

National Stock Exchange of India Limited Circular

Department: Investigation	
Download Ref No: NSE/INVG/72074	Date: December 30, 2025
Circular Ref. No: 539/2025	

To All NSE Members,

Sub: SEBI Confirmatory Order in the matter of Pacheli Industrial Finance Limited.

This has reference to NSE circular no NSE/INVG/66171 dated January 16, 2025 and SEBI interim 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.

Noticee No.	Name of Noticee	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

SEBI vide order no. WTM/KV/CFID/CFID-TPD/31942/2025-26 dated December 30, 2025 has confirmed the directions issued against Pacheli Industrial Finance Limited (PIFL) vide SEBI interim order dated January 16, 2025 and directed that directions issued vide the Interim Order qua Noticee nos. 2 to 7 are modified to the extent that the restraint imposed on them regarding

National Stock Exchange of India Limited

buying, selling or dealing in securities shall be applicable only for the scrips of the PIFL (Noticee no 1) and three other listed entities through whom funds were routed namely Sunshine Capital Ltd., Abhijit Trading Company Ltd. and Alstone Textiles (India) Ltd.

The detailed order is available on SEBI website - <http://www.sebi.gov.in>

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.

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 Confirmatory Order in the matter of Pacheli Industrial Finance Limited.



SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

Under sub-sections (1) and (4) of section 11 and section 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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7.	Sulphur Securities Pvt. Ltd	AAQCS9353M

(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**BACKGROUND**

1. Pursuant to generation of internal alerts at Securities and Exchange Board of India (“**SEBI**”) due to apparent inconsistency between the share price movement and the reported financials, SEBI initiated examination in the matter of Pacheli Industrial Finance Limited (“**PIFL**”/ “**Company**”), a company listed on the BSE Ltd. (BSE) and reportedly engaged in providing “*consultancy services related to hotels, lodging houses and other multiple services*”.
2. Based on the preliminary findings of the examination, SEBI issued an interim order dated January 16, 2025 (“Interim Order”) whereby the Company and six preferential allottees (Noticee nos. 1 to 7) were restrained from buying, selling or



dealing in securities or accessing the capital market in any manner. Further, direction for a detailed investigation in this matter was also issued.

3. The observations and the *prima facie* findings of examination by SEBI recorded in the Interim Order are summarized in subsequent paragraphs.

OBSERVATIONS AND PRIMA FACIE FINDINGS IN THE INTERIM ORDER

4. Between December 02, 2024, and January 16, 2025, the share price of PIFL moved from INR 21.02 to INR 78.2 —an increase of 372% in just over a month. The share price of the Company, which was under Additional Surveillance Measure (ASM) Stage 4, was hitting the 5% upper circuit every day since December 09, 2024. The market cap of the company as on January 16, 2025 was INR 4,057 Crore.
5. The financials of the Company were examined and it was noted that the Company had reported negligible revenues in the last three financial years. The Company did not record any operating income in FY 2021-22 and FY 2022-23. Further, the operating revenue of INR 1.07 crore reported in FY 2023-24 was driven by bad debt recovery (INR 0.44 crore) and interest income from loans (INR 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.
6. As the financials reported by the Company did not seem to explain the abnormal increase in share price, the corporate announcements made by the Company for the period May 23, 2023 to December 14, 2024 were examined. The same are tabulated 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 INR 4.5 crore to INR55 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 INR 4.5 crore to INR 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 INR 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 INR 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 FY 2023-24 to FY 2028-29.
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, <i>inter alia</i>, which includes a clause for conversion of Unsecured Loan into equity.</u> c) Increase in Authorised Share Capital from INR55 crore to INR 10,000 crore (INR10 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 INR849,99,99,750 at an issue price of INR 16.50/- to 6 proposed allottees. e) To increase the borrowing limit of the company up to INR1100 crore.
September 12, 2024	<i>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</i>



	<i>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."</i>
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 INR 2,500 crore.
December 02, 2024	Statement of Deviation / Variation in utilization of funds raised through preferential allotment for INR 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. 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'. The promoters' shareholding in the Company decreased from 29.56% in March 2019 to 0.01% in September 2024.
8. Subsequent to the change in management in May 2023, the Company initiated significant alterations to its financial structure and operations. The Company's Board of Directors ("**BoD**") approved increasing the authorized share capital from INR 4.5 crore to INR 55 crore on September 28, 2023. Further, in its meeting dated November 10, 2023, the BoD approved an increase in borrowing limits, under clause (c) of sub-section (1) of section 180 of the Companies Act, 2013, to INR 1000 Crore. In December 2023, specific approval was granted to secure loans of up to INR 750 crore from various corporate entities. The Board also sanctioned the conversion of these loans into equity shares in the event of default. Further, in the Annual General Meeting (AGM) held on August 28, 2024, approval was granted for increasing the authorised share capital of the Company from INR 55 crore to INR 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 INR 849,99,99,750 at an issue price of INR 16.50/- to six proposed



allottees. 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 INR 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 FY 2023-24. While in the Balance Sheet and Cash Flow Statement for FY 2023-24, the Company disclosed a INR 1000 crore loan under “Current Borrowings”, the notes on accounts did not provide other details of the borrowings. The details of the lenders were also not made available in the disclosures put out by the Company.
10. 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 INR 16.50/- to six entities. The cumulative value of the shares allotted was INR 849,99,99,750. Thus, the only information that was made available by PIFL was the total quantum of the borrowing (INR 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.
11. As the shares issued through the preferential allotment were priced at INR 16.50 per share and the total value of the shares allotted in the preferential allotment was valued at ~INR 850 Crore, in the absence of appropriate disclosures by the Company, it was considered that preferential allottees had collectively advanced INR 850 Crore to the Company, without considering interest, if any. The individual share of the loans advanced, worked out based on the number of shares allotted to the respective entity in the preferential allotment was calculated as tabulated below:



Sr. No.	Name of the Proposed Allottees	Category	No. of Equity Shares issued	Amount of loan (calculated @ INR 16.5 per share) (INR 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

12. As 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. The bank account statements of the Company were examined to understand the manner of receipt and deployment of funds by the Company.
13. It was noted from Company's bank account with HDFC Bank (Account No. xxxxxxxxxxx4926), which was opened on April 22, 2023, that during the period October 19, 2023 to March 28, 2024, the six preferential allottees had cumulatively advanced INR 850 crore to the Company, matching the value of share allotted to the entities vide the preferential allotment. It was further noted that even though the loan was disclosed by the Company only in Q4 of FY 2023-24, the funds were transferred by the allottees starting from December 2023. The Company on receipt of funds onward transferred it to 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), Utsav Securities Pvt. Ltd.(Utsav) and Alstone Textiles (India) Ltd (Alstone).
14. The nature of these advances to aforesaid entities was not disclosed by the Company in the Annual Report for FY 2023-24 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. It was, therefore, *prima facie* noted that funds were being circulated by these companies and PIFL did not receive funds from the preferential allottees. The 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. Similar pattern was noted in the case of five Preferential Allottees (Noticee nos. 3 to 7).

15. It was further *prima facie* noted that the preferential allottees appeared to be connected entities through common addresses / close proximity of date of incorporation / common and cross-shareholding / common non-executive independent directors. Further, in case of one preferential allottee (Noticee no. 2) the first flow of funds from the 'loan' availed was received by PIFL on December 12, 2023, which was even before approvals were obtained from the shareholders, i.e. the EGM approval was obtained only on January 04, 2024.
16. Also, the cash flow reflected only INR 1000 crore loan inflow and corresponding investment outflow for FY 2023-24. However, bank account analysis reflected credit and debit transactions of INR1402 crore till March 31, 2024. This indicated that the Company did not account for INR402 crore of receipts and payments in its financials.
17. From the above, it was noted that post the preferential allotment, 99.28% of the expanded share capital of the Company was held by the six preferential allottees, who appeared to have received such shares without paying any consideration to the Company for the said allotment as the loan against which the allotment was *prima facie* found to have been round tripped back to the allottees themselves. Further, the preferential allottees appeared to be 'connected' to each other and to the Company.
18. 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, since it was *prima facie* found that the loans existed only on paper, the said exemption did not seem applicable. Given the same, it was *prima facie* found that the Company undertook a preferential allotment of shares without complying with the provision contained in Chapter V of the ICDR Regulations.

19. Further, as the six preferential allottees appeared to be connected to each other and the Company, there appeared 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**"), from the perspective of change in control. Further, the trading pattern and share price movement in the scrip *prima facie* appeared to indicate a 'pump and dump' operation in the scrip.
20. As the lock-in pursuant to the preferential allotment was to expire on March 11, 2025, in order to protect investor interest, it was felt necessary to ensure that such shares were not offloaded in the open market by preferential allottees. Further, it was felt necessary to restrain the Company from accessing the capital markets during the pendency of the Investigation.
21. Accordingly, interim directions were issued vide the Interim Order, as referred to in Para 2 above.

REPLIES TO INTERIM ORDER & PERSONAL HEARING

22. The Company requested for an opportunity to inspect documents, which was allowed to be done on June 05, 2025. Subsequently, the Company replied to the Interim Order vide its letter dated August 26, 2025 whereas Noticee no. 2 (Abhijit) replied vide letter dated August 22, 2025, Noticee no. 3 (Calyx) replied vide letter dated August 28, 2025, Noticee no. 4 (Hibiscus) replied vide letter dated August 28, 2025, Noticee no. 5 (Avail) replied vide letter dated August 25, 2025, Noticee no. 6 (Edoptica) replied vide letter dated August 22, 2025 and Noticee no. 7 (Sulphur) replied vide letter dated August 28, 2025.



23. Subsequently, Noticee nos. 3 to 7 (viz., Calyx, Hibiscus, Avail, Edoptica and Sulphur) submitted individual letters each dated October 03, 2025 requesting for modification of direction of restraint issued in the Interim Order so that they could be allowed to transact in securities.
24. The Noticees were granted an opportunity of personal hearing which was availed by them on November 04, 2025. During the hearing, Noticees made submissions on the lines of their written submissions filed earlier. They were asked regarding what was normal course of business, as referred to in their submissions. In this regard, Noticees submitted that the transactions were commercial transactions done in normal course of business.
25. Further, during the hearing, Noticee no. 3 was asked whether it had filed detailed reply to the Interim Order since it had sought 15 days' time for doing so, vide its letter dated August 28, 2025. In response, Noticee no. 3 submitted that it had not filed the detailed reply. Noticee no. 3 was advised to file detailed reply, if any, and submit supporting documents which it placed reliance on in its defence, within 15 days. Subsequently, vide email dated November 12, 2025, Noticee nos. 3, 4 and 7 submitted copies of loan agreements and supplementary loan agreements.
26. The submissions made by the Company in its written submissions dated August 26, 2025 are summarized below:
 - (a) The Company denies each and every allegation made in the Interim Order.
 - (b) The Interim Order is vague which was issued without hearing Noticees. The Interim Order is devoid of any reason or basis which could reasonable substantiate and establish any case against the Noticee. The allegations / observations contained in the Interim Order qua the Noticee are bald, sweeping, unfounded and are completely contrary to the factual position and records.
 - (c) The Company is engaged in financing and investment activities, offering loans for real estate and development projects, providing consultancy services in the real estate sector and dealing in shares and securities.



- (d) In FY 2021-22 and FY 2022-23, the Company had not done any significant regular activities, but only made investment activities. The same has been duly published in the Annual Report of the Company.
- (e) The Company had made changes in the Company's management in May 2023 and thereafter, the Company initiated significant alterations to its financial structure and operations, which were increase in authorized share capital, enhancement of borrowing limits, fundraising through loans and conversion of loan into equity. These alterations were done after necessary resolutions in AGMs of the Company and by following due process of law. All relevant forms were submitted before the Registrar of Companies.
- (f) The Company availed various loans and details of the same have been disclosed in the Annual Report. The Company confirms the names of six lenders (who are Noticee nos. 2 to 7) and the loan amounts mentioned against them in the Table under para 13 of the Interim Order. The Company availed financial assistance from aforesaid non-promoters to meet the requirement of working capital of the Company in the form of unsecured loan. However, the Company was not able to repay the debts to them due to financial crunch of the Company and cash flow mismatch. Accordingly, on receiving the request from the non-promoter group to convert the said unsecured loan into equity, the Company did so.
- (g) Thereafter, the Company transferred INR 850 Crore to various entities in the normal course of business. Since the Company is engaged in the business of share trading and investment, the Company invested money into various companies. The Company has purchased shareholding in various unlisted companies against which funds have been transferred.
- (h) The ongoing investigation by SEBI, focusing on alleged wrongdoings that occurred during December 2024 to January 2025, forms the basis of this matter. However, the timing and nature of the Interim Order has been deeply prejudicial and detrimental to the position of the Company. There were no active actions necessitating immediate cessation of activities, requiring issuance of the Interim Order, which is excessive and disproportionate. SEBI should have adopted a balanced approach.



- (i) The Interim Order should be thoroughly reviewed.
 - (j) The Company has not received any complaint or grievance from any investor till the date of reply. The Company has an unblemished track record in securities market. These may be considered as mitigating factors.
27. The Company with its reply submitted copies of loan agreements and supplementary loan agreements executed between the Company and lenders and Company's Income Tax Return for AY 2024-25.
28. Noticee nos. 2 to 7, vide their respective letters as referred to above, have made submissions which generally are more or less on the same lines as those of the Company (Noticee no. 1). However, they have also made certain additional common submissions as well as certain specific submissions, which are together summarized below:
- (a) Abhijit, incorporated in 1982, is engaged in a business of trading of shares and investment activities. Calyx is involved in security dealing activities, which includes financial market on behalf of others (e.g. stock broking) and related activities. Sulphur is unlisted private limited company engaged into business of securities dealing activities.
 - (b) Noticees had given unsecured loans to the Company by executing loan agreements for business purposes.
 - (c) The Company gave option to Noticees for conversion of the outstanding loan and interest wholly or partially, into equity, at prices decided between the parties based on a valuation report. Accordingly, supplementary loan agreements were executed between the parties.
 - (d) The Company issued shares through preferential allotment to Noticees pursuant to conversion of loans. The investments by Noticees in the Company were made through unsecured loans with a clear intention to support the Company's capital and business restructuring and growth plans. The loans were documented and were fully reflected in the financial books and bank records of Noticees and were audited by statutory auditors. They were duly disclosed in regulatory filings.



- (e) The allotment of shares was undertaken under specific exemption provided under regulation 158 of ICDR Regulations for loan conversion and all necessary documentation and procedural requirements were followed. The Noticees acted solely as lenders in good faith. No open offer was triggered under SAST Regulations, since there was no change in control.
- (f) The Noticees had no role in the secondary market price movement of the Company's shares. They neither participated in any trading nor coordinated with any other party for such purposes. Interim Order has alleged that funds lent by Noticees were eventually routed back through various parties. However, they submit that they had no involvement in how PIFL further deployed the funds and hence cannot be held responsible for the same. They deny any association with the recipient entities. There is no evidence that Noticees received any unlawful benefit from such transactions.
- (g) Abhijit transferred INR 9.4 Crores to Lavender and INR 40.98 Crore to Edoptica in the normal course of business.
- (h) Avail had received INR 149.6 Crores from Victory in the normal course of business.
- (i) Sulphur had received INR 124.62 Crore from Sunshine Capital Limited and transferred INR 34.03 Crores to Edoptica in the normal course of business.
- (j) Noticees deny being connected to other preferential allottees. Having common registered addresses or historic cross-holding or historical incorporation details does not mean that entities are connected or that there was concerted action. Noticees are independent entities and their investment decisions were taken independently.
- (k) The Noticees being lenders were neither in control nor responsible for the disclosures made by the Company under SEBI regulations.
- (l) Noticees have been diligent in maintaining regulatory compliance and do not have any past record of any regulatory action.



CONSIDERATION OF ISSUES AND FINDINGS

29. At the outset, I note that the scope of the present proceedings before me at this stage, when detailed investigation in the matter is yet to be concluded, is limited to considering whether Noticees have been able to effectively rebut the *prima facie* findings recorded in the Interim Order. Keeping the same in mind, I now proceed to consider the issues.
30. I have considered the *prima facie* findings recorded in the Interim Order and the submissions made by Noticees in their replies and during personal hearing.
31. The gist of the *prima facie* findings recorded in the Interim Order is that the Company having consistently reported negligible revenues suddenly took a INR 1000 crore loan without making any disclosures on how the funds were to be utilised or the loan serviced. Subsequently, the loan, which appeared to have been availed from connected entities, was converted into equity and the shares were issued to the said entities through preferential allotment. The examination of the bank statements of the Company and connected entities *prima facie* revealed that the funds that were advanced as loan were round tripped back to the said entities and the Company ended up issuing shares without receiving any consideration. By the aforesaid actions, the six preferential allottees, who are Noticee nos. 2 to 7, ended up holding 99.28% of the expanded share capital of the Company.
32. It is alleged in the Interim Order that by adopting the above *modus operandi*, the Company's market capitalisation jumped from about INR 40 Crore to more than INR 4000 Crore within a period of just over 8 months. The price rise in the scrip was also aided by the fact that only a minuscule free float - just 0.72% of the Company's shares were available for trading as the remaining 99.28% of shares issued pursuant to the preferential allotment were locked-in. Further, the trading pattern and share price movement in the scrip *prima facie* indicated that a 'pump and dump' operation may be playing out in the scrip.
33. The Company, in respect of the abovementioned *prima facie* findings and the allegations, has *inter alia* submitted that the Company had made changes in its



management in May 2023 and thereafter, the Company initiated significant alterations to its financial structure and operations, which were increase in authorized share capital, enhancement of borrowing limits, fundraising through loans and conversion of loan into equity. These alterations were done after necessary resolutions in AGMs of the Company and by following due process of law.

34. The Company has further submitted that it availed various loans and details of the same were disclosed in the Annual Report. The Company availed financial assistance from aforesaid non-promoters to meet the requirement of working capital of the Company in the form of unsecured loan. However, the Company was not able to repay the debts to them due to financial crunch of the Company and cash flow mismatch. Accordingly, on receiving the request from the non-promoter entities to convert the said unsecured loan into equity, the Company did so.
35. Similarly, Noticee nos. 2 to 7 have submitted that they had given unsecured loans to the Company by executing loan agreements for business purposes. The Company gave option to Noticees for conversion of the outstanding loan. Accordingly, the Company issued shares through preferential allotment to Noticees pursuant to conversion of loans. The investments by Noticees in the Company were made with a clear intention to support the Company's capital and business restructuring and growth plans. The loans were documented and were fully reflected in the financial books and bank records of the Noticees, were audited by statutory auditors and were duly disclosed in regulatory filings.
36. I note that Noticees have submitted copies of Loan Agreements and Supplementary Loan Agreements entered between the Company and the said Noticees.
37. I have considered the submissions of the Noticees and the documents submitted by them in support of their submissions. I note that the explanations offered by the Noticees in respect of the *prima facie* findings suffer from the following infirmities:



- (a) The Interim Order clearly records that the details regarding the nature and purpose of the loan of INR 1000 Crore and the cost of financing were not disclosed by the Company, either in the notes on accounts or in the Annual Report for FY 2023-24. It is further recorded that while in the Balance Sheet and Cash Flow Statement for FY 2023-24, the Company disclosed a INR 1000 Crore loan under “Current Borrowings”, the notes on accounts did not provide other details of the borrowings. In this regard, the Company has stated that the details of the loans were disclosed in the Annual Report of the Company for FY 2023-24. However, I find that the Interim Order had provided on page 7 an extract from Annual Report for FY 2023-24 which merely mentioned borrowings of INR 1000 Crore and no other details of the loans were provided. The Company has failed to provide documents showing that other details of the loans were disclosed, as claimed by it. Accordingly, the Company’s submissions in this regard cannot be accepted.
- (b) The Company, except stating in general terms that it had taken unsecured loans to meet the requirement of working capital, has not provided any further details as to how such loans were utilized. It has merely stated that it transferred INR 850 Crore to various entities in the normal course of business and that since the Company is engaged in the business of share trading and investment, it has invested money into various companies. It purchased shareholding in various unlisted companies against which the funds were transferred. In this regard, I note that the Company has failed to furnish details like the names of the companies it invested in, the current status of such investments, etc. In fact, there is no such investment reflected in the annual accounts. Further, the nature of such advances to the said various entities were not disclosed even in the Annual Report of the Company for FY 2023-24. In absence of such details, the Company’s submissions are found to be evasive and lacking clarity.
- (c) It is baffling as to why Noticee nos. 2 to 7 extended unsecured loans aggregating to INR 850 Crores to a Company which was consistently reporting negligible revenues. It is noted from the Loan Agreements entered between the Company and Noticees 2 to 7, copies of which have been made available by Noticees, that the said agreements merely mention that “*The Borrower hereby*



agrees to utilize the Loan only for the business purpose.” However, business purpose is not defined in the said agreements. In the absence of any business rationale which could explain the said unsecured loan transactions involving huge money, the transactions remain doubtful and suspicious. While Noticees 2 to 7 have denied the allegation in the Interim Order that they were connected entities, the common *modus operandi* followed by all the said Noticees in granting huge unsecured loans to a nil-revenue company which defied business prudence and logic further raises doubt on the authenticity of the transactions. The fact that Noticee nos. 2 to 7 agreed to convert their unsecured loan into equity even though the Company had no real business further reinforces the doubtful nature of the transactions.

(d) The Interim Order has alleged round tripping of funds back to the preferential allottees (Noticees 2 to 7) through the abovementioned various recipient entities. The Interim Order has even demonstrated such fund flows in case of five Noticees (viz. Avail, Sulphur, Calyx, Edoptica and Hibiscus) through flow charts. I note that while the Noticees have denied the allegation in general terms. They have not denied the transactions and they have not provided any further details or explanation regarding the said transactions, except some of them merely mentioning that the payments were received in the normal course of business. Thus, the Noticees have not been able to effectively rebut the *prima facie* finding that the funds paid as loans by Noticees 2 to 7 to the Company were round tripped back to Noticees 2 to 7.

38. In view of the above observations, I find that the Noticees have failed to address the issues and *prima facie* findings recorded in the Interim Order. The detailed investigation in the matter is in progress and a detailed picture is expected to emerge after final findings.

39. I note that as an interim measure, the Noticees have been restrained, *inter alia*, from buying, selling or dealing in securities. I note that Noticee nos. 2 to 7 currently hold 99.28% shares in the Company. Considering the apprehension that Noticee nos. 2 to 7 may offload the shares of the Company in the market continues to subsist, it does not appear prudent to allow them to trade in the scrip



of the Company. However, considering that there are no allegations against the Noticees that they have made illegal gains by selling shares and no case for any possible disgorgement of any illegal gains is made out as of now, I am inclined to accept the request of Noticee nos. 2 to 7 to allow them to trade in securities, other than those of the Company. Accordingly, I proceed to modify the interim directions issued in the Interim Order.

ORDER

40. In view of the above, I, in exercise of the powers conferred upon me under sub-sections (1) and (4) of section 11 and sub-section (1) of section 11B read with section 19 of the SEBI Act, 1992, hereby confirm the directions issued vide the Interim Order dated May 14, 2025 qua Noticee no. 1.
41. Further, the directions issued vide the Interim Order qua Noticee nos. 2 to 7 are modified to the extent that the restraint imposed on them regarding buying, selling or dealing in securities shall be applicable only for the scrips of the PIFL (Noticee no 1) and three other listed entities through whom funds were routed namely Sunshine Capital Ltd., Abhijit Trading Company Ltd. and Alstone Textiles (India) Ltd.
42. The observations made in the present Order are tentative in nature, pending detailed investigation. The detailed investigation shall be carried out without being influenced by any of the directions passed or any observation made either in the Interim Order or in the present Order. Based on the outcome of the detailed investigation, appropriate action shall be taken in accordance with law.
43. This Order shall take effect immediately and shall be in force until further orders.
44. A copy of this order shall be served upon Noticees, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

KAMLESH CHANDRA
CHANDRA VARSHNEY
VARSHNEY

Digitally signed by KAMLESH
CHANDRA VARSHNEY
Date: 2025.12.30 17:20:17
+05'30'

DATE: DECEMBER 30, 2025

PLACE: MUMBAI

KAMLESH CHANDRA VARSHNEY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA