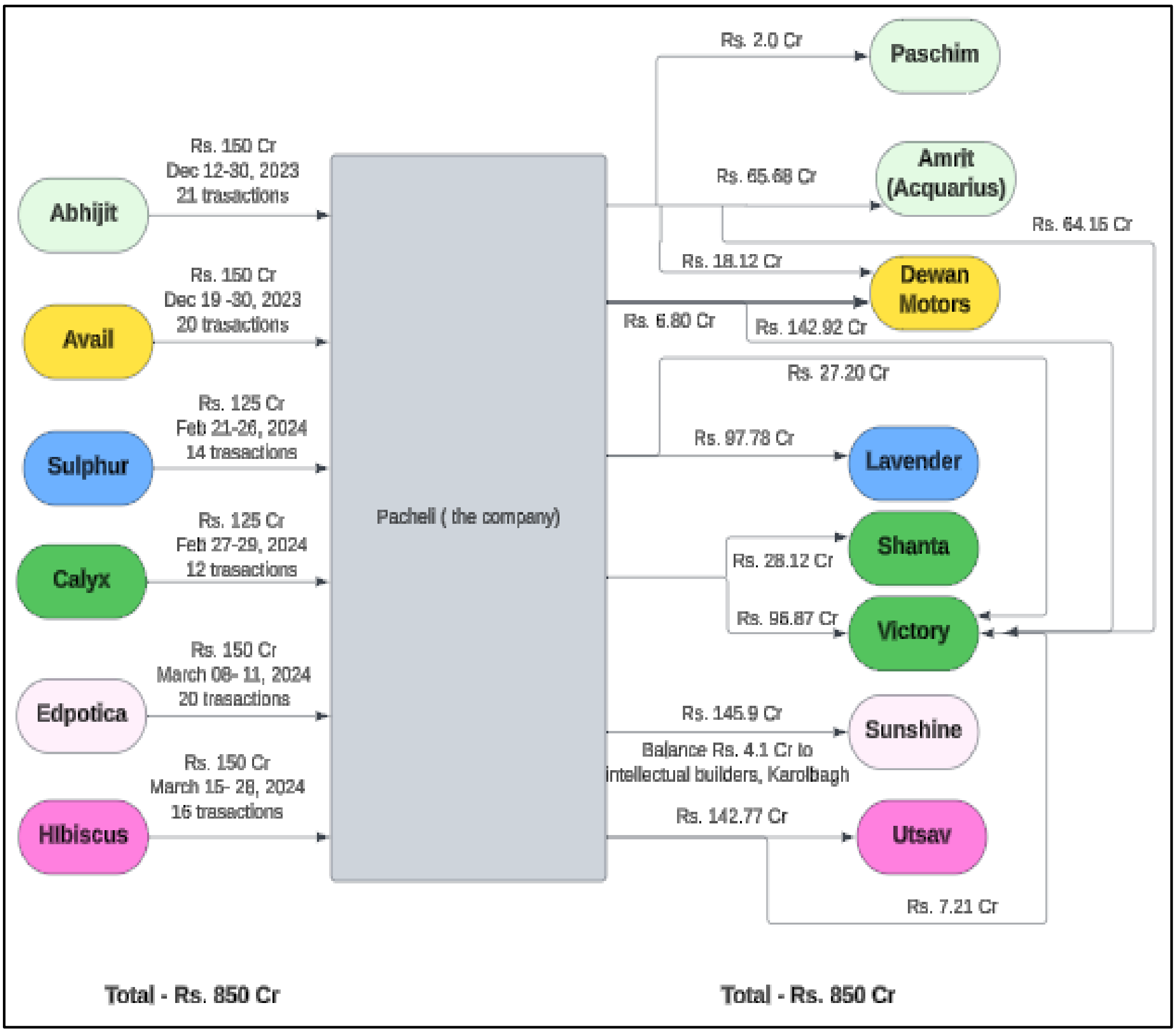
12. It is noted that the shares issued through the preferential allotment were priced at ₹16.50 per share based on a valuation report prepared by Manish Manwani, Registered Valuer (Registration No. IBBI/RV/03/2021/14113). Further, as the total value of the shares that were allotted in the preferential allotment was valued at ~₹850 crore, for the purpose of the examination, in the absence of appropriate disclosures by the Company, it was considered that preferential allottees had collectively advanced ₹850 crore to the Company (The interest component, if any, was not considered).

