

September 23, 2026

The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C/1, Block G
Bandra- Kurla Complex, Bandra (East)
Mumbai 400 051

Stock Code: SME: KTL

Ref: ISIN INE 02M801018

Dear Sir(s),

Sub.: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – SEBI Final Order dated July 30, 2026.

Dear Sir / Madam,

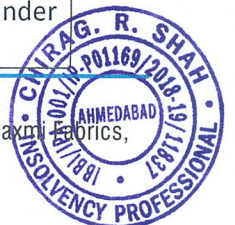
Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") read with the applicable provisions of Schedule III thereto, we wish to inform you that the Securities and Exchange Board of India ("SEBI") has passed a Final Order dated July 30, 2026 in the matter of Kalahridhaan Trendz Limited bearing reference no. WTM/AS/CFD/CFD-SEC-4/32528/2026-27.

The Final Order has been passed under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, 1992 read with Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995. The material directions contained in the said Final Order are summarized below:

Sr. No.	Noticee	Direction / Penalty
1	Kalahridhaan Trendz Limited	Restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market for 2 years from the date of the Order. Monetary penalty of ₹40,00,000 comprising ₹30,00,000 under Section 15HA and ₹10,00,000 under Section 15HB of the SEBI Act.
2	Mr. Niranjan D. Agarwal	Restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market for 2 years from the date of the Order. Monetary penalty of ₹40,00,000 comprising ₹30,00,000 under Section 15HA and ₹10,00,000 under Section 15HB.

Factory Unit Address :
299, Aaradhna Tex Compound,
Nr. Jagdish Factory, Vatva Road,
Narol, Ahmedabad, Gujarat - 382405

Registered Office Address :
57, Ashra Industrial Estate, B/H. Mahalaxmi Fabrics,
Narol, Ahmedabad - 382405.
Email Id: finance@kalahridhaan.com
Contact Number : 079 29704922



3	Mr. Aditya N. Agarwal	Restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market for 1 year from the date of the Order. Monetary penalty of ₹10,00,000 under Section 15HB.
4	Ms. Sunitadevi Niranjan Agarwal	Restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market for 1 year from the date of the Order. Monetary penalty of ₹10,00,000 under Section 15HB.

You are requested to take the above information on record.

Thanking you.

Yours faithfully,

For **Kalahridhaan Trendz Ltd**
(Under Corporate Insolvency Resolution Process)

Chirag R. Shah

Chirag Shah
Interim Resolution Professional
IBBI/IPA-001/IP-P01169/2018-19/11837
Email: cirp.ktl@gmail.com





**SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER**

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1) AND 11B(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT READ WITH RULE 4(1) OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of –

Noticee No.	Name of the Entity	PAN
1.	Kalahridhaan Trendz Limited	AAGCK1765P
2.	Niranjan D Agarwal	ADFPA1858G
3.	Aditya N Agarwal	AKTPA4024B
4.	Sunitadevi Niranjan Agarwal	ADRPS3295H

(The above mentioned entities are hereinafter referred individually by their respective names / Noticee numbers and collectively as “the Noticees”)

IN THE MATTER OF KALAHRIDHAAN TRENDZ LIMITED

A. BACKGROUND

1. The present proceedings emanate from an *Interim Order cum Show Cause Notice* dated February 10, 2025 (hereinafter referred to as “**Interim Order**”) passed by the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) against the Noticees.



2. The Interim Order noted the following allegations and *prima facie* violations:
 - 2.1. Kalahridhaan Trendz Ltd. (Noticee No. 1 - hereinafter referred to as “**KTL / Company**”) failed to make material disclosures regarding its default in repayment of its dues to HDFC Bank; resulting in alleged violation of the provisions of regulation 30 (2) read with clause 6 of Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) read with clause 6 of Part A of Annexure 18 and Point 5.1.a of Section V-B of erstwhile SEBI Master Circular dated July 11, 2023 (since repealed and replaced with Master Circular dated January 30, 2026).
 - 2.2. KTL made false and misleading corporate announcements regarding its expansion / profitability and receipt of a large buy order from a fictitious entity from Bangladesh, with an apparent intention to influence the price and volume in the scrip and induce investors to deal in the scrip of the Company. The Company is thereby alleged to have violated the provisions of Section 12A(a), (b) and (c) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”), regulation 3 (a), (c) and (d), 4 (1) and 4 (2) (k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) read with regulation 4 (1) (c) (e) (h) and (i) of LODR Regulations.
 - 2.3. By failing to appoint a Compliance Officer, KTL *prima facie* violated regulation 6 (1) and 6 (1A) of LODR Regulations.
 - 2.4. The Company allegedly made a misleading corporate announcement regarding appointment of independent director and violated the provisions of regulation 4(1)(c) of the LODR Regulations.



- 2.5. As per the materiality policy of KTL, the Managing Director, Mr. Niranjan Agarwal (Noticee No. 2), was authorized to make disclosure of events or information available with the Company. He is alleged to have violated the provisions of regulation 4(2)(f)(i)(2) and 4(2)(f)(ii)(8) of the LODR Regulations read with regulation 30(5) of the LODR Regulations and regulation 3(a), (c) and (d), 4(1) and 4(2) (k) and (r) of the PFUTP Regulations read with section 12A (a), (b), (c) of the SEBI Act.
- 2.6. Considering that Mr. Aditya N Agarwal (son of Mr. Niranjan Agarwal) is a whole-time director of KTL and Ms. Sunitadevi Niranjan Agarwal (wife of Mr. Niranjan Agarwal) is a non-executive director of KTL, they had a responsibility to oversee the disclosures and ensure that the corporate announcements were true and fair. By failing to do so, Mr. Aditya Agarwal (Noticee No. 3) and Ms. Sunitadevi Niranjan Agarwal (Noticee No. 4) have allegedly violated the provisions of regulation 4(2)(f)(i)(2) and 4(2)(f)(ii)(8) of LODR Regulations.
3. The following directions were, *inter alia*, issued through the Interim Order:
- “(a) Noticees 1 to 4 are restrained from buying, selling or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders...*
- (b) Noticee 1 is restrained from accessing the securities market in any manner whatsoever, until further orders.”*
4. The Interim Order was also in the nature of a show cause notice whereby the Noticees were provided with the opportunity to file their reply / objections, if any, within 21 days from the date of receipt of the order and were also provided with an opportunity of personal hearing before SEBI, on a date and time to be fixed. In this regard, the Interim Order states the following:
- “72. ... The said prima facie findings shall also be considered as a show cause notice and the Noticees are directed to show cause as to why suitable directions/prohibitions under Section 11(1), 11(4) and 11B(1) of SEBI Act, 1992 including the directions of*



restraining them from accessing the securities market including buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary or any other directions as deemed fit by SEBI, should not be issued against them.

73. Further, Noticees are also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under Sections 11(4A) and 11B(2) read with Sections 15HA and/or 15HB of the SEBI Act, 1992 for the above alleged violations of provisions of SEBI Act, 1992, PFUTP Regulations, 2003, LODR Regulations, 2015 and SEBI Master Circular dated July 11, 2023, as the case may be.”

5. The key findings in the Interim Order are summarized as follows:

- 5.1. Pursuant to receipt of certain complaints from HDFC Bank against KTL, a company listed on National Stock Exchange's SME Platform, regarding default in payment of credit card dues, SEBI initiated an examination in the matter to ascertain possible violation of the provisions of various SEBI Regulations. The examination period was from February 23, 2024 to December 15, 2024 (“**Examination Period**”).
- 5.2. KTL is engaged in the business of manufacturing and trading of various types of fabrics and other related activities. The Company's registered office is at '57, Ashra Industrial Estate, B/h Mahalaxmi Fabrics, Near Narol Cross Road, Narol, Ahmedabad-382405'.
- 5.3. The Company is listed on the NSE SME Platform since February 23, 2024. It raised a total of ₹22.49 Crore at an issue price of ₹45 per share, when it listed on the stock exchange through an IPO.



5.4. The financial results of KTL during FY19 to FY23 are as under:

Table 1 – Financial results of KTL

(In ₹ crore)

Particular	2022 - 23	2021 - 22	2020 - 21	2019 - 20	2018 - 19
Total Income	184.17	183.90	132.35	134.36	125.08
Total Expenditure	175.26	180.59	130.72	133.62	124.26
Profit before tax	8.90	3.31	1.62	0.74	0.81
Net Profit	6.60	2.50	1.06	0.49	0.60

Non-disclosure of Default on the outstanding dues

- 5.5. HDFC Bank, vide letter dated September 09, 2024 to SEBI, complained about KTL's alleged failure to intimate the exchange about default by KTL in repayment of Credit Card Dues amounting to ₹50.99 Lakh.
- 5.6. The complaint further alleged that Mr. Niranjana D Agarwal also held directorship in Katex Exim Limited ("KEL") (which was in advance stages of preparing for an IPO at SME Platform of BSE), which was also a defaulter of the bank till July 2024. The directors of KTL seemed to be selectively clearing dues of KEL to ensure there were no impediments in the IPO process of KEL, while deliberately ignoring the obligations of KTL.
- 5.7. Subsequently, HDFC Bank, vide letter dated November 18, 2024 filed a second complaint with SEBI regarding KTL's failure to intimate the stock exchange about default by KTL in repayment of business loan dues amounting to ₹30.23 Lakh. The complaint, *inter alia*, alleged that while the earlier dues of ₹50.99 Lakh were cleared by KTL, the directors of the Company continued to default towards the remaining loans of the Bank.



- 5.8. In response to repeated queries by SEBI and NSE, the Company vide email dated October 23, 2024 submitted that it had inadvertently missed making the required disclosure due to negligence. The Company also sought 2 days' time to make the disclosure, which was granted to the Company. However, the Company continued to remain in default of the disclosure requirement.

Genuineness of corporate disclosure dated May 02, 2024

- 5.9. On May 02, 2024, the Company made a corporate announcement on NSE regarding 'Strategic Expansion and Expected Increase in Profit Margin', which, *inter alia*, stated the following:
- (a) *The Company is strategically planning to expand its production capacity in anticipation of increased orders in hand. The Company aims to augment its production capacity to 7.00 lakh meters per month. This expansion aligns with the Company's commitment to catering to the evolving needs of its customers*
- (b) *The Company anticipates that the increase in production capacity will positively impact its profit margin. The Company expects to achieve a 25% increase in its profit margin.*
- (c) *Based on these developments, the Company foresees a significant rise in its revenue, projecting a revenue range of Rs. 75 Crore to Rs. 100 Crore for the current fiscal year.*
- 5.10. The abovementioned announcement by the Company lacked credibility since despite claims of planning to expand production capacity to 7 Lakh meters per month and anticipating a 25% profit increase, the Company failed to provide specific details of contracts or orders which could justify the announcement. Further, no specific details were provided about the expansion plans such as the timeline, investment required/made. The announcement appeared to be vague, lacking tangible evidence supporting the announcement and aimed at misleading the investors by portraying a rosy picture of the Company.



- 5.11. Although no significant movement was observed in the price of the scrip pursuant to the announcement, the volume and number of trades had risen up by around 300%. The same indicates that the corporate announcement affected the volumes significantly on May 02, 2024.

Genuineness of corporate disclosure dated August 12, 2024

- 5.12. On August 12, 2024, the Company announced on the stock exchange platform titled - *'Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015 - Significant Order worth over Rs. 1.15 Billion Secured from Beximcorp Textiles, Bangladesh'*. The Company, *inter alia*, disclosed the following:

(a) KTL has secured a significant order worth Rs. 115.50 Crore from Beximcorp Textiles, a subsidiary of Akij Textile Mills Ltd, Bangladesh for supplying textile products.

(b) Key Details of the Order:

- *Order Value: Rs. 1,15,50,00,000*
- *Client: Beximcorp Textiles, Bangladesh*
- *Scope: The order involves the supply of textile products, leveraging our expanded production capacity.*
- *Delivery Schedule: The order will be completed in four cycles over approximately 12 months.*
- *Payment Terms: Payment will be made in tranches of 25%, with specific milestones to be provided upon receipt of the release order.*

(c) This significant order is particularly noteworthy given the current political challenges impacting the Bangladesh textile industry. By securing this contract, KTL is strategically positioning itself to gain traction in this key market, further strengthening our global presence.



- 5.13. A search made on the central database of companies registered in Bangladesh (Website of Office of the Registrar of Joint Stock Companies and Firms) revealed no record w.r.t. Beximcorp Textiles. On further search, a similarly named company, viz., Beximco Textiles Limited (“Beximco”), was found having operations in Bangladesh.
- 5.14. Considering the similarities in the names ‘Beximco’ and ‘Beximcorp’ and area of operations (textile industry), information was sought from Bangladesh Securities Exchange Commission (BSEC) to confirm whether any contracts to supply textile products had been awarded to Kalahridhaan Trendz Ltd. by Beximco during November 2023 to October 2024. BSEC, vide email dated January 16, 2025, *inter alia*, informed that ‘there was no contract signed by Beximco with KTL’.
- 5.15. In the corporate announcement dated August 12, 2024, KTL had referred to Beximcorp Textiles as a subsidiary of Akij Textile Mills Ltd. (“ATML”). An online search revealed that Akij Group is a large industrial group in Bangladesh, and ATML is a sister concern of Akij Group. ATML has more than 15 years of experience in spinning, yarn dyeing, weaving and fabric dyeing and finishing. A search was also made on the central database of companies registered in Bangladesh (Website of Office of the Registrar of Joint Stock Companies and Firms) w.r.t. Akij, wherein a list of 128 companies appeared in the result, out of which no company with a name of ‘Beximcorp’ appeared.
- 5.16. After repeated reminders, the Company vide emails dated November 13, 2024 and November 21, 2024, *inter-alia*, submitted the following information:
- (a) Signed copy of Order confirmation
 - (b) Copy of all communications exchanged with Beximcorp Textiles.
 - (c) Contact details of Beximcorp Textiles: Name of Contact Person - Farid Rahman; Contact No. - +971-558112995 / +971-564627808; Email Id - beximcorptextiles@gmail.com



- 5.17. An examination of the communication submitted by KTL revealed the following:
- 5.17.1 All the communication with the Company had been made through a 'Gmail' ID and not through the specific ID of the Company.
- 5.17.2 An order worth ₹115.50 crores from Bangladesh was apparently accepted by KTL on August 11, 2024 and an announcement was made to the stock exchange on August 12, 2024.
- 5.17.3 The release order was purportedly signed by Mr. Farid Rahman, CEO and MD of Beximcorp. However, no due diligence was done by KTL as to whether Beximcorp Textiles was in existence or whether Mr. Farid Rahman was authorized by Beximcorp Textiles (if it existed) to enter into a contract with KTL or verification of the identity of Mr. Farid Rahman.
- 5.17.4 The order was observed to be on the letterhead of 'Beximcorp', an Akij Textile Mills Ltd. subsidiary, having website address of www.beximcorptextiles.com and email id of beximcorptextiles@gmail.com. On google search of the website of Beximcorp Textiles, an error appeared stating that - *Unable to locate the server named 'www.beximcorptextiles.com'*.
- 5.17.5 As regards the contact details of the Beximcorp Textiles submitted by KTL, the records available on True Caller show that the phone number +971- 558112995 apparently belonged to one Mr. Makhn Ram, and the other number +971- 564627808 apparently belonged to one Mr. Vila Paji Madan DXB tagged as car services. The country code +971 is of United Arab Emirates (UAE).
- 5.17.6 Based on information sought from Google LLC, the user of the email account, beximcorptextiles@gmail.com, is based in India and not Bangladesh. Further, the last recorded login for the email account beximcorptextiles@gmail.com occurred on May 6, 2024 and therefore, the emails purportedly sent from this account to KTL on August 11, 2024, and August 12, 2024 to KTL, are fabricated.
- 5.18. Considering the above observations and findings, Beximcorp Textile is *prima facie* a fictitious entity which did not exist in Bangladesh and KTL had made false and misleading corporate announcement on August 12, 2024 to the stock exchange.



The above announcement led to a significant increase in the volume of the scrip as well as a positive impact on the price of the scrip.

- 5.19. The false and misleading corporate announcements (dated May 02, 2024 and August 12, 2024) positively affected the price and trading volume in the scrip. It appears that the Company had made the said announcements to paint a rosy picture of the prospects of the Company and to induce investors to trade in the shares of the Company. By acting in such manner, the Company has indulged in fraudulent and unfair trade practices in the securities market.

Non-appointment of Compliance officer

- 5.20. The Company had made a disclosure concerning the resignation of its Compliance Officer on June 19, 2024. In terms of the LODR Regulations, the vacancy should have been filled within a period of three months i.e. by September 19, 2024. However, the corporate announcements made by the Company do not show any record of such appointment.

Appointment of Independent Director – Mr. Hitesh Punamji Prajapati

- 5.21. Vide corporate announcement dated October 19, 2024, the Company disclosed that Mr. Hitesh Punamji Prajapati was appointed as the independent director of the Company for a period of 5 years.
- 5.22. Mr. Hitesh Punamji Prajapati had 34 shares of KTL and he was classified as public shareholder in the shareholding pattern. The prospectus of KTL further showed that 'M/s. Manish Garments' was a related party of the Company, as it was under the control of the promoters of KTL. As observed during a site visit by NSE, the registered office of the Company was on lease from an entity called 'Manish Garments', which also operates from the same premises.



- 5.23. Mr. Hitesh Punamji Prajapati, the abovementioned independent director of KTL, is one of the partners in 'M/s. Manish Garments', along with the promoters of KTL. Therefore, his eligibility to be appointed as an independent director of KTL is questionable. Accordingly, it is alleged that the Company has made misleading corporate announcement regarding appointment of independent director.

B. REPLIES OF THE NOTICEES AND PERSONAL HEARING

6. The Noticees filed their reply to the Interim Order vide letter dated March 03, 2025. They also sought a copy of documents obtained during the examination as well as an opportunity for personal hearing. Vide email dated July 29, 2025, a copy of the Examination Report and accompanying annexures were shared with Mr. Niranjana Agarwal. Receipt of the same was acknowledged by Mr. Aditya Agarwal vide email dated July 30, 2025.
7. An opportunity for hearing was provided to the Noticees on August 22, 2025. Based on a request received from the Noticees citing prior medical and personal commitments of one of the key representatives and seeking additional time for reviewing the Investigation Report (sic), the hearing was rescheduled to September 09, 2025. Vide email dated September 04, 2025, the Noticees again requested an adjournment for 20 days, stating that they are in the process of evaluating and initiating settlement proceedings. The request of the Noticees was accepted.
8. Vide email dated September 08, 2025, the Noticees informed that the process of filing settlement application with SEBI had been initiated. Vide letter dated October 09, 2025, the settlement application filed by the Noticees was returned, since it was filed beyond the limitation period of 60 days. Further, vide email dated November 03, 2025, Mr. Aditya Agarwal acknowledged receipt of the letter.



9. A final opportunity for hearing was given to the Noticees on December 02, 2025. Vide email dated November 24, 2025, the Noticees again requested that the hearing be rescheduled, citing personal commitments. The request of the Noticees was initially denied, and the Noticees were advised that the hearing may be attended by their Authorized Representatives. The Noticees were also given an opportunity to file any additional written submissions within 3 weeks from December 02, 2025.
10. Vide email dated December 02, 2025, the Authorized Representative of the Noticees sought another opportunity for hearing as well as time of 4 weeks for filing a reply on behalf of their clients. The Noticees were given time till December 31, 2025 to file their written submissions. Further, in the interest of natural justice, a final opportunity for hearing was given to the Noticees on January 29, 2026. The Authorized Representative of the Noticees attended the hearing on the said date. Post-hearing submissions were filed by the Noticees vide email dated February 09, 2026.
11. A summary of the reply submitted by the Noticees, vide letters dated March 03, 2025, December 24, 2025 and February 09, 2026 is as follows:

Alleged Non-Disclosure of Default in Repayment of HDFC Bank Facilities

- 11.1. The outstanding dues under the HDFC Bank credit card facility were paid in full between September 02, 2024 and completed on October 19, 2024. A letter dated November 05, 2024 with Nil dues was received from the Bank. The case of dishonor of cheque by KTL was disposed by the court. Therefore, the Company is not in continuing default of payment to HDFC Bank.
- 11.2. The Company has delayed payment of loan to the tune of ₹ 30.23 lakhs, however, it has started the payment of the loans. The Company and its promoters are not defaulters by nature, and the reason for the delay is the nature of business and



working capital cycles and not any wilful default or concealment or intent to mislead investors.

- 11.3. The failure to make disclosure as per regulation 30 of LODR Regulations did not arise from any intention to suppress material information or to mislead the stock exchange or investors, but was the result of an inadvertent compliance lapse and lack of proper appreciation of the technical disclosure requirements, particularly in the context of the Company being a recently listed SME entity with evolving compliance systems at the relevant time. The omission was procedural in nature and not accompanied by any element of fraud, deception, or market manipulation.
- 11.4. It is settled law that not every lapse in regulatory compliance warrants harsh or punitive action, particularly where the lapse is procedural in nature and unaccompanied by any intent to mislead or derive wrongful gain. In the absence of any investor harm, promoter enrichment or concealment, corrective and compliance-oriented directions are considered appropriate.
- 11.5. The absence of any benefit accruing to the promoters or the Company reinforces that the non-disclosure was not motivated by any ulterior intent. Further, steps have been initiated to strengthen internal compliance and disclosure mechanisms and the Noticees undertake to ensure that all future disclosures shall be made strictly in accordance with the LODR Regulations and applicable SEBI circulars.
- 11.6. The Noticees have added that HDFC Bank has attempted to use SEBI as a recovery agent. Recovery of credit amounts does not fall within the ambit of SEBI's regulatory jurisdiction, and the proper forum lies under contractual remedies. Therefore, SEBI cannot initiate or carry out an investigation on the basis of a complaint alleging default in repayment of credit facilities, as such matters pertain to debtor-creditor relationships and not to securities market regulation. Any investigation by SEBI in this regard would be beyond its statutory authority and



ultra vires the SEBI Act. Further, legally, SEBI does not have the jurisdiction to initiate an investigation based on the complaint of a non-shareholder.

- 11.7. In their post-hearing submissions, the Noticees have stated that there is no requirement under the regulations to disclose the default or dues of credit card. The decision of disclosure is of the management and has to be based on the materiality policy of the Company. Without prejudice, even if the bank default was to be disclosed, there was no urgency to pass directions, and being a newly listed SME company with an evolving compliance system, SEBI could have issued a warning letter for the violation.

Corporate Announcement dated May 02, 2024 relating to proposed business expansion and profitability

- 11.8. The Noticees have submitted that the corporate announcement dated May 02, 2024 reflected the Company's genuine strategic intent based on prevailing market conditions, internal operational planning and business assessment as on the date of disclosure.
- 11.9. The announcement did not state any false or incorrect fact, nor did it represent that the proposed expansion or projected financial outcomes had already been achieved, approved, or contractually secured.
- 11.10. The absence of annexed documentary material does not render the disclosure false or misleading. The Company has been engaged in the textile manufacturing business since 2016 and had reported profitability in the immediately preceding financial years, with a profit of approximately ₹6.60 crores in FY 2022–23 and ₹8.05 crores in FY 2023–24, demonstrating a consistent financial track record. In this context, the Company had a reasonable and *bona fide* basis to evaluate potential



expansion opportunities and to communicate its expectations regarding improvement in business performance.

11.11. The Company would have achieved a 25% increase in profit margin in FY 2025 – 26, had the Interim Order not been passed.

11.12. The data relied upon by SEBI itself does not evidence any abnormal or sustained price movement in the Company's scrip immediately following the announcement. While an increase in trading volume was noted, such volume movement, in the absence of any false factual representation, manipulative conduct, or promoter trading, cannot by itself establish an intent to influence the price or volume of the scrip or to induce investors to deal in the securities of the Company.

Corporate Announcement dated August 12, 2024 relating to alleged order from Beximcorp Textiles

11.13. The order was received through Mr. Ankit Shah, who acted as an intermediary and facilitated the introduction and communication between KTL and the entity representing itself as Beximcorp Textiles. The commercial discussions, including pricing, quantities, delivery schedules, and payment terms, were conducted through email correspondence placed on record with SEBI.

11.14. The Company believed that a genuine commercial understanding had been reached and, acting on such belief, made the corporate announcement dated August 12, 2024.

11.15. The announcement did not represent that the order had been executed or that revenue had accrued, but disclosed the proposed execution of the order over a twelve-month period which would have resulted into substantial revenue for the Company.



- 11.16. The Company continued to receive emails from the counterparty even after the period during which SEBI observed that the relevant email account was allegedly not in use. This factual aspect reinforces the Company's *bona fide* belief at the relevant time regarding the genuineness of the communications received. Further, information available on Truecaller is not always accurate.
- 11.17. The Company itself has been a victim of mis-representation by the intermediary, rather than a participant or having any fraudulent conduct.
- 11.18. The entity relied upon by SEBI for verification purpose is not the same entity from which the company received the order, and the subsequent inability to independently verify the counterparty does not retrospectively establish that the Company fabricated or falsified the disclosure. At the highest, the material on record indicates reliance on third-party representations which later proved to be unreliable.
- 11.19. The Noticees were not part of any fictitious activity, and are innocent. In the opinion of the Noticees, in business transactions, when the quantum of transaction is high, they do not check the identity of the counter-party.

Ingredients of fraud are not satisfied, and no trading, unfair gain or illegal profit or diversion of fund done by the promoters and directors

- 11.20. The disclosure represented a *bona fide* articulation of business intent and expectations based on information available at the relevant time. SEBI's own observations are *prima facie* and tentative in nature, using the expression 'appears', which underscores the absence of any conclusive finding of falsity or intent.



- 11.21. The allegations under the PFUTP Regulations do not satisfy the statutory ingredients of “fraud” as defined under regulation 2(c) thereof. The definition contemplates acts involving knowing misrepresentation, concealment, or conduct intended to induce dealing in securities. In the present case, there is no finding that the Noticees knowingly made false statements, concealed material facts, or engaged in any act designed to induce trading for unfair gain. Further, in the absence of any promoter trading or benefit, the essential nexus with “dealing in securities” under regulation 2(b) is also not established.
- 11.22. The increase in price and trading volumes after the aforesaid announcements do not establish fraudulent intent or inducement, particularly in the absence of any false factual representation attributed to the company, any manipulative trading activity or any wrongful gain. It is further submitted that intent to influence price or volume cannot be inferred merely from subsequent market reaction, particularly in the absence of any false statement known to be false at the time of disclosure or any trading activity by the promoters or directors.
- 11.23. None of the Directors undertook any trading in the Company’s securities, derived any personal benefit, or engaged in any conduct independent of the Company’s disclosures that could attract individual liability under the SEBI Act or the PFUTP Regulations. There was no diversion of funds or unfair gain to the Company or its promoters. The absence of any benefit accruing to the promoters reinforces that the disclosure was made in good faith and not with any intent to mislead investors or manipulate the market.
- 11.24. The Hon’ble Supreme Court in SEBI v. Price Waterhouse & Coopers Pvt. Ltd., (2019) 9 SCC 407, has held that negligence or inadvertent error, absent deliberate intent, cannot be equated with fraud and that regulatory response must be proportionate. Further the Supreme Court has stated that mere price or volume



movement, without evidence of manipulative design or unfair gain, is insufficient to sustain allegations of fraudulent or unfair trade practices.

- 11.25. In the absence of any element of fraud, deceit, inducement, or mens rea, the statutory ingredients for invocation of the PFUTP Regulations are not satisfied.

Corporate Governance and compliance lapses

- 11.26. The resignation of the Compliance Officer in June 2024 occurred during the initial post-listing phase of the Company on the SME platform, at a time when the Company was in the process of stabilising its post-listing compliance framework and operational processes.
- 11.27. The resultant delay in appointing a replacement Compliance Officer was neither deliberate nor wilful, but arose due to genuine practical difficulties in identifying and onboarding a suitably qualified Company Secretary within the prescribed timeframe, particularly in the context of the Company's financial and operational constraints during the relevant period. The lapse, if any, is procedural in nature and amenable to rectification.
- 11.28. The Company is searching for a full-time Company Secretary and will update the Exchange, once appointed. The Company also undertakes to ensure strict and continuous compliance with regulation 6 of the LODR Regulations and all applicable SEBI circulars and guidelines going forward.
- 11.29. With regard to the appointment of Mr. Hitesh Punamji Prajapati as an Independent Director, the same was made in accordance with the declarations and disclosures furnished by him. He does not have any relationship with the promoters or directors of the Company within the meaning of the LODR Regulations.



- 11.30. His holding of 34 shares in KTL was insignificant, duly disclosed, and did not confer any control, influence, or pecuniary benefit. Further, Mr. Prajapati has not received any remuneration or benefit from the Company other than statutory sitting fees paid for attending Board and Committee meetings.
- 11.31. Further, he holds 1% partnership in Manish Garment, which is a firm promoted by promoter of KTL and there is no specific criteria that a partner of any firm controlled by promoters cannot be appointed as an independent director.
- 11.32. He fulfills the criteria for independence as per Section 149 (6) of the Companies Act, 2013 and LODR Regulations, 2015 and is therefore, considered to be an independent director of KTL. The issue raised by SEBI therefore pertains, at best, to the interpretation of independence criteria under regulation 16(1)(b) of the LODR Regulations, and not to any act of concealment, misrepresentation, or intent to mislead investors.
- 11.33. Even assuming, without admitting, that the appointment may not strictly satisfy the independence criteria, the same would at best constitute a governance-related classification issue, which is remediable through corrective measures such as reconstitution or reclassification, and does not warrant any adverse inference of misleading disclosure under regulation 4(1)(c) of the LODR Regulations.
- 11.34. The above issues are procedural and governance-related matters and do not warrant any adverse or punitive regulatory action.

Interim Order is in violation of the principle of equity and justice

- 11.35. SEBI has not passed any order in the case of Akshar Spintex Ltd, whereas in this matter wherein the Company is a victim of fraud and there is no trade or diversion



of funds by the promoter or directors, SEBI has unnecessarily and erroneously passed the Interim Order.

11.36. Further, in case of any suspicion on promoter's conduct, they should have been debarred from the market, and by debarring all parties, there has been financial loss and irreparable reputational damage to the Company and its management.

11.37. The Noticees have been restrained from the market merely on the basis of suspicion. The proceedings are against the principle of natural justice and equity, and are therefore, liable to be set aside.

Submissions with regard to directions and penalty

11.38. The Noticees have not violated any provisions of the SEBI Act or PFUTP Regulations.

11.39. Allegations of fraud are serious and require substantial proof. The charge of having indulged in fraudulent and unfair trade practices relating to securities wholly fails and there is no question of the levy of any penalty on the Company.

11.40. The findings do not lead to the conclusion that there has been disproportionate gain or unfair advantage. There are no investor complaints filed at any Stock Exchange in respect of the present matter and in the absence of any direct information, the allegation of causing loss to other investors is baseless. Further, there is no question of repetitive nature of default.

11.41. The Noticees have also submitted case laws, wherein the respective courts have dealt into the aspect of penalty and factors for levying any penalty on any delinquent, including the decision of the Hon'ble Supreme Court in the matters of Hindustan Steel vs State of Orissa (AIR 1970 SC 253), Ex-Naik Sardar Singh vs. Union of India (1991 3 SCC 212), Ranjit Thakur vs Union of India (AIR 1987 SC



2386) and Adjudicating Officer vs. Bhavesh Pabari dated February 28, 2019. Further, the Noticees have submitted that in light of the Order of the Hon'ble SAT in the matter of P G Electroplast vs SEBI, since the Noticees have been restricted from the securities markets for 12 months, no further directions and penalty may be imposed in the matter.

11.42. The Hon'ble Supreme Court and SAT, have held that SEBI is required to be uniform, non-discriminatory and consider the proportionality principle, while adjudging the quantum of penalty. Reliance is placed on the decision of the Hon'ble Supreme Court of India in the matter of Securities and Exchange Board of India vs. Sunil Krishna Khaitan wherein it was inter-alia held that it is important for the regulator to be consistent and predictable.

11.43. The imposition of substantial directions or penalty could impair the company's ability to continue its operations, and lead to layoffs, further ending the company's capacity to generate revenue and potentially force the business to shut down which could negatively impact the shareholders and employees who depend on the company for livelihood.

11.44. Any directions or penalty would be disproportionate, illegal and contrary to jurisprudence and securities laws. In the absence of any mens rea or conscious intent to mislead investors, the provisions of Section 15HA are not attracted.

11.45. Without admitting any violation, and assuming arguendo that any technical or procedural non-compliance under the LODR Regulations is made out, the same would, at the highest, fall within the scope of a curable disclosure lapse.

Additional submissions

11.46. In response to specific queries posed during course of the hearing on whether the company has made any announcement with respect to the withdrawal /



cancellation of the order of Beximcorp Textiles and whether disclosure has been made of financial statements, the following was submitted:

- 11.46.1 The Company came into contact with the prospective counterparty through one Mr. Ankit Shah, who acted as an intermediary and facilitated the introduction and communications between the Company and the entity representing itself as Beximcorp Textiles. The question of whether the order is genuine is still pending.
- 11.46.2 As soon as the announcement was made, SEBI passed the Interim Order and further directions / instructions from SEBI are being awaited in the matter. No further announcement was made. The Interim Order was in any case public and shareholders were aware of the Order.
- 11.46.3 The reputation and credibility of the Company / its directors has been damaged and lost, and the Company is finding it difficult to survive in the negative environment. The Interim Order, passed without any urgency, has hampered the financials and share price of the Company. The shares are not trading in the market because of the Order.
- 11.46.4 The company, management, and staff and factory are still functioning. The company has its own land and manufacturing facilities. The Company management believes that there are still high chances of performance.
- 11.46.5 A copy of the financials for FY 2023 – 24, half year ended September 2024 and provisional statements for FY 2024 – 25 have been submitted, a summary of which is given in the following table:

Table 2 – Summary of financials for FY 2023 – 24 and FY 2024 – 25 (In ₹ crore)

Particular	2023 – 24	HY ended Sept. 2024	2024 – 25
Revenue from operations	194.17	88.97	106.99



Particular	2023 – 24	HY ended Sept. 2024	2024 – 25
Total Income	194.31	89.04	107.42
Profit before tax	10.71	1.30	(68.07)
Net Profit	8.05	0.98	(68.07)

C. CONSIDERATION AND FINDINGS ON THE PRELIMINARY OBJECTIONS RAISED BY THE NOTICEES

12. Need for Interim Directions

- 12.1. The Noticees have questioned the need for passing of urgent directions through the Interim Order in the instant matter. They have submitted that the interim directions are contrary to the principles of natural justice and equity, and are therefore liable to be set aside. They have also compared the present matter with the matter of Akshar Spintex Ltd. (“ASL”), wherein, according to the Noticees, no action has been taken despite the promoters having sold a majority of their stake (after making promising corporate announcements).
- 12.2. In this regard, I note that the Interim Order records detailed reasons for passing interim directions in the matter. The acts and omissions of the Noticees, as recorded in the Interim Order, *prima facie* indicated an attempt to create a positive narrative around the scrip of KTL by making corporate announcements which appeared to be misleading. Further, the one-year lock-in applicable to the promoters’ shareholding was due to expire around February 23, 2025, and the Board of the Company had also approved fund raising through a rights issue.
- 12.3. The above circumstances when viewed along with the non-disclosure of default and basic compliance deficiencies such as non-appointment of a Compliance Officer, warranted preventive and protective interim directions to restrain the



Company from further fund raising and to prevent the promoters from accessing the securities markets.

- 12.4. The comparison sought to be made by the Noticees with the matter of ASL is misplaced for the reason that each matter has to be examined on its own facts and circumstances. In the present case, as already recorded, the Interim Order was passed, *inter alia*, considering the impending expiry of the one-year lock-in applicable to the promoters' shareholding, the proposed fund-raising by way of a rights issue, and the *prima facie* findings regarding misleading corporate announcements. Juxtaposing the matter of ASL, as noted in para 69 of the Interim Order cum SCN, the promoters therein had already offloaded a substantial portion of their shareholding. The said matter was taken up for examination / investigation separately, and the appropriate enforcement action therein, if any, would follow independent of the present proceedings. Accordingly, I find that the Noticees' argument drawing a comparison with the said matter of ASL is unfounded.
- 12.5. Having considered the facts and circumstances of the case, including the gravity of the *prima facie* violations observed, the potential impact on investors and the securities market, and the fact that a post-decisional opportunity of hearing has been duly provided to the Noticees, I am *not* inclined to accept the prayer of the Noticees to set aside the Interim Order on the ground that there was no reason for issuance of an interim order in the matter of KTL.
- 12.6. The Noticees have also submitted that SEBI's observations in the Interim Order were *prima facie* and tentative in nature, and that use of expressions such as "appears" underscores the absence of any conclusive finding of falsity or intent. In this regard, I note that an Interim Order-cum-Show Cause Notice, by its very nature, records *prima facie* observations while setting out the allegations and affording the Noticees an opportunity to respond. Final conclusions are arrived at only after considering the replies and submissions of the Noticees and the material available



on record. Accordingly, the contention that there is an absence of conclusive finding is without any basis.

13. Jurisdiction of SEBI

- 13.1. The Noticees have contended that SEBI cannot initiate an examination / investigation on the basis of a complaint alleging default in repayment of credit facilities, as such matters pertain to debtor-creditor relationships and not to securities market regulation. They have also submitted that SEBI does not have jurisdiction to initiate an examination / investigation on the basis of a complaint made by a non-shareholder.
- 13.2. It is a settled position of law that SEBI may initiate an examination or investigation based on complaints received from any source, market intelligence, inputs from stock exchanges or other agencies, or even on a *suo motu* basis. There is no requirement that the complainant must necessarily be a shareholder of the listed entity.
- 13.3. Further, in the present proceedings, SEBI is neither adjudicating upon the contractual rights of HDFC Bank nor enforcing repayment of credit facilities. The issue arising from the complaint of HDFC Bank is whether KTL, being a listed entity, failed to disclose defaults as required under the LODR Regulations, and whether such failure deprived investors of material information. The other alleged violations of the SEBI Act and regulations framed thereunder, arise from a *suo motu* examination undertaken by SEBI. Therefore, the proceedings relate to alleged violation of securities laws, which is well within the remit of SEBI.
- 13.4. Accordingly, I find that SEBI acted well within its jurisdiction to examine the present matter and take appropriate action under the provisions of the securities laws.



D. CONSIDERATION OF ISSUES AND FINDINGS ON MERITS

14. I have considered the allegations levelled in the Interim Order cum SCN, replies, oral / written submissions filed by the Noticees and the material available on record. On perusal of the same, the following issues arise for consideration:

- (1) Whether KTL was required to disclose the defaults and, if so, whether its failure to do so was in violation of the applicable provisions of the LODR Regulations?
- (2) Whether the corporate announcements dated May 02, 2024 and August 12, 2024, made by KTL were false or misleading, and in violation of the provisions of LODR and/or PFUTP Regulations?
- (3) Whether the remaining allegations against KTL regarding non-appointment of Compliance Officer and appointment of Mr. Hitesh Punamji Prajapati as an Independent Director are established?
- (4) What is the role of Noticee Nos. 2, 3 and 4 in relation to the above issues?
- (5) Whether the violations, if any, by the Noticees attract any direction and monetary penalty under Sections 11(1), 11(4), 11B(1) and 11B(2) read with Section 15HA and 15HB of the SEBI Act?
- (6) If the answer to Issue No. (5) is in the affirmative, what directions need to be issued and what should be the amount of monetary penalty, to be imposed on the Noticees, considering the factors provided under Section 15J of the SEBI Act?

15. Before proceeding further, it is pertinent to refer to the relevant provisions of the SEBI Act, LODR Regulations and the PFUTP Regulations, which have allegedly been violated by the Noticees. The same are reproduced hereunder:

SEBI Act

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 recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

LODR Regulations

Principles governing disclosures and obligations.

4 (1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:

(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

(e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.

4 (2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be



implemented in a manner so as to achieve the objectives of the principles as mentioned below....

(f) Responsibilities of the board of directors: The board of directors of the listed entity shall have the following responsibilities....

(i) Disclosure of information:

.....(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) Key functions of the board of directors-

....(8) Overseeing the process of disclosure and communications.

Compliance Officer and his /her Obligations.

6. (1) A listed entity shall appoint a qualified company secretary as the compliance officer:

Provided that the Compliance Officer shall be an officer, who is in whole time employment of the listed entity, not more than one level below the board of directors and shall be designated as a Key Managerial Personnel.

(1A) Any vacancy in the office of the Compliance Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy:

Provided that the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

Disclosure of events or information.

30 (2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.



30 (5) The board of directors of the listed entity shall authorize one or more Key Managerial Personnel for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s) under this regulation and the contact details of such personnel shall be also disclosed to the stock exchange(s) and as well as on the listed entity's website.

Schedule III - PART A: Disclosures of Events or Information: Specified Securities

The following shall be events/information, upon occurrence of which listed entity shall make disclosure to stock exchange(s):

A. Events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of regulation (30):

6. Fraud or defaults by a listed entity, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the listed entity, whether occurred within India or abroad:

For the purpose of this sub-paragraph:

.....(ii) 'Default' shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.

Explanation 1 - In case of revolving facilities like cash credit, an entity would be considered to be in 'default' if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than thirty days....

Master Circular dated July 11, 2023

Clause 6 of Part A of Annexure 18

Fraud / Defaults by promoter or key managerial personnel or by the listed entity or arrest of key managerial personnel or promoter:

6.1. At the time of unearthing of fraud or occurrence of the default / arrest:

- a) nature of fraud/default/arrest;*
- b) estimated impact on the listed entity;*



- c) time of occurrence;
- d) person(s) involved;
- e) estimated amount involved (if any);
- f) whether such fraud/default/arrest has been reported to appropriate authorities.

6.2. Subsequently intimate the stock exchange(s) further details regarding the fraud/default/arrest including:

- a) actual amount involved in the fraud /default (if any);
- b) actual impact of such fraud /default on the listed entity and its financials; and
- c) corrective measures taken by the listed entity on account of such fraud/default.

Section V-B: Disclosures by listed entities of defaults on payment of interest/repayment of principal amount on loans from banks / financial institutions and unlisted debt securities

5.1 The following details shall be disclosed by listed entities for each instance of default, as specified in Paragraph 4 above:

a. For loans including revolving facilities like cash credit from banks / financial institutions:

Sr. No.	Type of disclosure	Details
1.	Name of the listed entity	
2.	Date of making the disclosure	
3.	Nature of obligation	
4.	Name of the Lender(s)	
5.	Date of default	
6.	Current default amount (break-up of principal and interest in INR crore)	
7.	Details of the obligation (total principal amount in INR crore, tenure, interest rate, secured / unsecured etc.)	
8.	Total amount of outstanding borrowings from Banks/ financial institutions (in INR crore)	
9.	Total financial indebtedness of the listed entity including short-term and long-term debt (in INR crore)	



PFUTP Regulations

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;*
- (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.*
- (2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following, namely:—*
 - (k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;*
 - (r) knowingly planting false or misleading news which may induce sale or purchase of securities*

16. I shall now proceed to examine the above listed issues in light of the replies / submissions of the Noticees and the material available on record.



Issue No. (1) – Whether KTL was required to disclose the defaults and, if so, whether its failure to do so was in violation of the applicable provisions of the LODR Regulations?

17. The LODR Regulations classify event-based disclosures for entities which have listed their equity shares, broadly into two categories. The *first* category comprises events specified in Para A of Part A of Schedule III of LODR Regulations, which are deemed to be material events and are required to be disclosed without application of any materiality threshold. The *second* category comprises events specified in Para B of Part A of Schedule III of LODR Regulations, which are required to be disclosed upon application of the materiality criteria prescribed under regulation 30.
18. Disclosure of default by a listed entity is specifically covered under Clause 6 of Para A of Part A of Schedule III. Such disclosure is deemed to be material and is required to be made without application of any materiality threshold. The details and format of such disclosure have also been prescribed by SEBI through the applicable Master Circular.
19. The term “default” has been defined as non-payment of the interest or principal amount in full on the date when the debt has become due and payable. While credit cards are not specifically mentioned, the provision is wide in its scope and encompasses various forms of indebtedness, including loans and revolving credit facilities. Further, disclosure has to be made at each instance of default. Regulation 30 (6) of LODR Regulations specifies the timelines for the disclosure, as 12 hours from the occurrence of the event or information, in case the event or information is emanating from within the listed entity; or 24 hours from the occurrence of the event or information, in case the event or information is not emanating from within the listed entity.
20. As per the credit card statement of the Company (dated April 01, 2024), the minimum due as on April 21, 2024 was ₹34.80 lakhs. It is apparent from the next statement



dated May 01, 2024 that the minimum dues were not paid and the same increased to ₹70.29 lakhs with the payment due on immediate basis. In terms of the aforesaid regulations, the disclosure of the default should therefore have been made latest by April 22, 2024. However, no disclosure was made on the said date or subsequently.

21. The Noticees themselves have admitted that KTL delayed repayment of credit card dues owed to HDFC Bank, which were repaid by October 19, 2024. Therefore, the occurrence of default is not in dispute. It is also pertinent to note that KTL, in its initial response to SEBI and NSE, acknowledged that the disclosure ought to have been made and attributed the non-disclosure to an inadvertent compliance lapse. The Company even sought time to make the disclosure. However, in their post-hearing submissions, the Noticees have sought to contend that the disclosure of default was a matter to be determined by the management on the basis of the Company's materiality policy. In this regard, as discussed above, disclosure of default is mandated by the LODR Regulations irrespective of any assessment of materiality and the contention of the Noticees is therefore not acceptable.
22. Without prejudice to the above, I note that the minimum due amount of ₹ 34.80 lakhs was well over the materiality threshold (specified in regulation 30(4) of LODR Regulations) of 5% of the average of absolute value of profit after tax (PAT was ₹8.05 crore, ₹6.60 crore and ₹2.50 crore for FY 2023-24, 2022 – 23 and 2021 – 22 respectively), as per the last three audited consolidated financial statements of KTL.
23. I further note that despite repeated queries and reminders from both SEBI and NSE, the Company failed to make the requisite disclosure of default. Further, even after acknowledging the lapse and seeking time to comply, KTL did not make the disclosure. Such persistent non-compliance, despite being specifically alerted to the regulatory requirement, reflects a deliberate disregard by KTL of its regulatory obligations as a listed entity.



24. The Noticees have also attempted to characterize the omission as a procedural lapse. In this regard, I note that disclosure of default is not a mere technical or procedural requirement. It is an important disclosure obligation designed to provide investors with timely information regarding the financial condition of a listed entity. Defaults in servicing debt obligations are often early indicators of financial stress and are therefore matters of significant relevance to investors. Failure to disclose such information deprives investors of material information and undermines the principles of transparency and informed decision-making which form the foundation of the securities market.
25. The Noticees have further submitted that the delay in repayment arose due to the nature of business and working capital cycles, and not on account of any wilful default or intention to mislead investors. I find it pertinent to highlight here that the issue under consideration is not the reason for the default, but the failure to disclose the occurrence of the default. The reason for the delay does not dilute the fact of the non-disclosure.
26. The contention that KTL was a recently listed SME company with evolving compliance systems is also not acceptable. Lack of familiarity with regulatory requirements or deficiencies in internal compliance systems cannot constitute a valid defense. Once a company accesses the public market and gets listed on a recognised stock exchange, it is required to comply with the obligations applicable to listed entities. The regulatory framework applicable to SME listed entities may be comparatively calibrated; however, it does not exempt such entities from compliance with fundamental disclosure obligations.
27. In view of the foregoing, I hold that by failing to make the requisite disclosure of default within the prescribed timelines, KTL has violated the provisions of regulation 30(2) read with Clause 6 of Para A of Part A of Schedule III of the LODR Regulations, read with Clause 6 of Part A of Annexure 18 and Point 5.1(a) of Section V-B of the erstwhile



SEBI Master Circular dated July 11, 2023 (since repealed and replaced by the SEBI Master Circular dated January 30, 2026).

Issue No. (2) – Whether the corporate announcements dated May 02, 2024 and August 12, 2024, made by KTL were false or misleading, and in violation of the provisions of LODR and/or PFUTP Regulations?

Corporate Announcement dated May 02, 2024

28. On May 02, 2024, KTL made a corporate announcement titled “*Strategic Expansion and Expected Increase in Profit Margin*”. The announcement, *inter alia*, stated that the Company was strategically planning to expand its production capacity to 7 lakh meters per month, expected a 25% increase in profit margin and projected revenue in the range of ₹75 crore to ₹100 crore for the current fiscal year (i.e. FY 2024-25).
29. The Noticees have submitted that the announcement reflected genuine strategic intent, based on prevailing market conditions, internal planning and business assessment. They have contended that the announcement did not state that the expansion or projected financial outcomes had already been achieved, and therefore cannot be regarded as false or misleading.
30. In this regard, I note that as per LODR Regulations, listed entities are required to ensure that disclosures made to stock exchanges are accurate, adequate, explicit and not misleading. Further, as per the Master Circular for compliance with the provisions of LODR Regulations, the details to be disclosed when disclosing capacity addition include existing capacity and utilization, period within which the proposed capacity is to be added, investment required, mode of financing, rationale etc.
31. In the present case, the material on record shows that the Company merely stated that it intended to augment its production capacity to 7 lakh meters per month, without



disclosing any of the particulars that would enable investors to assess the scale or financial implications of the proposed expansion. The disclosure was therefore broad, vague and devoid of the specificity expected of a listed entity while communicating information to investors.

32. The Noticees have further submitted that KTL had reported profit of approximately ₹6.60 crore in FY 2022-23 and ₹8.05 crore in FY 2023-24 and that such profitability constituted a *bona fide* basis to evaluate potential expansion opportunities and communicate expectations regarding future business performance. The Noticees have also contended that the Company would have achieved the projected increase in profit margin had the Interim Order not been passed.
33. The aforesaid submission is not acceptable. Past profitability cannot, by itself, constitute a sufficient basis for making public disclosures projecting substantial expansion of production capacity and significant improvement in profit margins. Further, the financial statements submitted by the Company itself reveal a significant deterioration in its financial position during FY 2024-25. The net profit for the half year ended September 2024 stood at approximately ₹97.64 lakh as compared to approximately ₹4.83 crore in the corresponding previous period. In FY 2024 – 25, the Company ultimately recorded a loss of approximately ₹68.07 crore.
34. The contention that the Interim Order adversely impacted the Company's FY 2024-25 performance is far-fetched. The Interim Order was passed on February 10, 2025, towards the end of the financial year. The material on record shows that the Company had already begun experiencing financial stress much before the passing of the Interim Order, as evidenced by its defaults towards HDFC Bank and by the deterioration in its financial performance during the year. As recorded in the Interim Order, the defaults in repayment of credit card dues had commenced as early as April / May 2024. Despite being aware of these developments, KTL proceeded to make a



corporate announcement projecting significant expansion and improved profitability, while concealing material information relating to its defaults.

35. In view of the foregoing, I am unable to accept the contention that the disclosure was a *bona fide* communication of business prospects. The facts and circumstances rather indicate that the announcement was misleading and deliberately disseminated to create an unduly optimistic impression regarding the Company's financial position and future prospects.

Corporate Announcement dated August 12, 2024

36. I now turn to the second corporate announcement dated August 12, 2024. Through the said announcement, KTL informed the stock exchange that it had secured a significant order worth ₹115.50 crore from one Beximcorp Textiles, stated to be a subsidiary of Akij Textile Mills Ltd., Bangladesh. The announcement further stated that the order would be executed in four cycles over a period of approximately twelve months and would strengthen KTL's global presence.

37. The Interim Order, *inter alia*, records that searches conducted on the database of companies registered in Bangladesh did not reveal the existence of any entity by the name of Beximcorp Textiles. Further, no association between Beximcorp Textiles and Akij Textile Mills Ltd. could be established. The Noticees have sought to explain these findings by contending that the Company came into contact with the prospective counterparty through one Mr. Ankit Shah, who acted as an intermediary, and that the Company (KTL) itself was a victim of misrepresentation.

38. In this context, I note that the purported order was valued at ₹115.50 crore, a figure substantial in comparison to the scale of operations of KTL. A cross-border transaction of such magnitude would ordinarily require detailed commercial discussions, assessment of production capabilities, evaluation of payment security mechanisms and execution of robust contractual documentation. However, the material on record



does not indicate that any such exercise was undertaken by KTL before making the announcement to the stock exchange. The Noticees have in fact submitted that when the quantum of transaction is high, they do not check the identity of the counter-party. In an age where attempted cyber-frauds and scams are fairly common, this submission seems contrary to the act of any reasonable person, especially those claiming to be experienced in business.

39. Further, the circumstances surrounding the transaction reveal multiple red flags which ought to have prompted basic verification by any prudent business entity. The entire correspondence with the purported counterparty was carried out through a Gmail account and not through an official corporate domain. The website address mentioned on the letterhead of Beximcorp Textiles, namely, www.beximcorptextiles.com, was found to be non-functional. The number of the contact person (Farid Rahman) had the country code of the United Arab Emirates and not Bangladesh. Even assuming that third-party applications such as *Truecaller* may not always contain accurate information, the fact is that the contact number itself did not correspond to Bangladesh. These circumstances warranted basic due diligence before any announcement was made to investors.
40. The chronology of events also raises serious doubts regarding the genuineness of the transaction. The emails submitted by KTL indicate that the initial communication from the so-called Beximcorp Textiles was received on August 11, 2024 at 2:41 p.m. and KTL responded with pricing details at 3:09 p.m. on the same day. Beximcorp Textiles conveyed its willingness to proceed within 10 minutes at 3:19 p.m. and KTL responded with certain terms at 3:51 p.m. The purported order stood finalized on the following day. The absence of any meaningful commercial negotiation, verification process or due diligence in relation to a transaction of such magnitude is highly unusual.
41. I also note that one of the email communications and the announcement dated August 12, 2024 recorded that the order would be executed in four cycles over approximately



twelve months. Therefore, assuming that the Company believed that the order was genuine when announced, it would have been in a position to assess the status and progress of the transaction well before the passing of the Interim Order nearly 6 months later. However, no disclosure was made regarding any delay, cancellation or non-execution of the purported order.

42. I also note that the explanation involving one Mr. Ankit Shah as an intermediary has surfaced only during the course of these proceedings. There are however, no documents on record to evidence any communication between KTL and Mr. Ankit Shah.
43. When the aforesaid circumstances are viewed cumulatively - the absence of basic due diligence despite multiple red flags, the unusual speed with which the transaction was purportedly finalized and the failure to provide any subsequent update to investors; the explanation that the Company was merely an innocent victim of misrepresentation does not appear credible. Additionally, no material has been placed on record to show that the Company suffered any financial loss on account of the purported transaction, lodged any complaint with law enforcement authorities, or took any other action against the persons who (as claimed) misrepresented themselves.
44. In view of the aforesaid, I am unable to accept the contention that the Company is a victim of misrepresentation. It can be reasonably inferred from the facts and circumstances that the corporate announcement dated August 12, 2024 was deliberately disseminated to the market to portray a misleading impression of the Company's future prospects without any credible factual foundation.
45. Given the above findings, both the corporate announcements dated May 02, 2024 and August 12, 2024 fail to satisfy the fundamental principles governing disclosures under regulation 4(1) of the LODR Regulations. The announcements were neither adequate nor accurate and were designed to mislead investors regarding the business



prospects and financial condition of the Company. Accordingly, KTL has violated regulation 4 (1) (c), (e), (h) and (i) of LODR Regulations.

Whether provisions of PFUTP Regulations are attracted

46. I shall now examine whether the conduct of KTL also attracts the provisions of PFUTP Regulations.

47. The Noticees have repeatedly contended that they did not knowingly make any false statements, undertake any trading in the securities of the Company or derive any unlawful gains. According to the Noticees, in the absence of such factors, no fraudulent intent can be attributed to them.

48. In this regard, I note that the definition of “fraud” under the PFUTP Regulations specifically contemplates acts, omissions and concealments that induce any person to deal in securities, irrespective of whether any wrongful gain has actually accrued or any loss has been avoided. Therefore, the absence of any demonstrated gain to the promoters or directors does not, by itself, preclude a finding of fraudulent conduct. Further, the definition of “dealing in securities” includes buying, selling or otherwise transacting in securities by any person, and also extends to acts knowingly designed to influence the decisions of investors. Accordingly, actual trading in the scrip by the Noticees themselves is not necessary for fastening liability under the SEBI Act or PFUTP Regulations.

49. I also find it relevant to refer to the judgment of the Hon'ble Supreme Court in the matter of *SEBI vs. Kanaiyalal Baldevbhai Patel and connected matters*¹, wherein it was observed as under:

“...If Regulation 2(c) of the 2003 was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner

¹ (2017) 15 SCC 1



*or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of **inducing another person to deal in securities.**”*

50. As observed in the aforesaid judgement by the Hon'ble Supreme Court, the relevant consideration for determining whether the provisions of regulation 3 of PFUTP Regulations are attracted, is whether the conduct in question was capable of inducing investors to deal in securities. The aforesaid judgement further notes the dictionary meaning of the word “induce” as the act or process of enticing or persuading another person to take a certain course of action. It therefore becomes necessary to examine the impact that the corporate announcements had on investor behaviour and trading activity in the scrip.
51. As recorded in the Interim Order, although no significant movement was observed in the price of the scrip immediately following the corporate announcement dated May 02, 2024, the trading volume and number of trades increased by approximately 300 percent, indicating a discernible impact on investor interest in the scrip.
52. Further, the corporate announcement dated August 12, 2024 was disseminated on the NSE platform at 13:00:45 hrs. An examination of the trading data reveals a substantial increase in both trading volume and trading activity immediately thereafter. Out of a total of 113 trades executed on August 12, 2024, only two trades involving 3,000 shares each had occurred prior to the announcement, whereas the remaining 111 trades were executed after dissemination of the announcement, commencing from 13:01:21 hrs onwards. The announcement was also accompanied by a positive movement in the price of the scrip. The relevant trading data is reproduced on the next page:



Table 3 – P-V impact of corporate announcement dated Aug. 12, 2024

Date	Open Price	High Price	Low Price	Close Price	Change in Price%	No. of Shares	No. of Trades
01-Aug-24	44	44	43.05	43.5		39,000	3
02-Aug-24	43	43	43	43	-1.15	3,000	1
05-Aug-24	41.3	41.55	41.3	41.55	-3.37	9,000	3
06-Aug-24	44.95	44.95	44.95	44.95	8.18	3,000	1
09-Aug-24	43	43.5	43	43.5	-3.23	9,000	3
	Corporate Announcement						
12-Aug-24	43.5	52.2	43.5	52.2	20.00	3,93,000	113
13-Aug-24	62	62.6	62	62.6	19.92	15,15,000	297
14-Aug-24	65.4	71.95	50.1	50.1	-19.97	34,02,000	571
16-Aug-24	45	45	40.1	40.1	-19.96	41,64,000	716
19-Aug-24	39	42.5	36.5	39.05	-2.62	16,50,000	401
20-Aug-24	39.9	41.5	39.4	40.1	2.69	4,53,000	130
21-Aug-24	41	41	40.1	40.2	0.25	2,55,000	74
22-Aug-24	40.95	44.2	36.2	36.3	-9.70	29,97,000	634

53. The aforesaid trading pattern clearly demonstrates that the corporate announcement dated August 12, 2024 had a significant impact on investor behaviour and trading activity in the scrip of the Company.
54. The Noticees have further submitted that increase in price and trading volume noted after the said announcements, does not establish fraudulent intent, particularly in the absence of any false factual representation attributed to the company.
55. In this context, I note that, as discussed in the preceding paragraphs, the Corporate Announcement dated May 02, 2024 projecting enhanced profitability was made without any credible basis borne out by KTL's underlying financial position. On the contrary, its financial condition had materially deteriorated; it was under financial stress and had begun defaulting on repayment of its credit card dues as early as April / May 2024. Despite these adverse developments, KTL made an announcement projecting enhanced profitability in a blatant and reckless manner, without any reasonable basis. I further note that the financial results for the half-year ended September 2024 were disclosed on the NSE website only on January 09, 2025, after a delay of nearly two



months. Likewise, the Corporate Announcement dated August 12, 2024 regarding the purported export order was disseminated without undertaking even basic verification or due diligence regarding the counterparty. Further, the email correspondence on record shows that the purported order with Beximcorp Textiles was finalized with improbable haste, without the level of deliberation and due diligence ordinarily expected for a transaction of such magnitude.

56. In the above backdrop, I find it relevant to also refer to the judgement of the Hon'ble Supreme Court in the matter of *Reliance Industries Limited & Ors vs. SEBI*², wherein the Hon'ble Court has held as under:

"....in situations where deceitful or mala fide intention to defraud and manipulate the securities market is clear from the blatant misconduct or attending circumstances that cogently establish wrongful intention, then injury would not be required."

The conduct of KTL in making the Corporate Announcement dated May 02, 2024 being detached from the then-existing depleted financial situation of the company, and Corporate Announcement dated August 12, 2024 being made without carrying out even the fundamental inquiry about the existence and whereabouts of the (foreign) company, clearly evidences that these disclosures were made by KTL in the most careless and reckless manner. The above discussed conduct, rather misconduct, on part of KTL was so blatant that KTL's mala fide to manipulate / artificially influence the price and volume of the scrip on the stock exchange can be clearly deduced from the same.

57. The cumulative effect of the blatant misconduct was to present a favourable picture of the Company's financial position and business prospects than was borne out by the underlying facts. The trading data discussed above demonstrates that the announcements had the effect of inducing investors to trade in the scrip of KTL. In

² 2026 INSC 585



these circumstances, I am unable to accept the contention that the disclosures were *bona fide* communications. At this juncture, I find it relevant to refer to another observation of the Hon'ble Supreme Court in the matter of *SEBI vs. Kanaiyalal Baldevbhai Patel*, wherein it was held that:

“....To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities.”

58. Considering the entirety of the circumstances and applying the test of preponderance of probabilities, I am of the considered view that the threshold for establishing fraudulent conduct stands satisfied.

59. Accordingly, I find that KTL has violated Section 12A (a), (b) and (c) of the SEBI Act, regulation 3 (a), (c) and (d), 4 (1) and 4 (2) (k) and (r) of the PFUTP Regulations.

Issue No. (3) - Whether the remaining allegations against KTL regarding non-appointment of Compliance Officer and appointment of Mr. Hitesh Punamji Prajapati as Independent Director are established?

Non-appointment of Compliance Officer

60. LODR Regulations require every listed entity to appoint a qualified company secretary as its compliance officer. The Regulations further mandate that any vacancy in the office of the Compliance Officer shall be filled at the earliest and, in any event, not later than three months from the date of such vacancy.

61. In the present case, KTL disclosed the resignation of its Compliance Officer on June 19, 2024. Therefore, the vacancy was required to be filled by September 19, 2024; however, the Company failed to appoint a replacement within the specified timeline.



62. The Noticees have submitted that the delay in appointing a replacement Compliance Officer arose due to practical difficulties in identifying and onboarding a suitably qualified Company Secretary, particularly in light of the Company's financial and operational constraints. They have further submitted that the lapse was procedural in nature and is capable of being rectified. It has also been stated that the Company is continuing its search for a full-time Company Secretary and would make the requisite disclosure upon appointment.
63. In this regard, I note that the Compliance Officer occupies a key position in the governance and compliance framework of a listed entity. The Compliance Officer is entrusted with, *inter alia*, ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit and coordinating with and reporting to the Board of Directors and stock exchanges on compliance related matters. The requirement of appointing a Compliance Officer is therefore a substantive governance obligation and not a mere procedural formality.
64. I note that till date, no disclosure regarding the appointment of a replacement Compliance Officer has been made by KTL to the stock exchange. The explanation regarding difficulties in identifying a suitable candidate does not absolve the Company of its regulatory obligations, especially since the vacancy in the office of the Compliance Officer continues to remain unfilled for a period of over 2 years. The prolonged delay reflects a blatant disregard for the compliance framework envisaged under the LODR Regulations and cannot be viewed as a procedural lapse that can be rectified.
65. In view of the above, I find that KTL is in violation of regulation 6 (1) and (1A) of LODR Regulations.

Appointment of Mr. Hitesh Punamji Prajapati as Independent Director

66. As per corporate announcement dated October 19, 2024, Mr. Hitesh Punamji Prajapati was appointed as the independent director of the company for a period of 5 years.



67. The material available on record shows that Mr. Prajapati was a partner in M/s Manish Garments, a related party of the Company. The registered office of KTL was also operating from premises leased from M/s Manish Garments, which conducted its business from the same premises. Thus, Mr. Prajapati had an existing business association with an entity controlled by the promoters of KTL.
68. The Noticees have submitted that Mr. Prajapati held only a 1% partnership interest in M/s Manish Garments, was not a relative of the promoters or directors of the Company within the meaning of the applicable provisions and had no pecuniary relationship with KTL other than sitting fees. The Noticees have further contended that there is no specific prohibition on a partner of a firm associated with the promoters being appointed as an Independent Director. According to the Noticees, even assuming that the appointment may not strictly satisfy the independence criteria, the same would at best constitute a governance-related classification issue capable of being remedied through corrective measures and would not warrant any adverse inference of misleading disclosure under the LODR Regulations.
69. In this regard, I note that Independent Directors constitute an important pillar of the corporate governance framework envisaged under the LODR Regulations. They are expected to play a crucial role in safeguarding the interests of minority shareholders, overseeing related party transactions and contributing to the functioning of key committees such as the Audit Committee and the Nomination and Remuneration Committee. Their effectiveness in discharging these responsibilities rests fundamentally on the reality of their independence from the promoters and management of the listed entity.
70. While the Noticees have sought to justify the appointment by pointing to the absence of any express prohibition, the issue cannot be examined solely through a narrow and technical interpretation of the eligibility criteria. The fact remains that Mr. Prajapati was a partner in a firm associated with the promoters of KTL and that such firm had ongoing business arrangements with the Company. These circumstances raise legitimate



concerns regarding the degree of independence that could reasonably be expected from such an appointee, and, having regard to the important role played by Independent Directors in the governance framework of a listed entity, cannot be dismissed as a mere classification issue. In any case, the Noticees have not placed any material on record to show that any corrective action or reclassification was subsequently undertaken.

71. The present case also highlights the limitations of relying solely on objective eligibility criteria to assess independence. Regulatory provisions prescribing conditions for independence cannot anticipate every factual situation that may bear upon the independence of a director. It is therefore incumbent upon listed entities to ensure that appointment of Independent Directors is consistent not only with the letter of the applicable provisions but also with the spirit. At the very least, disclosures relating to such appointments should adequately bring out facts and circumstances that may be relevant for investors in assessing the independence of the appointee.

72. In view of the foregoing, I find that KTL has misled shareholders about the independence of Mr. Hitesh Punamji Prajapati and violated regulation 4 (1) (c) of the LODR Regulations.

Issue No. (4) - What is the role of Noticee Nos. 2, 3 and 4 in relation to the above issues?

73. Having concluded that Noticee No. 1 has violated the provisions of LODR Regulations and PFUTP Regulations as elaborated in the above paragraphs, I will now proceed to examine the role of Noticee Nos. 2 – 4.

74. Noticee No. 2, Mr. Niranjana D Agarwal, was the Promoter and Managing Director of KTL during the relevant period. As per the materiality policy adopted by the Company pursuant to regulation 30 (5) of the LODR Regulations, he was specifically authorised to make disclosures to the stock exchanges. He therefore occupied a position of



primary responsibility in relation to the Company's disclosure obligations and was required to ensure that disclosures made by KTL were true, accurate, adequate, timely and not misleading.

75. The findings recorded in the preceding paragraphs establish that KTL failed to make the requisite disclosures regarding defaults in repayment of its dues to HDFC Bank despite repeated reminders from SEBI and NSE. The findings further establish that the corporate announcements dated May 02, 2024 and August 12, 2024 were made in a careless and reckless manner with a lack of adequate factual foundation and by conveying an unjustifiably positive picture of the Company's prospects and financial position, were misleading to investors. I also note that the email communications relating to the purported order from Beximcorp Textiles were exchanged directly with Noticee No. 2.
76. In terms of Section 27 (1) of the SEBI Act, where a contravention of any of the provisions of the Act or regulations made thereunder has been committed, every person in charge of, and responsible to the company for the conduct of the business of the company, shall be deemed to be guilty of the contravention. Noticee No. 2 was the Managing Director of KTL. Further, given his designated role under the materiality policy of the Company and involvement in the communications relating to the purported order from Beximcorp Textiles, I find that Noticee No. 2 was directly responsible for the misleading and fraudulent disclosures made by KTL dated May 02, 2024 and August 12, 2024.
77. Noticee No. 3, Mr. Aditya N Agarwal, was a Promoter and Whole-time Director of KTL during the relevant period. Noticee No. 4, Ms. Sunitadevi Niranjana Agarwal, was a Promoter and Non-Executive Director of KTL. I note that KTL was a closely-held company, with Noticee Nos. 2, 3 and 4 being part of the Board of Directors and collectively holding more than 68% of the shareholding of the Company.



78. The provisions of LODR Regulations cast significant responsibilities on the Board including on aspects such as disclosure of information, maintaining transparency and monitoring the effectiveness of governance practices. As members of the Board, Noticee Nos. 2, 3 and 4 were also expected to oversee the Company's disclosure framework and ensure transparency in communications with investors and other stakeholders. They were responsible for fostering a culture of good decision-making (Reference - Regulation 4(2)(f)(ii)(8) and 4(2)(f)(i)(2) of LODR Regulations). Their failure to do so renders them liable for violation of the obligations cast upon directors under the LODR Regulations. In view of the multiple disclosure related violations, I find that they failed to discharge the oversight responsibilities expected of directors of a listed entity.

79. In view of the above, I find that the following violations have been established:

- 79.1. Mr. Niranjana Agarwal (Noticee No. 2) has violated the provisions of regulation 4(2)(f)(i)(2) and 4(2)(f)(ii)(8) of the LODR Regulations read with regulation 30(5) of the LODR Regulations and regulation 3(a), (c) and (d), 4(1) and 4(2) (k) and (r) of the PFUTP Regulations read with section 12A (a), (b), (c) of the SEBI Act.
- 79.2. Mr. Aditya Agarwal (Noticee No. 3) and Ms. Sunitadevi Niranjana Agarwal (Noticee No. 4) have violated the provisions of regulation 4(2)(f)(i)(2) and 4(2)(f)(ii)(8) of LODR Regulations.

Issue No. (5) - (5) Whether the violations, if any, by the Noticees attract any direction and monetary penalty under Sections 11(1), 11(4), 11B(1) and 11B(2) read with Section 15HA and 15HB of the SEBI Act?

80. As recorded in the preceding paragraphs, the present matter involves multiple violations including non-disclosure of default, dissemination of false and misleading corporate announcements, failure to appoint a Compliance Officer within the prescribed timelines and a misleading disclosure regarding the appointment of an Independent Director.



81. The Noticees have sought to portray these violations as procedural lapses capable of being cured through subsequent compliance. I am unable to accept this submission. Given the nature of the violations and the facts discussed in the preceding paragraphs, these cannot be viewed as isolated or technical lapses. The violations indicate serious deficiencies in the Company's governance and disclosure framework and a disregard for the obligations cast upon a listed entity. The fact, that some of the violations discussed in this Order are still continuing (since no disclosure has been made to the contrary), further weighs against accepting the Noticees' contention that the lapses were procedural in nature and are curable.
82. The Noticees have repeatedly submitted that steps have been initiated to strengthen the Company's internal compliance framework and that all applicable regulatory requirements would be complied with in future. In this regard, I note that since January 2025, the company has failed to make specified disclosures (apart from a filing dated June 22, 2026 of a certificate dated December 31, 2024 under Regulation 74(5) of SEBI (Depositories and Participants) Regulations, 2018 received from RTA) including of crucial information such as financial statements, thereby depriving shareholders of timely information regarding the affairs and financial position of the Company. The conduct of the Company therefore does not lend credence to its claim that its compliance framework has been strengthened.
83. The Noticees have sought to attribute the fact that the shares of KTL are presently not trading, to the Interim Order. In this regard, I note that the Interim Order did not direct suspension of trading in the scrip. The suspension of trading arose from independent action taken by NSE due to non-compliance by the Company with the applicable regulatory requirements.
84. The Noticees have also submitted that the Interim Order has adversely impacted the Company's operations, financial performance and reputation, and that any further directions or monetary penalty may impair the Company's ability to continue its business, thereby affecting shareholders and employees.



85. In this regard, I note that KTL was listed on February 23, 2024 and raised approximately ₹22.49 crore through its IPO. Within a short period thereafter, the Company defaulted on its obligations towards HDFC Bank and subsequently its financial performance significantly deteriorated. While the utilisation of IPO proceeds is not the subject matter of the present proceedings, it does not inspire confidence that a company which had reported profits in the preceding years fell into financial stress and defaulted within 3 months of listing, even as it continued to disseminate corporate announcements projecting expansion, enhanced profitability and receipt of a large order. The fact that the Interim Order was passed only towards the end of FY 2024-25 further weakens the contention that the Company's financial performance during the year can be attributed to the said Order.
86. I also note that the Interim Order did not place any restriction on the Company's existing resources or its ability to carry on its business operations. The Company had already raised ₹22.49 crore through its IPO, including funds earmarked for working capital purposes. Further, the passing of the Interim Order did not dilute the Company's continuing obligation to make disclosures to shareholders in accordance with the LODR Regulations. On the contrary, continued transparency and compliance would have enabled investors to assess the Company's true financial position and prospects and inspired stakeholder confidence in its conduct. Instead, the Company chose to discontinue compliance with disclosure requirements, leaving shareholders uninformed regarding its operations and resultantly, NSE suspended trading in the scrip of KTL.
87. As regards the submission that any adverse action may impair the Company's operations, I note that financial hardship cannot be used as a justification for violation of securities laws. A listed entity which has accessed public markets and raised funds from investors is expected to maintain high standards of governance, transparency and compliance. In the facts of the present case, the multiple violations, warrant an appropriate regulatory response. In my view, permitting the Company and its key



management to access the securities market without adequate regulatory action would not be in the interest of shareholders or the securities market.

88. Considering the above, I am convinced that this is a fit case for issuance of appropriate directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act and for imposition of monetary penalty under Sections 11(4A) and 11B(2) read with Section 15HA and 15HB of the SEBI Act.
89. The relevant extract of the penalty provision invoked in the Interim Order-cum-SCN viz. Section 15HA and HB of the SEBI Act, is placed below for reference:

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

Issue No. (6) - If the answer to Issue No. (5) is in the affirmative, what directions need to be issued and what should be the amount of monetary penalty, to be imposed on the Noticees, considering the factors provided under Section 15J of the SEBI Act?

90. Having concluded that this is a case wherein suitable directions are required to be issued against the Noticees as well as monetary penalty needs to be imposed, I observe that the directions / penalty, have to be issued against the Noticees, after



taking into consideration the peculiar facts and circumstances discussed hereinabove. For the purpose of adjudging the quantum of penalty to be levied, the factors mentioned in Section 15J of the SEBI Act have to be considered. Section 15J provides as under:

“Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:

—

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

91. The Noticees have contended that there has been no disproportionate gain or unfair advantage arising from the violations and that no investor complaints have been filed in relation to the present matter. They have further submitted that in the absence of any direct information, the allegation of causing loss to other investors is baseless.
92. As brought out in the preceding paragraphs, the conduct of KTL reflects repetitive and continuing non-compliance with the regulatory framework applicable to listed entities. While there is nothing on record to establish any quantifiable gain accruing to the promoters, I note that no promoter exit could have taken place in the present matter, since the promoter shareholding remained subject to lock-in during the relevant period.



93. The trading data discussed in the preceding paragraphs shows that investors were induced to trade in the scrip on the basis of the misleading disclosures disseminated by the Company. Loss to investors may be direct or indirect, immediate or eventual. Further, fraudulent conduct of this nature undermines investor confidence in the fairness and integrity of the securities market. Therefore, the absence of investor complaints or the inability to precisely quantify investor loss does not negate the market harm caused by such violations.
94. Disclosure is the bedrock of the securities market — investors place their trust and capital based on the adequacy, accuracy and quality of disclosures made by the companies they invest in. In the instant case, the Company first concealed the bad news of its default, and then compounded the harm by making misleading and fraudulent claims about its business and financial prospects. This artificially inflated the price and volume of its scrip, luring unsuspecting investors into a false sense of confidence.
95. The Noticees have sought to deflect these serious allegations behind self-serving excuses such as ‘procedural lapses’ and claims of being an ‘innocent victim’ of misrepresentation by third parties. I find that the Noticees acted surreptitiously and with impunity in utter disregard of the applicable regulations— their conduct was manifestly harmful to investors. Such conduct cannot be viewed as a mere lapse — it strikes at the very trust on which market integrity depends, and warrants the directions that follow.
96. While determining the nature of directions to be issued and the quantum of monetary penalty to be imposed, I have taken into account the nature and gravity of the violations, the role played by each of the Noticees and the fact that the Noticees have remained subject to the restraints imposed under the Interim Order for over a year.



ORDER

97. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Sections 11(1), 11(4) and 11B(1) read with Section 19 of the SEBI Act, hereby direct as under:

97.1. Noticees Nos. 1 and 2 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 2 years from the date of this Order.

97.2. Noticee Nos. 3 and 4 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 1 year from the date of this Order.

97.3. If the above Noticees have any open position(s) in any exchange traded derivative contracts, as on the date of this Order, they may close out / square off such open position(s) within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this Order.

97.4. In exercise of the powers under Section 11 (4A) and 11B(2) read with Section 15HA and 15HB of the SEBI Act, the Noticees shall be liable to pay a monetary penalty as indicated in the Table below:

Noticee No.	Name of the Noticee	Corresponding Section of SEBI Act	Penalty (In ₹)
1.	Kalahridhaan Trendz Limited	Section 15HA	30,00,000
		Section 15HB	10,00,000



Noticee No.	Name of the Noticee	Corresponding Section of SEBI Act	Penalty (In ₹)
2.	Niranjan D Agarwal	Section 15HA	30,00,000
		Section 15HB	10,00,000
3.	Aditya N Agarwal	Section 15HB	10,00,000
4.	Sunitadevi Niranjan Agarwal	Section 15HB	10,00,000

98. The Noticees shall remit / pay the said amount of penalties within forty five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of Chairperson/Members-> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact support at portalhelp@sebi.gov.in.
99. The details/ confirmation of e-payment should be sent to “The Division Chief, CFD–SEC–4, SEBI, SEBI Bhavan, Plot no. C - 7, ‘G’ Block, Bandra Kurla Complex, Bandra (E), Mumbai–400 051” and also to e-mail id:-tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: (like penalties /disgorgement /recovery/settlement amount/legal charges along with order details)	



100. Given the continuing compliance deficiencies, NSE is advised to ensure that appropriate action is taken in terms of the regulatory framework for non-compliance with the provisions of the LODR Regulations and the Standard Operating Procedure for suspension and revocation of trading of specified securities, including initiating the process of compulsory delisting if warranted.
101. This order comes into force with immediate effect.
102. A copy of this order shall be sent to the Noticees, all the recognized Stock Exchanges, Banks, Depositories and Registrar and Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

PLACE: MUMBAI

**AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**