13. The individual share of the loans advanced was, thereafter, worked out based on the number of shares allotted to the respective entity in the preferential allotment. The names of the preferential allottees along with the shares allotted are given in the Table below

Sr. No.	Name of the Proposed Allottees	Category	No. of Equity Shares issued	Amount of loan (calculated @ ₹16.5 per share) (Rs. crore)
1.	Abhijit Trading Company Ltd.(Abhijit)	Non-Promoter	9,09,09,090	150
2.	Calyx Securities (P) Ltd.(Calyx)	Non-Promoter	7,57,57,570	125
3.	Hibiscus Holdings (P) Ltd.(Hibiscus)	Non-Promoter	9,09,09,090	150
4.	Avail Financial Services Limited (Avail)	Non-Promoter	9,09,09,090	150
5.	Edoptica Retail India Ltd.(Edoptica)	Non-Promoter	9,09,09,090	150
6.	Sulphur Securities (P) Ltd.(Sulphur)	Non-Promoter	7,57,57,570	125
Total			**51,51,51,500**	**850**

14. As stated earlier, other than classifying the borrowing as a short-term liability, the Company made no other disclosure regarding the object of the loan or the manner in which it was utilised. Given the same, the bank account statements of the Company were examined to understand the manner in which funds were received and deployed by the Company.

15. Based on the information obtained from KYC documents and UCC details provided by the stock exchange and depositories, it was noted that the Company had opened a bank account with HDFC Bank (Account No. 50200080424926) on April 22, 2023, with Paras Nath Verma as the authorised signatory. It was further noted that during the period December 12, 2023 to March 28, 2024, the six preferential allottees had cumulatively advanced ₹850 crore to the Company, matching the value of share allotted to the entities vide the preferential allotment. The details of these transfers and subsequent utilisation on the funds by the Company are graphically depicted below:

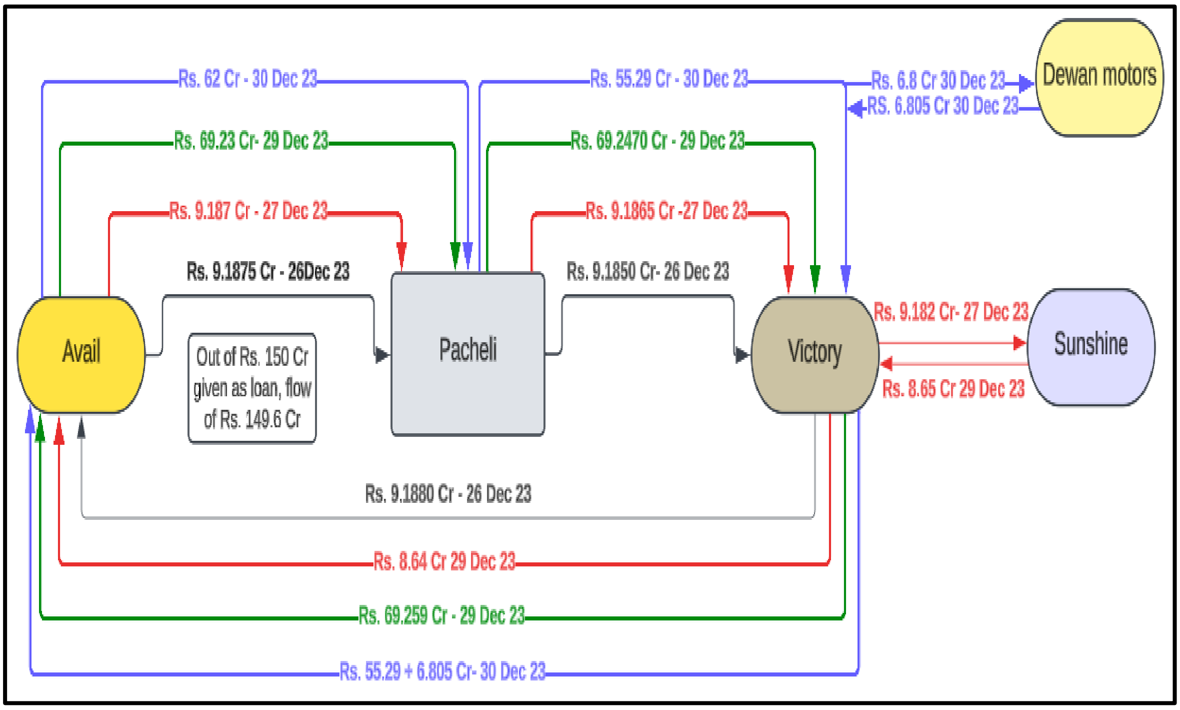


16. It can be noted from the chart above that even though the loan was disclosed by the Company only in Q4 of FY24, the funds were transferred by the allottees starting from December 2023. It was further noted that Company on receipt of funds onward transferred it to 8 entities namely Paschim Finance & Chit Fund Pvt. Ltd. (Paschim), Amrit India Ltd. (Amrit), Dewan Motors Investment & Finance Ltd. (Dewan), Lavender Holdings Pvt. Ltd. (Lavender), Shanta Agencies Pvt. Ltd (Shanta), Victory Software Pvt. Ltd.(Victory), Sunshine Capital Ltd. (Sunshine) and Utsav Securities Pvt. Ltd.(Utsav).

17. The nature of these advances was not disclosed by the Company in the Annual Report for FY24 or other disclosures made by PIFL. On analysing the bank statement of the recipient entities, it was found that the recipient entities transferred the funds, on many occasions, on the same day it was received from

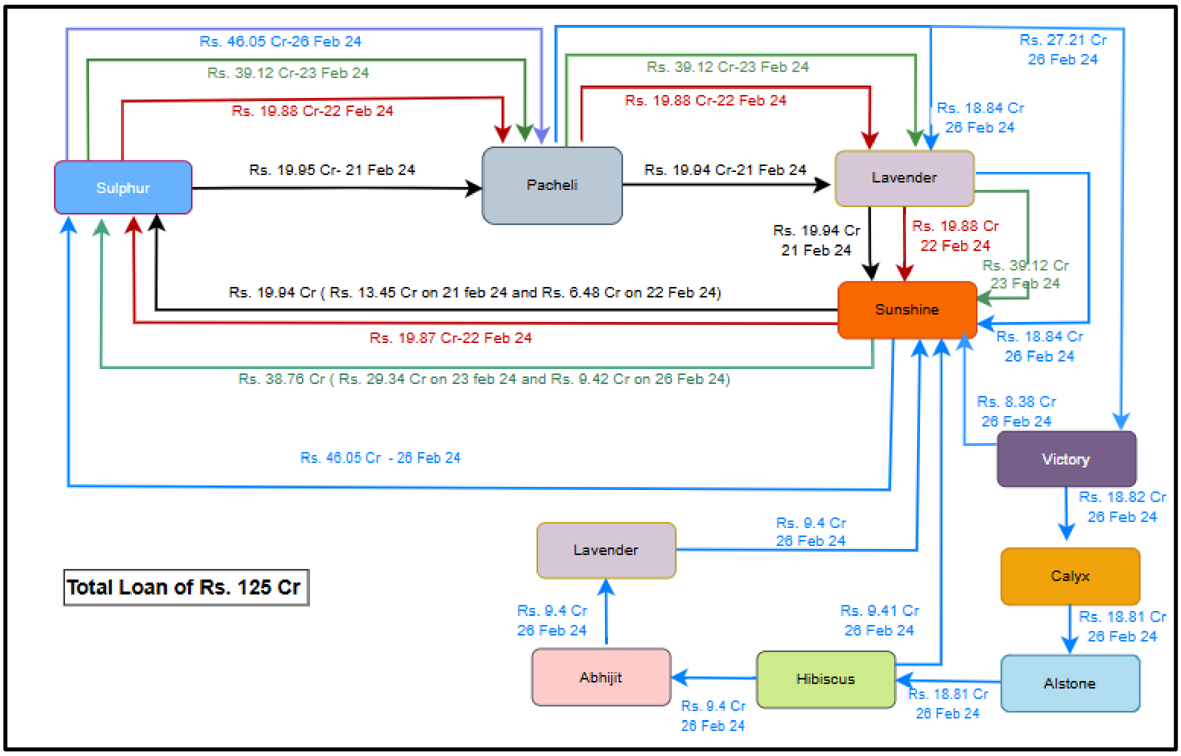
PIFL, back to the preferential allottees. The fund flow between allottees, PIFL, recipient entities and then back to the allottees is graphically represented below:

Avail

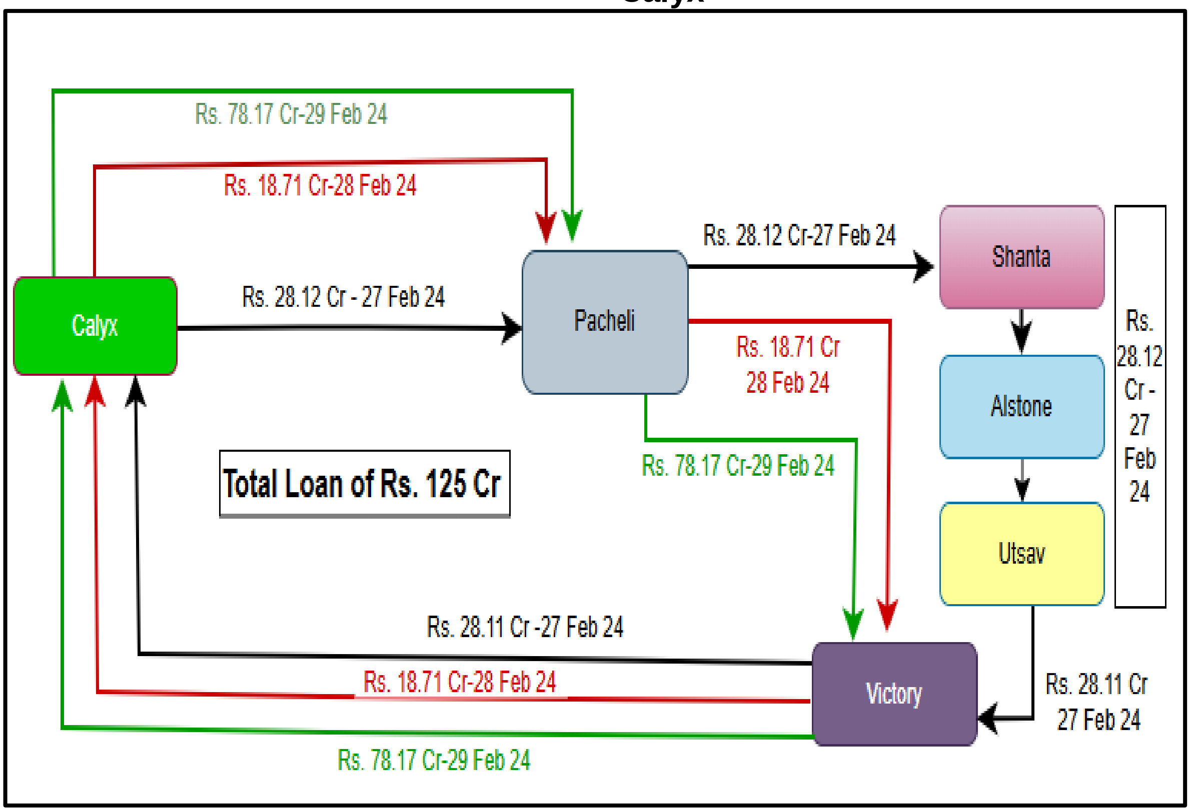


18. It can be noted that ₹150 crore was transferred by Avail to Pacheli between December 26, 2023 and December 30, 2023. This corresponds to the value of shares allotted to Avail through the preferential allotment. The bank statement analysis showed that on receipt of funds, Pacheli transferred a similar amount on the same day to Victory, which in turn, in most of the instances, transferred the money back to Avail, completing the cycle. It is, therefore, *prima facie* noted that funds were being circulated by these companies and in effect Pacheli did not receive funds from Avail. Given the same, it would also entail that preferential allotment, by conversion of loan to equity, was undertaken without receiving any consideration, as the company had not received the loan in the first place. A similar pattern was noted in the case of the 4 other Preferential Allottees also.

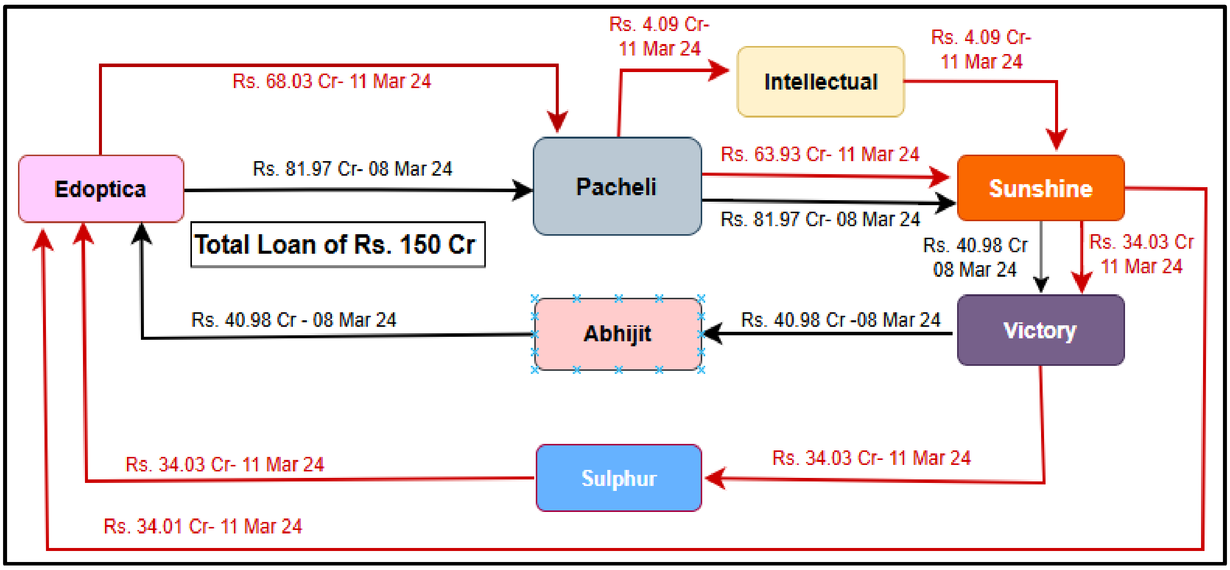
Sulphur



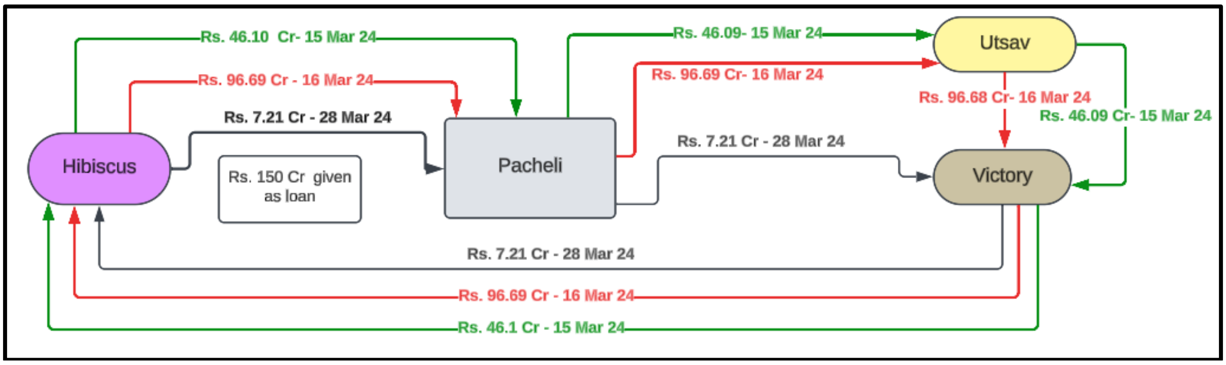
Calyx



Edoptica



Hibiscus



19. It was further *prima facie* noted that the preferential allottees appeared to be connected entities. The connections that were observed are listed below:

   i. Abhijit and Edoptica have the same address (Chl No. 350/2801, Motilal Nagar 2, Opp. Shankar Temple, Goregaon (W), Mumbai.

   ii. Calyx, Hibiscus and Sulphur had the same addresses Office No.-322, 3rd Floor, S.S. Plaza Commercial Complex Mayfield Garden, Sector-47, Gurgaon, Arjun Nagar, Gurgaon, Haryana 122001.

   iii. Calyx and Sulphur were incorporated on the same date (February 03, 2012) and Hibiscus was incorporated on February 01, 2012.

   iv. Common shareholders and cross-holding were observed among the preferential allottees the details of which are given below:

List of cross holdings

Hibiscus	Edoptica	Sulphur	Calyx	Avail
Sulphur (39.9%) (As on 31/03/2022)	Hibiscus (37.85%) (As on 31/03/2023)	Calyx (37.47%) (As On : 31/03/2022)	Hibiscus (39.90%) (As on 31/03/2023)	Star (1.30%) (As on : 31/03/2024)
Hologram. (19.95%) (As on : 31/03/2022)	Star . (9.62%) (As on : 31/03/2023)	Prism (28.10%) (As on 31/03/2022)	Hologram (19.95%) (As on : 31/03/2023)	
Prism (29.94%) (As on 31/03/2022)	Transnational (37.85%) (As on : 31/03/2023)			
Transnational (2.46%) (As on: 31/03/2022)				

v. Common Non-Executive Independent Directors were observed across, PIFL, Abhijit, Sunshine and Alstone, the details are given in the Table below:

<table>
<tr><th>Particulars</th><th>Pacheli</th><th>Abhijit</th><th>Sunshine</th><th>Alstone</th></tr>
<tr><td rowspan="3">Common entities in Current management</td><td colspan="4">Luv Sharma- NEID</td></tr>
<tr><td colspan="3">Promila Sharma - NEID</td><td></td></tr>
<tr><td></td><td colspan="3">Bhupendra Kaushik - NEID</td></tr>
</table>

20. Further, it is also noted that the first flow of funds from the 'loan' availed from Abhijit was received by PIFL even before approvals were obtained from the shareholders. The first payment was received on December 12, 2023, and the EGM approval was obtained only on January 04, 2024.

21. Also, the cash flow reflects only ₹1000 crore loan inflow and corresponding investment outflow for FY24. However, bank account analysis reflects credit and debit transactions of ₹1402 crore till March 31, 2024. This indicates that the company did not account for ₹402 crore of receipts and payments in its financials.

22. In the present matter, the role of Statutory Auditor merits attention. It was observed that there were succession of new statutory auditors who were appointed by Pacheli. The present statutory auditory, GSA and Associates LLP, were appointed after the previous statutory auditor who was appointed for a five year period in September 2023, resigned in May 2024.

23. Under such circumstances, GSA and Associates LLP should have more circumspect and diligent while doing its duties as a statutory auditor. Further, the scope of the audit also appears to have been limited as the Company did does not appear to have any operations and, therefore, only a few bank transactions needed to be reviewed. It was also noted that GSA & Associates LLP is the statutory auditor of certain connected entities mentioned in this order (Abhijit, Sunshine and Alstone). Given the above, it prima facie appears that GSA & Associates LLP, may have been acting in concert with the management of PIFL and, therefore, their role needs further investigation.

24. It can be noted from the above that, post the preferential allotment, 99.28% of the expanded share capital of the Company was held by the six preferential allottees leading to a substantial dilution of the earlier shareholders. The Company, as noted above, appears to have not received any consideration for the said allotment as the loan against which the allotment was made appears to have *prima facie* been round tripped back to the allottees itself. Further, the preferential allottees appear to be 'connected' to the Company.

25. Given the same, the preferential allotment appears to have been part of a well-orchestrated effort to expand the share capital of the Company and allot shares to 'connected' entities without receiving any consideration, at the cost of the existing public investors.

26. Regulation 158 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), provides that provisions of Chapter V, i.e., Preferential Issue guidelines, are not applicable in case a preferential issue of equity is being done pursuant to conversion of a loan. However, in the present matter, as it is *prima facie* noted that the loans existed only on paper, the said exemption, therefore, does not seem applicable. Given the same, it is *prima facie* found that the Company undertook a preferential allotment of shares

without complying with the provision contained under Chapter V of the ICDR Regulations.

27. Further, as the six preferential allottees appear to be connected to each other and the Company, there appears to be a concerted effort to get around the open offer requirements mandated under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations), for cases involving change in control. By structuring their acquisition of shares as a conversion of 'non existent' loan into equity, the preferential allottees appear to have gotten around the investor protection measures under the SAST Regulations in cases involving change in control.

Need for Interim Directions

28. Situations like the one at hand raise fundamental questions about SEBI's role as the securities market regulator, statutorily mandated to safeguard the interest of the investors. While it goes without saying that the power to issue *ex-parte* interim directions must be exercised with due caution, the regulator also cannot be expected to remain a mute spectator when events of the nature described in this Order are unfolding and brought to its notice. The role of the regulator cannot be limited to stepping in after damage is done, merely to examine the aftermath, and penalize wrongdoers. A more proactive approach may sometimes be required to protect the interests of the investors and maintain investor confidence.

29. The Hon'ble Securities Appellate Tribunal in the matter of Dr. Udayant Malhoutra v. SEBI[1] noted that "*If during a preliminary enquiry, it is found prima-facie, that the person is indulging in manipulation of the securities market, it would be obligatory for SEBI to pass an interim order or for that matter an ex- parte interim order in order to safeguard the interests of the investors and to maintain the integrity of the marke*t." Further, in the same matter, the Hon'ble Tribunal referred to the observations made by the Hon'ble Supreme Court in the context of ex-parte order in the matter of Liberty Oil Mills & Ors. v. Union of India[2,] where in it was held that "*regulatory agency must move quickly in order to curb further*

[1] Appeal no. 145 of 2020
[2] AIR (1984) SC 1271

mischief and to take action immediately in order to instil and restore confidence in the capital market."

30. In the present matter, what we have witnessed is a Company which was consistently reporting negligible revenues suddenly taking on a ₹1000 crore loan without making any disclosures on how the funds will be utilised or the loan serviced. Subsequently, the loan, which appears to have been availed from connected entities, was converted into equity. The examination of the bank statements of the Company and connected entities *prima facie* revealed that the funds that were advanced as loan was round tripped and the Company ended up issuing shares without receiving any consideration. By the aforesaid actions, the six preferential allottees ended up holding 99.28% of the expanded share capital of the Company.

31. By adopting the above *modus operandi*, the Company's market capitalisation jumped from about ₹40 crore to more than ₹4000 crore within a period of just over 8 months. Apart from the conversion of the fictitious loan into equity, the surge in share price was also fuelled by a minuscule free float - just 0.72% of its shares were available for trading as the remaining 99.28% of shares issued pursuant to the preferential allotment were locked-in. With such a small float, natural market dynamics were effectively bypassed—becoming a case of the tail wagging the dog. The PE ratio of the company has shot up to more than 4,00,000 – a sobering statistic that underscores the gravity of the situation. While it is said that value cannot be conjured from thin air, this scheme comes disconcertingly close.

32. Further, the trading pattern and share price movement in the scrip prima facie appears to indicate that a 'pump and dump' operation may be playing out in the scrip. The purpose, from all the actions of the management starting with the Rs. 1000 crore borrowing and its subsequent prompt conversion to equity appears to point towards a well thought out plan to build a castle in the air. The price movement witnessed in the scrip also points in this direction. This aspect requires further investigation.

33. It is noted that the number of public shareholders in the company has not seen a significant uptick over the last three months. Further, the lock-in pursuant to

the preferential allotment expires on March 11, 2025. Action needs to be taken to ensure that such shares are not offloaded in the open market. Therefore, swift action at this stage can help contain the damage and prevent the wider public from being drawn into the scrip—stopping the charade before it takes centre stage.

34. When valuations leap beyond reality through concerted manipulative efforts, the only responsible stance is immediate and decisive intervention to uphold market integrity. Otherwise, the market risks turning into a basket of 'lemons,' where unsuspecting investors end up paying the price. Such scrips may appear to be multi-baggers in the short term but turn out to be wealth destroyers in the long run. Such companies, in most instances, have nothing to show by way of fundamentals, performance or most importantly governance.

35. Proactive pre-emptive measures to protect investor interest need to be issued at this stage when number of retail investors in the scrip has not moved up substantially. The real impact of the artifice, that seems to be playing out in the scrip, will kick in only once the lock-in period is over and the six preferential allottees, who hold more than 99% of the paid-up capital of PIFL, have an opportunity to off-load their stake in the open market. A similar pattern was seen in the recent Order passed by SEBI in the matter of Bharat Global Developers Ltd[3].

36. This case appears to be progressing in that direction. All transactions appear to be sham in nature and designed to deceive the common public investors. The right time to intervene is before significant losses are taken by retail investors when large preferential allottees have an option to dump their shares into markets

37. Given the above, I have no hesitation in holding that the right course of action to adopt in the present matter is to direct freezing of the shareholding of the preferential allottees pending investigation. There is also a need for restraining the Company from accessing the capital markets during the pendency of the

[3] SEBI Order dated December 23, 2024

Investigation. The investor protection and anti-fraud measures under the securities laws cannot be allowed to turn into “covenants without swords”.

Order

38. In view of the above, and in exercise of the powers conferred upon me under sections 11(1) and 11B of the Securities and Exchange Board of India Act, 1992, I hereby issue the following directions:

    a. Noticees 1 to 7 are hereby restrained from buying, selling or dealing in securities, or accessing capital market either directly or indirectly, in any manner whatsoever till further Orders.

    b. A detailed investigation shall be undertaken by SEBI into the issues identified in this Order including trades executed in the scrip during the price rise period.

39. The above directions shall take effect immediately and shall be in force until further orders.

40. The Noticees are directed to fully cooperate with the examination that will be conducted by SEBI.

41. The findings contained in this Order are made on the basis of the material available on record. The Noticees may, within 21 days from the date of receipt of this Order, file its reply/ objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed in that regard.

42. This order is without prejudice to the right of SEBI to take any other action that may be initiated against the Noticees in accordance with law.

43. A copy of this Order shall be served on the Noticees, BSE, and the depositories.

DATE: January 16, 2025 **ASHWANI BHATIA**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA