BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO: Order/AA/AR/2020-21/8690-8721]

UNDER SECTION 15 - I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Ravikumar Distilleries Ltd. **PAN- AABCR4195D**	**R V Ravikumar** **PAN- ACZPR4932K**	**Mrs. R Amirthavalli** **PAN- ADJPA9449B**
S. Vijayalakshmi **PAN- ABYPV0939Q**	**Badrinath S Gandhi** **PAN – APAPB7016E**	**Popatlal Kathariya** **PAN- AAEPK4407B**
K S M Rao **PAN –AALPR0723Q**	**Ashok Shetty** **PAN-ACIPS5289H**	**Ravikumar Properties Pvt. Ltd.** **PAN- AACCR8692L**
Comfort Securities Ltd **PAN- AABCC9625R**	**Anil Beniprasad Agrawal** **PAN- ACTPA6034D**	**Bharat Nanubhai Shiroya** **PAN- ALLPS7688G**
Annu Anil Agrawal **PAN- ADMPA0248F**	**Jugal Chandrakant Thacker** **PAN- ABCPT8861F**	**Amit Kumar Khemka** **PAN- AQRPK7830M**
Chandrakala Purohit **PAN- AFUPP1827R**	**Sarthak Vijlani** **PAN- ADMPV9381J**	**Comfort Intech Ltd** **PAN - AAACC5567H**
Radhasoami Securities Pvt. Ltd. **PAN- AABCT5459J**	**BLC Trading and Agencies Pvt. Ltd.** **PAN- AACCB8181G**	**Fact Enterprise Ltd.** **PAN- AAACF0955A**
Ranisati Dealer Pvt. Ltd. **PAN- AADCR7368C**	**Gulistan Vanijya Pvt. Ltd.** **PAN- AACCG5385R**	**Albright Electricals Pvt. Ltd.** **PAN- AADCA9436E**
Vibhuti Muti Trade Pvt. Ltd **PAN- AACCV3776B**	**Grafton Merchant Pvt. Ltd.** **PAN- AABCG2641P**	**Sukusama Trading and Investments Pvt. Ltd** **PAN- AAACS5142E**
Heranba Finvest Services Pvt. Ltd **PAN- AABCH4523R**	**Gaungour Suppliers Pvt. Ltd.** **PAN- AADCG6785A**	**Suvidha Securities Pvt. Ltd.** **PAN- AAFCS7396K**
Padma Impex Pvt. Ltd **PAN- AAACL4269P**	**Ramanand & Associates** **PAN-AAIFR2835C**	

In the matter of
Ravi Kumar Distilleries Ltd

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation into the suspected dealings of Ravikumar Distilleries Ltd (hereinafter referred to as '**RKDL' / 'Company**'), directors of RKDL, Comfort Securities Ltd (now known as Comfort Securities Ltd and hereinafter referred to as '**CSL'**), directors of CSL and other entities connected / associated with CSL with respect to the IPO offer of RKDL. The investigation, *inter alia*, revealed that RKDL and its directors acted in collusion with the Book Running Lead Manager (hereinafter referred to as '**BRLM**') / Merchant Banker of the IPO of RKDL viz. CSL and its directors to siphon off Rs. 33.83 crore out of the total proceeds of Rs. 73.60 crore of the IPO of RKDL by layering the transactions through several entities connected/associated with CSL.

2. It is further alleged that RKDL made several mis-statements and non-disclosures in the Prospectus of the IPO Offer. CSL, as a merchant banker to the issue and its directors are allegedly responsible for such failure of CSL to ensure correct and complete disclosures to be made in the prospectus of the IPO issue.

3. Further, RKDL also made mis-statement in its Annual Report for the FY 2010-11 with regard to utilization of proceeds from IPO issue. The information regarding siphoning of funds out of the IPO proceeds were concealed by RKDL in the Annual Report for FY 2010-11 and it was not disclosed until the same was taken up by SEBI in June 2012 (i.e. around one and a half years after the IPO). Therefore, the auditor of RKDL during FY 2010-11 viz. Ramanand & Associates is alleged to have aided and abetted RKDL to cover-up the siphoning of funds of IPO proceeds of RKDL.

4. Further, the promoters and promoter group entities of RKDL were found to have pledged their locked-in shares with one of the entities connected to CSL, which was not a scheduled commercial bank or public financial institution. A summary of the violations alleged to have been committed by RKDL, directors and promoters of RKDL, CSL, directors of CSL and other

noticees in relation to the fraud committed with respect to the IPO of RKDL is given in table below:

Sr. No.	Name of the noticee	Provisions allegedly violated
1	Ravikumar Distilleries Ltd ('**RKDL' / 'Company' / 'noticee 1'**)	Sections 12A (a), (b) and (c) of the SEBI Act, 1992 (hereinafter referred to as **'SEBI Act'**) read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations'**). Regulations 57(1), 60(4) (a) and 60 (7) (a) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as '**ICDR Regulations'**) and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
2	R V Ravikumar **('noticee 2')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 39, 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
3	Mrs. R Amirthavalli **('noticee 3')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
4	Mrs. S. Vijayalakshmi **('noticee 4')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with

		Regulation 57 (2) (a) of the ICDR Regulations.
5	Badrinath S. Gandhi **('noticee 5')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
6	Popatlal Kathariya **('noticee 6')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
7	K S M Rao **('noticee 7')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
8	Ashok Shetty **('noticee 8')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (f) and (k) of the PFUTP Regulations. Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.
9	Ravikumar Properties Pvt. Ltd. **('noticee 9'/ 'RPPL')**	Regulation 39 of the ICDR Regulations.
10	Comfort Securities Ltd **('noticee 10' / 'CSL')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR

		Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as '**Merchant Banker Regulations'**)
11	Anil Beniprasad Agrawal **('noticee 11')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
12	Bharat Nanubhai Shiroya **('noticee 12')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
13	Annu Anil Agrawal **('noticee 13')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
14	Jugal Chandrakant Thacker **('noticee 14')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and

		21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
15	Amit Kumar Khemka **('noticee 15')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
16	Chandrakala Purohit **('noticee 16')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
17	Sarthak Vijlani **('noticee 17')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Regulations 64(1) and 8(2) (b), (e) and (f) of the ICDR Regulations. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations.
18	Comfort Intech Ltd **('CIL' / 'noticee 18')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
19	Radhasoami Securities Pvt. Ltd. **('Radhasoami' / 'noticee 19')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
20	BLC Trading and Agencies Pvt. Ltd. **('BLC' / 'noticee 20')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
21	Fact Enterprise Ltd. **('Fact' / 'noticee 21')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.

22	Ranisati Dealer Pvt. Ltd. **('Ranisati' / 'noticee 22')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
23	Gulistan Vanijya Pvt. Ltd. **('Gulistan' / 'noticee 23')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
24	Albright Electricals Pvt. Ltd. **('Albright' / 'noticee 24')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
25	Vibhuti Muti Trade Pvt. Ltd. **('Vibhuti' / 'noticee 25')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
26	Grafton Merchant Pvt. Ltd **('Grafton' / 'noticee 26')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
27	Sukusama Trading andInvestments Pvt. Ltd. **('Sukusama'/'noticee 27')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
28	Heranba Finvest Services Pvt. Ltd. **('Heranba' / 'noticee 28')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
29	Gaungour Suppliers Pvt. Ltd. **('Gaungour'/ 'noticee 29')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
30	Suvidha Securities Pvt. Ltd. **('Suvidha'/ 'noticee 30')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
31	Padma Impex Private Limited **('Padma'/ 'noticee 31')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.
32	Ramanand &Associates **('noticee 32')**	Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.

5. In view of the findings of the investigation mentioned above and the alleged violations of the provisions of the SEBI Act, PFUTP Regulations, Merchant Banker Regulations and ICDR Regulations committed by the noticees 1 to 32 (hereinafter collectively referred to as '**the noticees'),** wherever applicable, adjudication proceedings were initiated against them under the

provisions of the sections 15HA and 15HB of the SEBI Act, wherever applicable.

6. It is observed that the investigation has also revealed that noticees 20 to 26 and 28 to 31 along with few other entities, have also failed to provide the information / documents and/or provided false/contradictory information, in response to the summons issued to them by SEBI, during the course of investigation, thereby, allegedly, violating the provisions of sections 11C (2) & (3) of the SEBI Act. In this regard, it is observed that the previous Adjudication Officer in this matter Shri Suresh B. Menon has already concluded the adjudication proceedings w.r.t. those noticees for the aforesaid violations vide separate orders under section 15A(a) of the SEBI Act.

APPOINTMENT OF ADJUDICATING OFFICER

7. Shri Suresh B. Menon was appointed as the Adjudicating Officer(hereinafter referred to as '**AO**'), vide communiqué dated June 09, 2016, under section 15-I of the SEBI Act read with Rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge under the provisions of sections 15 HA and 15 HB of the SEBI Act , the alleged violation of the relevant provisions of the SEBI Act, PFUTP Regulations, Merchant Banker Regulations and ICDR Regulations, by the noticees, wherever applicable. Pursuant to the transfer of Shri Suresh B. Menon to another department, I was appointed as an AO in the present matter vide communiqué of appointment of AO dated March 25, 2019.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

8. A common Show Cause Notice ref. A&E/EAD-3/SBM-ASR/27501/1-37/2016 dated September 30, 2016 (hereinafter referred to as '**SCN'**) was issued to the noticees in terms of Rule 4 of the Adjudication Rules to show cause as to why inquiries should not be initiated and penalties, if any, be not imposed on them under sections 15HA and 15HB of the SEBI Act, for the alleged contravention of the provisions of the SEBI Act, PFUTP Regulations,

Merchant Banker Regulations and ICDR Regulations by the noticees, wherever applicable. Briefly, the allegations made in the SCN against the noticees are given below:-

a) *RKDL/ Noticee no. 1 came out with its IPO for issue of 1,15,00,000 equity shares of Rs. 10 each during the month of December 2010. The price band of the issue was Rs 56 to Rs 64 per equity share and the bid period of the IPO was from December 08, 2010 to December 10, 2010. The issue was subscribed 2.16 times and the issue price of the IPO was at Rs. 64 per equity share, aggregating to Rs. 73.60 crore. The Merchant Banker to the IPO was CSL/ Noticee no. 10. The scrip was listed at BSE and NSE on Dec 27, 2010.*

b) *Pursuant to completion of Investigation by SEBI, it was observed that, prima facie, total of Rs. 33.83 crore was siphoned off from the IPO proceeds of RKDL as on March 31, 2011. Several entities connected to the Merchant Banker i.e. CSL had allegedly, aided and abetted RKDL in siphoning off IPO proceeds and/ or acted as layers and conduits in the movement of funds and routing of the IPO proceeds to the allottees in the IPO of RKDL. Apparently, these layers were created to avoid regulatory detection and to camouflage the securities related transactions as business deals such as loans/ advances/ share application in private limited companies, etc. It is also observed that prior to IPO, bridge loans were taken by RKDL from CIL and Fact/ Noticee no. 21 during the months of October 2010, November 2010 and December 2010. It is alleged that a major portion of these bridge loan were meant to create artificial liability in the books of RKDL to enable siphoning of funds. Also, part of the funds received by RKDL from CIL and Fact were siphoned off through Merchant Banker (CSL) and its connected/ related entities, which were effectively repaid from IPO. Further, these bridge loans were not disclosed in the Prospectus filed by RKDL for its IPO. It is also alleged that CSL, as Merchant Banker, failed to exercise due diligence and independent professional judgment and was instrumental in the siphoning of the IPO proceeds and also*

routing of IPO proceeds to certain entities connected to CSL for applying in the IPO of RKDL.

c) *It is observed in the IR that Mr. R.V. Ravikumar/ Noticee no. 2 who is promoter of RKDL, had availed loans for Vanilla Cultivation and also a Car loan from Union Bank of India, on which he had defaulted in payment of interest and installments, thus constraining the Bank to classify the accounts as Non-Performing Assets. It is alleged that there was no mention of the aforementioned facts in the disclosures made in the Red Herring Prospectus (RHP / Prospectus) of RKDL.*

d) *It is also alleged in the IR that the liability of approx. Rs 14.89 crore (approx. 20.23% of the size of the IPO), on account of loan taken by RKDL from CIL and Fact, was not disclosed in the Prospectus of RKDL.*

e) *It is observed in the IR that in the Annual Report for FY 2010-11 of RKDL, it was mentioned that RKDL raised Rs. 7360 lakh through public issue during the year, out of which Rs 3425 lakh had been utilized till March 31, 2011. Further, pending Rs. 3935 lakh as of March 31, 2011, were temporarily invested in banks accounts by way of Fixed Deposits of Rs. 3590 lakh and SBI Mutual Fund investment of Rs 400/- lakh. It is alleged that aforesaid statements made in the Annual Report are misleading as Rs 33.83 crore had already been siphoned off from the IPO proceeds till March 31, 2011.*

f) *It is alleged that CSL and its directors were involved in the movement of funds and siphoning of the IPO proceeds and also routing of IPO proceeds to certain entities that are connected to CSL.*

g) *From the IR, it appears that CSL was aware of the transactions of RKDL with CIL and Fact, prior to the IPO. It is alleged that CSL failed to ensure disclosure of nature of transactions of RKDL with CIL and Fact, which were in the nature of bridge loans creating artificial liability on the IPO proceeds. It is observed that this liability was material as it was to the tune of 20.23% of the size of the IPO. It is therefore alleged that CSL*

failed to independently check the use of the funds received by RKDL from CIL and Fact, prior to the date of Prospectus. It is further alleged that disclosures related to the default in payment by Mr. Ravi Kumar (Promoter and director of RKDL) against loans availed from Union Bank of India were not made in the prospectus of RKDL. In view of these, it is, prima facie, alleged that CSL as the merchant banker to the IPO of RKDL, failed to exercise due diligence and independent professional judgment.

h) *It is alleged that several incorrect statements have been made by RKDL, in connivance with the auditor of RKDL viz, Ramanand & Associates/ Noticee no. 37, in the Annual Report of RKDL for Financial Year 2010-11, with regard to disclosures w.r.t. 'Utilization of proceeds from Public Issue'. For example, it is observed that out of total proceeds of IPO, Rs 21.90 crore had been shown in the aforesaid Annual Report as used for 'Expansion of manufacturing facilities'. However, it is alleged that the statement is incorrect as the source of Rs. 21.90 crore was the overdraft facility against the Fixed Deposits, and not the IPO proceeds. Further, it is observed that it was disclosed in the Annual Report for FY 2010-11 of RKDL that Rs 39.35 crore out of the total IPO proceeds are temporarily invested in bank accounts by way of Fixed Deposits of Rs 35.90 crore and investment in SBI Mutual Fund of Rs 4 crore. However, it is alleged that the aforesaid statement in the Annual Report regarding the unused amount is mis-leading as the balance unutilized amount of Rs 39.35 crore included the amount of Rs 29.83 crore already paid by then to Radhasoami, Heranba, Ranisati, etc by RKDL.*

i) *Therefore, it is alleged that the auditor of RKDL viz, Ramanand & Associates abetted RKDL to cover-up siphoning of the IPO proceeds in the Annual Report of RKDL for FY 2010-11.*

j) *In terms of Regulation 39 of SEBI (ICDR) Regulations, 2009, specified securities held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution. It is observed that*

in the present case, locked-in shares of Mr. Ravi Kumar and Ravikumar Properties Pvt. Ltd/ Noticee no. 9 were pledged on the basis of request forms signed by Mr. Ravi Kumar, with CIL. CSL has informed SEBI that it is RBI registered NBFC, however it does not fall under the definition of scheduled commercial bank or public financial institution. Therefore, it is alleged that Mr. Ravi Kumar and Ravikumar Properties Pvt. Ltd have not complied with Regulation 39 of SEBI (ICDR) Regulations, 2009.

9. In response to the SCN, the noticees 1 to 8 requested for additional time for submission of replies. Subsequently, the noticees 1 to 5 and 9, vide their letter dated November 17, 2016 submitted their replies to the SCN. Subsequently, an opportunity for personal hearing was given to the noticees 1 to 9, vide letters dated April 25, 2017. The authorized representative of the noticees 1 to 9 appeared for personal hearing on May 22, 2017 and reiterated the submissions of the aforesaid noticees made vide letter dated November 17, 2016. During the course of personal hearing, another letter dated May 17, 2017 was submitted by the authorized representatives of the noticees 1 to 9. Subsequently, vide letter dated May 25, 2017, the noticees 1 to 9 made further submissions in the matter.

10. Pursuant to my appointment as AO in the matter, vide letters dated July 04, 2019, the noticees 1 to 9 were given opportunity to make further submissions in the matter, if any, and to appear for personal hearing on July 16, 2019. As no replies to the aforesaid letters were received from the noticees 1 to 9, a final opportunity to make submissions and appear for personal hearing on February 06, 2020 were given to the noticees 1 to 9 vide letters dated December 30, 2019. In response to the opportunity given to the noticees 1 to 9, common replies dated January 28, 2020 and January 31, 2020 were submitted by them and their authorized representative appeared for personal hearing on February 06, 2020. Briefly, the submissions made by the noticees 1 to 9 in their replies dated November 17, 2016, May 17, 2017, May 25, 2017 and January 31, 2020 and during the course of personal hearings held on May 22, 2017 and February 06, 2020 are given below:

a) The SCN was issued on September 30, 2016 in the matter. In the meantime, the same matter was taken up by way of parallel proceedings before the Hon'ble Whole Time Member (WTM) and the noticees 1 to 9 were given to understand that the proceedings in the Adjudication have been completed and the matter has been reserved for Orders, pending decision by the WTM in the parallel proceedings.
b) The parallel proceedings before the WTM have since been completed and orders issued**.** As per this order, after taking all the facts and circumstances into account, SEBI has directed the directors of CSL to return the amount of Rs. 33.83 crore with interest at 12 percent per annum calculated with effect from April 01, 2011 to RKDL within a period of one year from the date of his order. SEBI arrived at the conclusion that this amount has been fraudulently siphoned off by CSL from the proceeds of the IPO. CSL and his associates have also been restrained from accessing the securities market and prohibited from buying or selling or dealing in any securities in any manner whatsoever, directly or indirectly for a period of five years from the date of the issue of the Order. The Noticees 1 to 9, have also been restrained from accessing of securities market and prohibited from buying or selling or dealing in any securities in any manner for a period of three years from the date of issue of the Order.

c) Although it is nearly eleven months, since orders have been passed by SEBI, CSL and his associates have not taken any steps to refund the amount to the company as directed in the order. They have filed an appeal before the Securities Appellate Tribunal and the matter is still pending, but no stay has been granted by the Tribunal, against the Order of the Hon'ble WTM. RKDL and Mr. R. V .Ravikumar have recently impleaded themselves as respondent in this appeal before the Tribunal.
d) SEBI, as the respondent in the appeal; has filed a reply affidavit on August 28, 2019, wherein all the averments and allegations made by

CSL have been categorically denied and the views expressed by the Hon'ble WTM have been reiterated.

e) As regards laxities, on the part of the Noticees 1 to 9, it has been represented before the Hon'ble WTM that the main promoters of the RKDL was a novice as regards the securities market and he and his colleagues had basically no knowledge or experience about IPO and its attendant procedures and consequences. But since these amounted to violation of the provisions of SEBI Act and PFUTP Regulations, the Hon'ble WTM has entered into a finding that RKDL and its Promoters did not derive any benefit monetarily and he has given them the benefit of intention and accepted that the consequences of siphoning off was without their knowledge and intention, and has therefore taken a lenient view and levied only lesser penalty by way of restraint from accessing securities markets for three years. It is represented that this aspect may be taken into consideration and no further penalty be levied on the Noticees 1 to 9, so that they are not subject to double jeopardy which would be against tenets of natural justice. It may also be specifically noted that Anil Agarwal and his associates have been indicted by SEBI in several cases, and, atleast 13 orders have been passed against them for their violations.

f) Ravikumar was a novice as far as Stock Market operations were concerned and he was a first time entrant in this Public Issue, He had absolutely no knowledge of the various formalities, procedures and intricacies involved in a Public Issue and had been a gullible victim of the manipulations and machinations of Anil Agrawal. Believing the statement of Anil Agrawal and his associates, as well as due to the pressures mounted by them. Ravikumar parted with a whole bundle of signed blank papers as well as signed blank cheques in respect of the Bank account opened at Axis Bank, Mumbai on the compulsion of Anil Agrawal. Using these, Anil Agrawal and his associates have done a whole series of fraudulent and manipulative transactions which have

landed RKDL and its Promoters& Directors in the mess that they are presently in.

g) While it is an admitted fact that an amount of Rs. 33.83 crore (of which Rs. 4.89 crore has since been returned) had been siphoned off from the IPO proceeds, it would be incorrect to state that the same has been done by RKDL in collusion with CSL. As mentioned earlier the entire IPO proceeds were put into the account opened in Axis Bank, Mumbai and all withdrawals from this account were made by Anil Agrawal using the blank signed cheques which he had fraudulently taken from Ravikumar. Neither RKDL on its own nor any of its Promoters or Directors had any hand in this act of siphoning of IPO funds. It would be farthest from the truth to state that RKDL acted in collusion with CSL. This would be borne out by the fact that, on coming to know of the various frauds and manipulation done by CSL, the Company has filed several complaints and initiated legal proceedings both civil and criminal against CSL. We have taken the matter as far as upto the Enforcement Directorate and the Supreme Court where the matters are still pending. It can also be noted that the recipients of the Rs.33.83 crore are all associates of CSL, and RKDL has had no dealing with them at any time in the past. It has been clearly recorded in the SCN that the siphoned amount has gone into the hands of 33 entities who are all connected and related to the Merchant Banker based on common Directorship, Common address, Common e-mail ID, Common address of Directors of different Companies, Common shareholding in Private Limited Companies , fund transactions etc. . Hence, it is represented that RKDL and its Promoters and its Directors may be exonerated of the charge of acting in collusion with the Merchant Banker and siphoning off IPO proceeds.

h) CSL is a Category I Merchant Banker registered with SEBI. They had been fed with all the information required for the preparation of the Prospectus. They had also undertaken due diligence of the operations of the Company, as such only they should be primarily responsible in the event of any mis-statement or non-disclosure in the Prospectus.

The Company had not accepted any Bridge Loans and the Bridge Loan which was later used as a play to take over some of the shares of the promoter was a creation of Anil Agrawal. Obviously he had used some of the blank signed papers/forms to make out as if the Company had accepted the Bridge loan. RKDL never made any request for a Bridge Loan from Anil Agrawal or any of his Companies. Hence, it would be clear that neither the Company nor its Promoters or its Directors had any knowledge of any Bridge Loan existing at the time of issue of Prospectus. Hence it is prayed that the charge of non-disclosure of the Bridge Loan in the Prospectus should not be laid at the doors of RKDL or its Promoters or its Directors.

i) The loan availed from Union Bank of India is in the individual name of Ravikumar was an Agricultural Loan for Vanilla cultivation in the State of Kerala. This loan had absolutely no connection with the business of RKDL and no money of RKDL had been ploughed into this business. The total amount outstanding at the time of the IPO was Rs. 174.31 lakhs. All details regarding the loan availed and the fact of Ravikumar being involved in the business of Vanilla cultivation had been made available to the Merchant Banker. As such it is requested that RKDL and its Promoters and its Directors may not be held liable for the non-disclosure. It is also humbly submitted that the matter may kindly be viewed from the angle of materiality. It is therefore represented that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in the IPO has been suppressed or withheld in a manner that would amount to mis-statement/mis-representation.

j) It is humbly submitted that it would be incorrect to allege that the disclosure did not take place until one and half years after the IPO. Immediately on coming to know of the disclosure made by CSL (a Company of Anil Agrawal) on December 05, 2011, RKDL informed BSE as well as NSE vide letters dated December 05, 2011 that RKDL has not created any pledge on locked-in shares and the same had been illegally created by Anil Agrawal and his Companies using the

blank signed papers/forms. A copy of these letters to BSE & NSE was also sent to Chennai office of SEBI and has been duly acknowledged by SEBI on December 19, 2011. It was on seeing the disclosure by CSL that RKDL and its Promoter began suspecting that CSL was indulged in fraudulent activities detrimental to Company's interest. Hence it would not be correct to allege that the Company has remained silent for nearly one and half years till June 2012 when SEBI took up the matter for investigation.

k) As mentioned above the Promoter and his Company i.e. Ravikumar Properties P Ltd (noticee 9) had not made any pledge of any share with CIL and the so called pledge is only a fraudulent creation of Anil Agrawal and his Companies. This has been done by CSL and his accomplices with the fraudulent intention of taking over control of RKDL and to defraud investors in the Company.

l) It is submitted that, on a consideration of the facts presented above, the charge that could be laid at the doors of RKDL and its Promoters and its Directors is at the most one of negligence arising from lack of Corporate Governance and the ignorance of the Promoter as regards the various intricacies of Public Issue of shares. On behalf of RKDL and its Promoters and Its Directors, it is represented that adequate care would be taken in future to ensure that there are no recurrences of such lapses. It is respectfully submitted that a lenient view may be taken on the matter as far as RKDL and its Promoters and Directors are concerned, while at the same time deterrent punitive action may be initiated against CSL and its Associates.

11. In response to the SCN, noticees 10 to 16, vide their common letter dated November 07, 2016, requested for additional time for submission of replies in the matter. Subsequently, the noticees 10 to 16 vide their common letters dated March 16, 2017 and May 19, 2017, once again requested for additional time to submit their replies in the matter. Vide letter dated May 31, 2017, CSL / noticee 10 submitted a reply on behalf of itself and its directors. Meanwhile, Bharat Nanubhai Shiroya / noticee 12, Annu Anil Agarwal / noticee 13, Jugal Chandrakant Thacker / noticee 14, Amit Kumar Khemka / noticee 15 and

Chandrakala Purohit / noticee 16 submitted their replies to the SCN vide letters dated June 28, 2017, June 28, 2017, June 30, 2017, June 28, 2017 and May 25, 2017, respectively.

12. On perusal of the records, it is seen that noticees 10 to 15 and 18 appeared for hearing before the then AO on July 03, 2017. It is also seen that a common reply dated May 31, 2017 was also submitted by the noticees 10 to 15 and 18. As the personal hearing with respect to Ms. Chandrakala Purohit / noticee 16 was not completed, vide letter dated July 28, 2017, she was given another opportunity of personal hearing on August 24, 2017. The Authorized representative of Chandrakala Purohit appeared for personal hearing on August 24, 2017 and, *inter alia*, made the submissions that it is an independent director in CSL.

13. Pursuant to my appointment as AO in the matter, vide letters dated July 04, 2019, the noticees 10 to 18 were given opportunity to make further submissions in the matter, if any, and to appear for a personal hearing on July 16, 2019. In response, vide its letter dated July 13, 2019, CSL / noticee 10 and CIL / noticee 18 requested for adjournment of hearing to a later date due to unavailability of its legal counsel.

14. As no response was received from Chandrakala Purohit / noticee 16, vide our letter dated August 05, 2019, she was given another opportunity to make submissions and appear for personal hearing on September 04, 2019. However, it is seen that despite the delivery of the aforesaid hearing notice to noticee 16, she failed to submit any response and also failed to appear for the personal hearing on September 04, 2019.

15. Thereafter vide our letters dated December 30, 2019, the noticees 10 to 18 were given another opportunity to appear for personal hearing on February 06, 2020. In response, the CSL / noticee 10 and Jugal C Thacker / noticee 14 vide their separate letters dated January 30, 2020, requested for adjournment of the personal hearing and submitted that the SEBI has passed an order dated March 12, 2019 under Section 11B of the SEBI Act for the same set of violations against them, and the same is pending for final decision at Hon'ble SAT. In view of the fact that the current Adjudication

proceedings were not the subject matter pending before Hon'ble SAT, the noticees 10 to 15 and 18, vide our letter dated February 12, 2020, were informed that the hearing in the matter has been scheduled on February 25, 2020. On February 25, 2020, the Authorized representative of the noticee 10 to 13, 15 and 18 appeared for personal hearing and reiterated the submissions made by the aforesaid noticees vide letter dated May 31, 2017. Further, Jugal C. Thacker / noticee 14 also appeared for the hearing on February 25, 2020 and submitted that he was an independent director in CSL and CIL during the investigation period. Subsequently, CSL/ noticee 10, Anil B. Agrawal / noticee 11 and CIL / noticee 18 submitted their letters dated March 18, 2020 and Bharat Nanubhai Shiroya / noticee 12 and Jugal Chandrakant Thacker / noticee 14, submitted their letters dated March 11 and 09 of 2020, respectively. It is further seen that despite repeated opportunities granted to Chandrakala Purohit / noticee 16 for appearing before the undersigned for the hearing, she failed to appear for the same. Briefly, the submissions made by CSL and its directors vide their various letters and during the course of personal hearings are as given below:

a) CSL submitted that CIL is only an associate company of CSL, which is an NBFC involved in the business of giving loans, etc. Both CSL & CIL are independent entities having their own corporate existence, management and operations. As a merchant banker CSL had nothing to do with the NBFC activities of CIL.
b) CSL denied acting in collusion with RKDL at any point of time as the siphoning of IPO proceeds have been done entirely by RKDL itself on its own. Post completion of IPO, RKDL had consistently disclosed to the exchanges that it had utilized the IPO proceeds and advances amounts to various entities (i.e. its Suppliers). The role of CSL, as a merchant banker was limited to completion of IPO. How the IPO funds are to be utilized and what all disclosures are to be made, etc. were all the internal decisions of RKDL and its management, in which CSL had no role to play.
c) RKDL, in its quarterly results filed for quarter ending December 31, 2010 and subsequent quarters, disclosed that Rs. 37.51 crore out of

the IPO proceeds had been utilized by the RKDL for the IPO disclosed object of expansion of its plant, etc. and Rs.36.08 crore was temporarily parked in Bank FDs / its Bank account. There was no mention of any sort of siphoning of funds by RKDL in its quarterly or annual reports which were duly audited and approved by the Board of Directors and the Audit Committee of RKDL.

d) On August 13, 2013, RKDL filed its Annual Report for the FY 2012-13, wherein for the very first time, after more than 2 & 1/2 years of the IPO issue, it was disclosed by RKDL that a fraud had been perpetrated to siphon off Rs. 29.10 crore (and not 33.83 crore as alleged in the SCN), etc. and that complaints and litigations had been commenced in respect thereof. There was no explanation by RKDL as to how all the previous Quarterly Financial results and Annual Reports had recorded that RKDL in fact had the IPO proceeds and had even used the same for the issue objects. Thereafter, RKDL in its each of annual reports till has represented that Rs.29.25 crore was given as "Advance to Suppliers" and that since capital commitments were not acted upon by the Suppliers, RKDL had decided to recall the advances and had filed recovery Suits."

e) From the aforesaid, it is clear that the theory of siphoning off as trotted out by RKDL cropped up for the first time only in August 2012 (i.e. consequent to queries of SEBI during the course of investigations) wherein RKDL, after siphoning off the IPO proceeds, cleverly dumped the blame for the same on Anil Agrawal/CSL. Significantly, it may be noted that, prior thereto, RKDL had inter alia consistently disclosed to the investors/ shareholders/ regulators at large that it has fully utilized the IPO proceeds.

f) The insinuation by RKDL that the siphoning off the IPO proceeds was done by CSL/Anil Agrawal by alleging that Ravi Kumar had handed over blank signed cheques to the Anil Agrawal, which were then misused to transfer the IPO funds from RKDL's bank account to various third parties allegedly connected to CSL/Anil Agrawal. The entire story of Ravi Kumar pertaining to blank cheque and other

documents was concocted for the first time almost two years after the IPO and is belied by the express disclosures and filings of RKDL in its Quarterly and Annual Audited accounts wherein as aforesaid, it recorded that it had the entire IPO proceeds. All the disclosures contradict the allegation that blank signed cheques were given by RKDL to Anil Agrawal which were misused to siphon off money from the bank accounts of RKDL. It may be noted that Ravi Kumar / RKDL is a veteran businessman and it is impossible to believe that he would ever hand over blank signed cheques to anyone. In fact, even the profile of the other directors of RKDL as contained in the prospectus, proves they are seasoned professionals / businessmen. Further, it is even more impossible to believe that blank signed cheques were used by Anil Agrawal to siphon off the money of RKDL both, before and after the IPO, but without a whisper of a complaint from RKDL at that time.

g) It is denied by CSL that it had any role to play in alleged movement of funds. RKDL and its directors were operating the bank accounts of RKDL and CSL as a merchant banker had no role to play in either raising of the funds by RKDL (by way of loan etc.) or the mode and manner of deployment of funds or in the repayment of funds, etc. All the decisions with regard to the aforesaid were exclusively within the domain of RKDL and its directors. The board of RKDL is packed with seasoned businessmen and professionals. The allegation of CSL's involvement in fund movement, etc. is totally absurd. It has not been demonstrated as to how CSL had any control over the bank accounts of RKDL so as to control the movement of funds from the bank account of RKDL. In fact it is RKDL and its directors who operated the bank accounts of RKDL and utilized the IPO proceeds, and also accordingly made consistent disclosures to the stock exchanges regarding the same. Therefore, they can only explain as to why they have moved the funds to various entities as alleged.

h) In context of movement of funds, CSL has contended that it has not received any funds from RKDL. Based on receipt of funds by CSL from

its broking clients (viz. Ranisati, BLC, Padma) in context of their trading (-which is fully substantiated by their trading and the contract notes. Ledgers demat accounts etc.), adverse inference of CSL being involved in the movement of funds has been drawn. As a stock broker, CSL is not concerned with the source of funds of the clients. CSL as a stock broker is obligated only ensure that the funds are received from the clients from their own mapped bank account and similarly all payments are made by broker to the mapped bank account of the client. As a broker CSL is not expected to enquire from the clients regarding the source of their funds or the deployment of funds by them. Therefore, based on the receipt of funds by CSL's broking clients from various entities or the subsequent transfer of funds by such clients to various entities, no adverse inference of CSL being involved in movement of IPO proceeds can be drawn. Clearly, the beneficiaries of the said siphoning off of the funds are RKDL, its promoters or the third parties.

i) CSL has been embroiled in the allegation of siphoning off based on alleged connection with third party entities to whom RKDL had given the funds, etc. CSL has contended that based on purported connections as alleged in the SCN, no such serious allegation of CSL being involved in siphoning off can be levelled .Further, the connections with the various entities are arising out of specific context, viz. as a Stock Broker- client or as a Depository Participant - client, which has been totally ignored and overlooked.

j) As regards the allegation that the prospectus failed to disclose the default of Ravi Kumar in repayment of the personal loans taken by him from Union Bank of India and the DRT proceedings filed by the Bank against him for the recovery thereof, it is reiterated that CSL was never informed of the same by Ravi Kumar or RKDL. Therefore, in any event, no question arises of holding Anil Agrawal / CSL in any manner liable for the same.

k) As regards the allegation that the prospectus failed to disclose RKDL had taken the loans of Rs. 12.71 crore from CIL which was repaid from

the IPO proceeds and should therefore have been disclosed in the prospectus as a bridge loan repayable from the issue proceeds, it is reiterated that RKDL had represented to CSL that the same was only a normal short term loan which was to be repaid from its own funds and not from the IPO proceeds. RKDL had never disclosed that it proposed to repay CIL's loans from the IPO proceeds.

l) CSL also submitted that the said allegation of non-disclosure of "bridge loans" which were to be repaid from the IPO proceeds is self-contradictory. The said allegation amounts to an admission that in fact all funds advanced by CIL to RKDL were in fact legitimate loans which had been requested by RKDL and were in fact advanced by CIL to RKDL. The said allegation also amounts to an admission that RKDL in fact made repayment of the said loans to CIL from the IPO proceeds. Therefore, it can never be alleged that the same amounted to any alleged scheme of "siphoning off' of the IPO proceeds.

16. Sarthak Vijlani / noticee 17 submitted its reply to the SCN on March 19, 2019. Pursuant to my appointment as AO in the matter, vide letter dated August 05, 2019, Sarthak Vijlani / noticee 17 was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. In response, Sarthak Vijlani vide its letter dated August 28, 2019 submitted its reply and appeared for personal hearing on September 04, 2019. Sarthak Vijlani submitted its final reply in the matter on February 24, 2020. Briefly, the submissions made by the noticee 17 are as given below:

(a) I would like to place on record that, I was merely an employee of CSL. It may be appreciated that as an employee, I have never been authorized and was never been responsible for any financial transaction on behalf of CSL or its group entities. I had no role whatsoever to play in affairs of any entities connected with CSL or RKDL. While levelling the allegations, distinction between the management of CSL and myself as employee has been completely lost sight of.

(b) The subject matter of the SCN pertains to my role as an Authorized signatory to CSL for the Due Diligence Certificate in the IPO of RKDL. In the SCN, broadly following allegations have been levelled against me viz. "Pertaining to misleading statements and non-disclosures in the prospectus filed by RKDL for its IPO. Based on the aforesaid, it has been alleged that I as an Authorized signatory to CSL for the Due Diligence Certificate in the IPO of RKDL, failed to exercise due diligence and independent professional judgment".

(c) I submit that the aforesaid allegations are totally baseless and completely contrary to factual position on record as will be evident from the following Paras, I submit that as an Authorized signatory to CSL for the Due Diligence Certificate in the IPO of RKDL, I have followed all the processes and undertaken the due diligence and fulfilled all my obligations as required in the ordinary course of business. At all points of time I have acted in bonafide manner. The allegations are not based on proper appreciation of facts. It is pertinent to note that during the process of due diligence, certain other staff of CSL has also been involved and they were also under complete guidance and influence of Mr. Anil Agrawal, Promoter, Director and Head of Merchant Banking Department of CSL.

(d) It is pertinent to mention that the present SCN is issued after long gap and inordinate delay of approximate 6 years from alleged manipulation in IPO of RKDL. Incidentally no reasons have been mentioned in the SCN for initiating adjudication proceeding after an unexplained delay of approximate 6 years against me.

(e) My main profile was to handle assignments related to merchant banking division viz. IPO, Rights Issues, open offers, valuation certifications under guidance of Mr. Anil Agrawal (Director and Head of Merchant Banking Department). Mr. Jugal Thacker (Director and President of Merchant Banking Department) also

used to guide me. I have never held any position of director / management of CSL nor any of its group entities. During the course of employment, I have not authorized and responsible for conducting any bank transactions in CSL nor any of its group entities. I have never received any kind of benefit monetary or otherwise from Comfort Securities Limited except the Salary in lieu of my employment.

(f) In so far as siphoning of proceeds of IPO are concerned as alleged in Para 9 to Para 31 of SCN are concerned, it is submitted that the allegations in respect of myself is in the air and is sweeping, bald and devoid of any particulars and no material/ evidence has been brought on record to connect myself with other entities and to demonstrate even remotely as to how I was involved/ connived with others. I have been working with CSL as vice president of merchant banking till June, 2012 and I have never been director or signatory of bank accounts of any of the companies part of Comfort Group nor the entities allegedly connected with Comfort Group or its Directors. I was mere an employee of CSL. I have not been authorized and was not responsible for any financial transaction on behalf of CSL or its group entities. After giving the resignation from CSL, I didn't have any type of relation with CSL or with management of CSL.

(g) I am not even remotely linked to any of the entities nor has a single rupee transaction been done through my bank account etc. In para 5 to para 15 of the SCN no establishment of any connection of myself with any of the entity involved in alleged routing and siphoning of the funds. There is nothing to indicate in SCN or in Investigation Report stating that I have derived any gains or unfair advantage due to alleged routing and siphoning of the funds. Hence it's completely irrational to club myself with management of Comfort Securities Limited for alleged routing and siphoning of the funds.

(h) I would like to state that in the same matter, Learned WTM of SEBI has passed an common order including myself i.e. Order no. WTM/GM/EFD/99/2018-19 u/s 11 (1), 11 (4) and 1 IB of SEBI Act, 1992 of 12th March, 2019 ("SEBI Order"). I was aggrieved by the SEBI Order dated 12th March, 2019. Hence I had filed an appeal before Hon'ble Tribunal. Hon'ble Tribunal vide Order dated 31st May, 2019 quashed and set aside the SEBI order qua me and inter alia directed Learned Whole-Time Member of SEBI to grant an opportunity to me to file reply and to deal with matter in accordance with law. Hence I am also suffering disproportionately by facing proceedings under Sections 11(1), 11(4) and 11B of SEBI Act, 1992 and no imposition of monetary penalty is warranted.

(i) In so far as allegation in Para 16 of SCN and related paras to this in Investigation Report (IR) stating default in payment of Loan by Mr. Ravi Kumar, promoter and director of RKDL, from Union Bank has not been disclosed in the Red Herring Prospectus and the Prospectus of RKDL are concerned, it is submitted that, I in my official capacity have carried out due-diligence and during the process of due diligence, it was never communicated to me by the management of RKDL about such loan. The said default has not came across during the independent due-diligence on any public domain portal or website such as "watchout investors.com" etc.

(j) Apart from this, as a matter of policy before fling Draft Red Herring Prospectus, undertaking has also been taken from RKDL stating "that the information contained in the Prospectus is a true and fair representation about Ravi Kumar Distilleries Limited and the Prospectus omits nothing which could have an impact on the information contained therein, or which is a material disclosure for prospective investors." Additionally an undertaking stating "The Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of shares

offered in terms of the Prospectus has been suppressed/ withheld and/or incorporated in the manner that would amount to mis-statement / mis-representation" has been obtained from RKDL. I in my official capacity have also relied upon report of Legal Advisors to the Issue of RKDL i.e. Corporate Law Chambers, Mumbai, which did not stated anything on the said default. All the aforesaid documents in this connection are not in my possession as I have left the Comfort Securities Limited in June, 2012.

(k) *It is evident from para 33 of SEBI order dated 12th March, 2019, RKDL has stated that they supplied all the information, but seems have not provided any back up correspondence via email or letters addressed or acknowledged by myself as a representative of CSL. It is pertinent to note that Draft Red Herring Prospectus was in public domain for a considerable period of time from March, 2010 to December, 2010 and management of RKDL has not bothered to inform about default of loan from Ravi Kumar has been left out to be disclosed. Union Bank of India also did not approach during that time. It is also to be noted that in the Prospectus of RKDL, details of various other litigations involving larger amounts, show cause notices from Registrar of Companies, material related party transactions etc. has been disclosed in appropriate manners in Risk Factors, and these matters also had a material bearing on the IPO. Hence I did not have any reason or advantage by not disclosing the default in repayment of loan by Promoters of RKDL to Union Bank of India. I have exercised best possible due diligence and best possible independent professional judgment and signed due diligence certificate after taking best possible care and facts known to myself which has been made available by RKDL, Legal Advisors to the Issue and due diligence team of CSL and also based on data available in public domain.*

(l) *In so far as allegation in Para 17 of SCN and related paras to this in Investigation Report (IR), wherein it is alleged that during 8th October, 2010 to 13th December, 2010, Comfort Intech Limited (CIL) has transferred Rs. 12.88 crore and Fact Enterprises Limited (Fact) has transferred Rs. 2 Crores to RKDL, which has been repaid out of IPO Proceeds and the same fact has not been disclosed in Prospectus as bridge loan or otherwise. It is to be submitted that it is pertinent to note that these Loan transactions has never been intimated to myself either by RKDL or CIL. It is evident from para 64 and 69 of SEBI order dated 12th March, 2019 and also as per various proceeding initiated by RKDL against Comfort Group, which are before NCLT, EOW etc. and as specified in para 72 of SEBI order dated 12th March, 2019, it is evident that RKDL and its directors were not even aware of the transactions in their Axis Bank Account and Mr. Anil Agrawal has allegedly conducted these transactions by misusing blank signed cheques without informing to RKDL or its Directors. Hence I could have never been in situation to find out these transactions. It is to be considered that I was working as mere employee of CSL and was not part of management of CSL. The Management of CSL has never informed any financial dealing with management of RKDL or otherwise.*

(m) *However as per page 271 of Prospectus of RKDL it is stated that Due-Diligence certificate of IPO of RKDL is of dated 22nd March, 2010, and the same is a matter of record. Without prejudice to above contentions, I would like to state that the funding transactions as stated in para 17 of SCN has been effected during 8th October, 2010 to 13th December, 2010 which is much after the date of signing of Due Diligence Certificate.*

17. Noticee 13 / CIL filed reply to the SCN vide its letter dated June 26, 2017. Subsequently, it made joint representation with CSL and its other directors and the hearing for CIL was conducted along with CSL and its directors on

February 25, 2020. Briefly, the major submissions made by CIL are given below:

(a) *In so far as we are concerned, allegations have been levelled against us based on certain loan transactions between us and RKDL and Ranisati. It is submitted that all the transactions were done in our capacity as a financial service provider strictly at arm's length basis.*

(b) *Nebulous linkages with the persons/ entities as referred to in the Notice/IR have been unduly stretched without any justification in order to attribute the allegations of siphoning off etc on to us.*

(c) *Clubbing them, has resulted in distorted conclusions against us. Unrelated and unconnected entities have been grouped together based on mere surmises and conjectures to draw adverse inferences without any basis. Since the grouping is erroneous the whole edifice of the charge falls. Based on the alleged acts of other entities, no adverse inference can be drawn against us and no liability can be saddled on us. It is specifically and categorically denied that we had any role in the siphoning off. It is submitted that based on alleged tenuous connections serious charges of violating provisions of PFUTP Regulations have been levelled, which is legally untenable and unsustainable.*

(d) *We may further point out that the allegations in the Notice are inter alia based on short term working capital loan transaction between us and RKDL. The said loan was given on the request of RKDL which was repaid to us with interest. We vehemently deny that we were part of any siphoning off as alleged.*

(e) *With regard to observations in para 1 of the Notice, it is submitted that it is an admitted fact that we are an associate entity/ sister concern of CSL, but it is denied that we have acted as layers /conduits in the movement of funds and siphoning of funds to the entities applying in the IPO of RKDL as alleged. There exists a strict Chinese wall among different types of activities carried out by CSL viz. Merchant Banking, Broking, Depository Participants etc. And us*

viz. NBFC and other financial services. At the relevant point in time, each activity was headed by separate professional independent of each other. The NBFC operation was handled by Mr. Praveen Naik with separate dedicated team and the Merchant banking operation was headed by Mr. Sarthak Vijlani, Chartered Accountant who used to take all the decisions. It is denied that we have aided and abetted RKDL and CSL by acting as conduits in siphoning off IPO proceeds as alleged.

(f) *It is denied that there were any bridge loans taken from us as alleged. It is submitted that the transactions that took place in the months of October to December, 2010 were for the short term working capital requirement of RKDL. There were no bridge loans as wrongly alleged in the Notice. The allegation is based on transfer of Rs. 12.71 crore by us to RKDL (during the Pre-IPO period). It may be noted that the said transaction was loan transaction, wherein pursuant to the request of RKDL, we had granted loan to RKDL. This was given on a need basis which was repaid back to us on December 24, 2011.*

(g) *At the relevant time, we were not aware about the usage of funds by RKDL, and that it had transferred the amounts to other entities. Same was of no concern to us. Why RKDL gave the funds to the various alleged entities and why it did not recover the funds from the said entities, is for RKDL to answer. In so far as we are concerned, we as lenders had lent the funds with interest and have admittedly received back the funds with interest from RKDL. Our relationship with RKDL ended, once all the money came back to us with interest. Based on the conduct of RKDL (in terms of utilisation of loan amount etc) no adverse inferences can be drawn against us.*

(h) *Sometime around 2010, Ranisati had approached us in context of raising loans for its business purposes from time to time. Pursuant to the same a Loan agreement dated July 15, 2010 was executed with Ranisati. Thereafter, from time to time Ranisati was raising loan from us, which was in the nature of a running loan account and various*

amounts were given by us and were also repaid by Ranisati with interest from time to time as borne out by ledger maintained by us. The impugned amounts viz.

i. *Rs 6.4 Crores received by CIL on December 03, 2010 was in the nature of repayment of loan already raised from time to time by Ranisati since July 26, 2010.*

ii. *Rs 2 Crores transferred by CIL to Ranisati on December 04, 2010-was in the nature of loan raised by Ranisati from time to time from CIL.*

iii. *Rs 2.35 crores transferred by CIL to Ranisati on December 13, 2010-was in the nature of loan raised by Ranisati from time to time from CIL*

iv. *Rs 2 crores transferred by CIL to Ranisati on December 23, 2010-was in the nature of loan raised by Ranisati from time to time from CIL*

v. *Rs 7.02 Crores received by CIL on December 24, 2010 was in the nature of repayment of loan already raised from time to time by Ranisati since July 26, 2010. It may be noted, same was the exact amount which was remaining unpaid by Ranisati as on December 24, 2010.*

(i) *During the year 2007, Mr. Anil B Agrawal was the consultant of BLC for the limited purpose of assisting BLC in regulatory compliances. Mr. Anil B Agrawal's Certificate of Practice is hereto annexed as Annexure C. At the relevant time, Mr Anil B Agrawal for operational convenience had given the alleged e-mail ID. It may be noted that Mr. Anil B Agrawal discontinued his services as a consultant to BLC and is no more associated with BLC. It may be appreciated that, based on the said alleged connection and based on the acts of BLC, no adverse inferences can be drawn against us. Further, it may be noted that BLC is an independent company and we do not have any*

shareholding in BLC and there are no common directors etc. Our relationship with BLC is at complete arms' length.

(j) It may be noted that Mr Anil Agrawal as a chartered accountant had rendered financial advice to FACT as a consultant. It is denied that Mr Anil Agrawal had solicited or arranged the entire preferential share application money. The allottees were arranged by FACT itself or through somebody else, but not through Mr. Anil B Agrawal. Save and except, applying for shares in his own name in the preferential allotment, Mr. Anil B Agrawal was not involved in bringing other allottees as insinuated. In so far as the shareholding of Anil B Agrawal in FACT is concerned, Anil B Agrawal is merely a shareholder of FACT with no control over its affairs.

(k) In so far as fund transfers between Padma and Annu Agrawal, Padma and Anil Agrawal is concerned, it may be noted that since they were in urgent need of funds, the funds were borrowed for a short duration and were returned back in around 3 months' time.

18. Vide letter dated August 05, 2019, noticee 19 / Radhasoami was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. In response, Radhasoami Resources Pvt. Ltd vide its letter dated October 11, 2019 submitted its reply on behalf of Radhasoami / noticee 19. As the opportunity of personal hearing was not availed by Radhasoami, vide letter dated December 30, 2019, opportunity of personal hearing was granted to them on February 06, 2020. The opportunity of personal hearing was availed by Radhasoami Resources Pvt. Ltd on behalf of Radhasoami / noticee 19 on February 06, 2020. Radhasoami Resources Pvt. Ltd submitted final reply in the matter on February 17, 2020. Briefly, the submissions made by noticee 19 are as given below:

(a) We state that the National Company Law Tribunal (NCLT), Chennai vide order dated August 10, 2017 have sanctioned the amalgamation of Radhasoami Securities Pvt. Ltd. (Transferor company no. 1), Onesource Idea Pvt. Ltd (Transferor company no. 2), Nochi

industries Pvt. Ltd (Transferor company no. 3), Carewell Consultants Pvt. Ltd. (Transferor company no. 4) and Subh Labh Share Brokers Pvt. Ltd. (Transferor company no. 5) with Radhasoami Resources Ltd. (Transferee Company) with effect from September 19, 2017. Thus, from September 19, 2017 the Transferor Companies No. 1 to 5 stood dissolved.

(b) *Therefore in view of the above circumstances, we are replying to the SCN deeming it to be on behalf of Noticee No. 19 (viz., Radhasoami Securities Private Limited). We state that the aforesaid SCN is issued after an inordinate delay and we are being implicated into this matter merely because of the reconstitution/merger and we are being involved in good faith in order to avoid any further litigation or implications on the company due to the transaction undertaken earlier. Therefore, we request a lenient view be taken against the Company and the aforesaid SCN against the Company may be withdrawn or alternatively the Company may be exonerated.*

(c) *We deny being associated/related to CSL in any manner and we further deny acting as layers/conduits in the movement of funds and siphoning off funds to the entities applying in the IPO of RKDL. We further deny aiding and/or abetting RKDL and CSL by acting as conduits in siphoning off IPO proceeds. We further state that we entered into a transaction with RKDL prior to the receipt of IPO proceeds and not after that. Hence, we may not be held responsible for the siphoning off the IPO proceeds of RKDL as alleged.*

(d) *That the amount of Rs. 2 crore received by us from RKDL towards share application money was returned by us to Padma Impex under the oral instructions of the director of RKDL. We further state that merely because Padma Impex failed to provide any information/documents as required, we, who carried out the bonafide transaction of transfer upon the specific request of RKDL, without any ill intent or motive, may not be held responsible for the acts of omissions of Padma Impex. Also, the transaction between us and*

Padma Impex is purported to be dubious merely because our return of application money to Padma Impex was made on an oral request from RKDL. Therefore the assumptions are made merely because the company had legitimately acted on the request of RKDL. We further deny being connected to CSL in anyway.

(e) That we are neither concerned nor aware about the source of funds in the hands of RKDL and also we have no knowledge about the transaction between RKDL and Padma Impex pre or post transfer of Rs. 2 Crore by us to Padma Impex on the instructions of RKDL. We further state that our role in the aforesaid transaction is merely that of a sincere intent to accept Share Application in normal course of business and refunding the funds received upon specific- requests. We are neither concerned nor aware about any other transactions between any other entities/noticees except for the above stated two transactions of accepting Share application Money from RKDL and refunding the same to Padma Impex under the oral instructions of RKDL. We further state that we did not make any profit and/or derive any benefits from entering into the transactions between RKDL and Padma Impex.

(f) That the said SCN fails to depict any specific allegation against the Company of being associated in any way with CSL or any other entities/noticees. Any connections as alleged are merely due to past holding of shares of the Company and in no other way. Any connections with a past shareholder/s may not be considered valid and/or important for determining any connection as alleged in the aforesaid SCN.

19. BLC / noticee 20, vide its letter dated September 06, 2017 submitted its reply to the SCN. Pursuant to my appointment as AO in the matter, vide letter dated August 06, 2019, BLC was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. However, despite the delivery of the aforesaid letter to the address of BLC, no response was received from BLC. Subsequently,

opportunities of personal hearing was granted to BLC on February 06, 2020 and February 25, 2020, vide letters dated December 30, 2019 and February 12, 2020 2020 which was also served on the email address of BLC viz. pkc.mumbai@gmail.com (provided by the investigation department of SEBI) by way of an email dated February 13, 2020. Simultaneously, a paper publication was also done for the hearing notice w.r.t. BLC. However, it is seen that BLC failed to appear for the hearing on all the occasions. Briefly, the submissions made by BLC in response to the SCN are given below:

(a) *As regards 4.79 crore received from Ravi Kumar Distilleries Ltd, (RKDL) on 25th November, 2010 and Rs. 50 lacs on 3rd January, 2011 totaling to Rs. 5.29 crores, we would like to bring to your attention that the same was towards the application money for allotment of 52,900 equity shares of Rs. 10/- each of BLC.*

(b) *On a later date, RKDL instructed us not to allot them shares of our Company and rather invest Rs. 5.29 crores for purchase of shares of Splash Media and Infra (Splash). Thereupon, in August 2011, RKDL told us to sell the shares of Splash and accordingly the shares were sold by us at a loss of around Rs. 3.25 crores. The same is also reflected in ledger of RKDL with BLC. The remaining amount of Rs. 2.04 crores was repaid to RKDL in tranches. The above also establishes that we have not given any contradictory statement during the course of investigation as is been alleged in the notice.*

(c) *As regards the allegation that there is a difference in share application money as on 31st March, 2011 in our books, it is brought to your kind attention that the amount of Rs. 3.64 crores was received from other entities and not from RKDL, since RKDL had already expressed their intention to not invest in the share capital of BLC and told us to buy the shares of Splash. Therefore their name is not reflecting in the books of accounts and Balance sheet. The investigating team has drawn a wrong conclusion that the letter dated 18th February, 2011 of RKDL along with the share application form appears to be dubious, without verifying the genuineness of the*

same. Further, no explanation was sought from us during the course of investigation or else we would have clarified the matter.

(d) As regards the transfer of amount of Rs. 4.99 crores in the escrow account of RPP Infra Projects Ltd., it is submitted that the same was towards application money of IPO of RPP. We got an allotment of 225539 shares and remaining 3.31 crores was received back on 3rd December, 2010.

(e) Further, an amount of Rs. 3.51 crores was transferred to Rani Sati Dealer Pvt. Ltd. as short term advances in normal course of business. Rani Sati returned an amount of Rs 2 crores out of the total loan given to it on 4th December, 2010, the balance amount of Rs 1.51 crores was received back by us from Rani Sati on 13th December, 2010.The above said transactions has already been reiterated by Rani Sati to SEBI vide its various letters as has been stated in the investigation report.

(f) On 23rd December, 2010, we once again received sum of Rs. 2 crores from Rani Sati as we were in urgent need for funds and the same was in the nature of loan.

(g) We sold the shares allotted to us in the IPO of RPP Infra Projects Ltd. and the proceeds were utilized to provide loans of Rs. 3.10 crores to Fact Enterprise Ltd. on 13th December, 2010 in normal course of business transactions.

(h) Further, a total of Rs. 7.45crores was transferred to Fact Enterprise Ltd (Fact), on 4th December, 2010 and 13th December, 2010 for purchase of property. However, we decided not to purchase the property from Fact and requested them to refund the funds transferred to them so far for property acquisition. Thereupon, Fact initiated refund of all the funds given to it for purchase of property in tranches from 24' December, 2010.

(i) Further, Rs.1.21 crores were also repaid to Syncom on 24th December, 2010. This is to bring to your kind notice that we had taken loan of Rs. 3.21crores from Syncom which was then repaid.

We reiterate that repayment was out of our own funds and Rani Sati or any other entity had nothing to do with these issues.We submit that amount of Rs. 2 crores was transferred to Syncom Formulations Ltd on 23rd December, 2010 as repayment of loans and advances in normal course of business transactions.

20. Fact / noticee 21 submitted its reply to the SCN vide its letter dated July 20, 2017 and on the same day also appeared for personal hearing before the then AO. Subsequently, Fact has also made submissions vide its letter dated January 10, 2019. Pursuant to my appointment as AO in the matter, vide letter dated December 30, 2019, Fact / noticee 21 was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on February 06, 2020. Fact appeared for the hearing on the scheduled date and made submissions, oral and written, mainly reiterating its submissions made vide previous letters. A brief of the submissions made by Fact are given below:

(a) *We have regularly attended and given our say in the RKDL matter. We are a victim and not a conspirator and there was no justification of penalizing us for a fraud done by Comfort securities ltd and RKDL. It was a sad coincidence that comfort securities ltd was a merchant banker of Fact Enterprise ltd preferential warrant issue and RKDL IPO at a overlapping time of both the issue. Comfort securities ltd gave 2 crore to RKDL without my signature and authority and also misused my entire preferential issue and siphon of my entire issue money, for which we have filed police complaints, SFIO , BSE and even to SEBI.*

(b) *SEBI stance of taking FACT ENTERPRISE as a coconspirator is completely wrong. We were defrauded /robbed and cheated. I was depending on Comfort securities ltd to answer the queries of SEBI in RKDL as all the entries was created by them. It was they who delayed there response and even gave a wrong reply, which resulted in SEBI fining us of a One lakh Rs. Nowhere are we responsible in the scam and we are not a participant in the IPO, the money received from*

RKDL is what they have been given from our account by Comfort securities ltd before the issue. I request SEBI to kindly waive off the one lakh fine, we don't have any assets nor any staff. Alternative kindly hold on the fine till my SAT appeal order comes.

21. It is observed that Ranisati / noticee 22 did not respond to any of the notices issued by previous AO. Pursuant to my appointment as AO in the matter, vide letter dated August 06, 2019, Ranisati / noticee 22 was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. However, the hearing notice returned undelivered from the address of Ranisati. Thereafter, hearing notice dated February 12, 2020 was served on Ranisati vide email dated February 13, 2020 at its email address info@rsag.in which was obtained from the website of Ministry of Corporate Affairs (hereinafter referred to as '**MCA**'), granting an opportunity of personal hearing on February 25, 2020. The aforesaid notice was also served on Ranisati by way of affixture. However, it is seen that despite the service of the notices at the address of Ranisati, it failed to appear for personal hearing.

22. Vide letters dated April 25, 2017 and July 28, 2017, Gulistan / noticee 23 was granted opportunities of hearing on June 02, 2017 and August 24, 2017, respectively. Pursuant to my appointment as AO in the matter, vide letter dated December 30, 2019, opportunity to file its submission and appear for personal hearing on February 06, 2020 was granted to Gulistan. The aforesaid hearing notice was served on Gulistan vide email dated January 07, 2020 on its email address rocwork2016@gmail.com (obtained from MCA website). However, Gulistan failed to appear for personal hearing on scheduled date. Subsequently, a hearing notice dated February 12, 2020 granting an opportunity of personal hearing on February 25, 2020 was served on Gulistan by way of email dated February 13, 2020 and affixture also was simultaneously done on February 20, 2020. However, it is seen that despite the service of the notices at the address of Gulistan, it failed to appear for personal hearing and also did not submit any reply to the SCN.

23. It is observed that Albright / noticee 24 did not respond to any of the notices issued by previous AO. Pursuant to my appointment as AO in the matter, vide letter dated August 05, 2019, Albright / noticee 24 was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. However, despite the delivery of the aforesaid letter to the address of Albright, no response was received from it. Subsequently, vide letter dated December 30, 2019, opportunity of personal hearing was granted to Albright on February 06, 2020. However, Albright failed to appear for the hearing on all the occasions.

24. Vibhuti / noticee 25 submitted its reply to the SCN vide its letter dated July 20, 2017. Pursuant to my appointment as AO in the matter, vide letter dated August 05, 2019, Vibhuti was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. However, the notice returned undelivered from the available address of Vibhuti. Thereafter, vide letter dated December 30, 2019, opportunity of personal hearing was granted to Vibhuti on February 06, 2020. However, despite the delivery of the hearing notice on the address of the Vibhuti, it failed to appear for the hearing. Another opportunity of personal hearing was granted to it on February 25, 2020, vide letter dated February 12, 2020, which was also served on the email address of Vibhuti viz. legal.secretarial2013@gmail.com (obtained from the website of MCA). However despite the delivery of hearing notices on the postal address of Vibhuti and also at its email address, it failed to appear for the hearing. Briefly, the submissions made by Vibhuti in response to the SCN are given below:

(a) On 29.12. 2010, we had received Rs 2.25 crores from RKDL. The said amount was paid by RKDL to us as an advance for allotment of shares. Same is also borne out by RKDL's letter dated 18.2.11. Subsequently, since we could not allot the shares of our company, it was mutually decided between the parties that we would be selling them 22, 500 shares @ Rs 1000/- per share of JMD Sounds Ltd against the said amount of Rs 2.25 crores. Further, we may point out that at the relevant time we were not aware of the source of the said

2.25 crores remitted by RKDL to us , i.e. it being part of IPO proceeds etc. in any event the same was of no concern to us also.

(b) *On 29.12.2010, we had transferred Rs. 1.25 crores to Grafton Merchants Pvt Ltd. The said amount was transferred to Grafton Merchants Pvt Ltd in event of purchase of equity shares of M/s. JMD Sounds Limited from Grafton Merchants Pvt Ltd. We are not aware of further transfer of funds by Grafton Merchants Pvt Ltd to others and same is of no concern to us also.*

(c) *On 29.12.2010, we had paid Rs l crore to Albright Electrical Pvt Ltd. The said amount was paid by us to Albright Electrical Pvt Ltd towards refund of advance. We are not aware of further transfer of funds by Albright Electrical Pvt Ltd to others and same is of no concern to us also.*

(d) *It is denied that our Email id was sushilkumarpurohit@rediffmail.com and not dhruvonaravan.jha@redi1fmail.coin as alleged. During the relevant time Mr Dhurvonarayan Jha was our compliance officer. His email id is appearing in our MCA records as he was administering our compliance and filings with MCA.*

(e) *With regard to the common address it is submitted that both the Company operates in the same premises. With regard to the common address it is submitted that the addresses mentioned in here consists of more than 10 offices.*

25. Grafton / noticee 26 submitted its reply to the SCN vide its letter dated July 20, 2017. Pursuant to my appointment as AO in the matter, vide letter dated August 05, 2019, Grafton / noticee 26 was granted an opportunity to make its submission in response to the SCN and appear for personal hearing on September 04, 2019. However, the notice returned undelivered from the available address of Grafton. Thereafter, opportunities of personal hearing were granted to Grafton on February 06, 2020 and February 25, 2020 vide letters dated December 30, 2019 and February 12, 2020, respectively, which were also served on the email address of Grafton viz.

graftonmerchants2019@gmail.com by way of an email dated February 13, 2020 (obtained from the website of MCA). However, despite the service of the hearing notice on the postal address and also on the email address of the Grafton, it failed to appear for the hearing. Briefly, the submissions made by Grafton in response to the SCN are given below:

(a) On 29.12. 2010, we had received Rs. 1.25 crores from Vibhuti Muti Trade Pvt Ltd. The said amount was received by us from Vibhuti Muti Trade Pvt Ltd in event of sale of equity shares of M/s. JMD Sounds Limited to Vibhuti Muti Trade Pvt Ltd. We are not aware of further transfer of funds by RKDL to Vibhuti Muti Trade Pvt Ltd and same is of no concern to us also.

(b) On 29.12. 2010, we had paid Rs. 10 lac to Mintage Solutions Pvt Ltd. The said amount was paid by us to Mintage towards purchase of Shares

26. It is observed that Sukusama / noticee 27 did not respond to any of the notices issued by previous AO. Pursuant to my appointment as AO in the matter, vide letters dated August 05, 2019 and December 30, 2019, Sukusama / noticee 27 was granted opportunities to make its submission in response to the SCN and appear for personal hearings on September 04, 2019 and February 06, 2020 . The aforesaid letters returned unclaimed from the address of Sukusama and no response was received. Therefore, vide letter dated February 12, 2020, a final opportunity of personal hearing was granted to Sukusama on February 25, 2020 which was also served on the email address of Sukusama viz. pkc.mumbai@gmail.com (provided by the investigation department of SEBI and website of MCA) by way of an email dated February 13, 2020. Simultaneously, a paper publication was also done for the hearing notice w.r.t. Sukusama. However, it is seen that Sukusama failed to appear for the hearing.

27. It is observed that Heranba / noticee 28 did not respond to any of the notices issued by previous AO. Pursuant to my appointment as AO in the matter, vide letters dated August 05, 2019 and December 30, 2019, Heranba / noticee 28 was granted opportunities to make its submission in response to

the SCN and appear for personal hearings on September 04, 2019 and February 06, 2020, respectively. As the aforesaid notices returned undelivered from the addresses of Heranba, vide letter dated February 12, 2020, another opportunity of personal hearing was granted to Heranba on February 25, 2020, which was also served on the email address of Heranba viz. pratur@rediffmail.com (obtained from MCA website) by way of an email dated February 13, 2020. Simultaneously, a paper publication was also done for the hearing notice w.r.t. Heranba. However, despite the service of the hearing notice on the email address of the Heranba, and paper publication of the same, it failed to appear for the hearing.

28. It is observed that Gaungour / noticee 29 did not respond to any of the notices issued by previous AO. Pursuant to my appointment as AO in the matter, vide letter dated August 05, 2019, Gaungour / noticee 29 was granted Opportunity to make its submission in response to the SCN and appear for personal hearings on September 04, 2019. As no response was received from Gaungour, vide letter dated February 12, 2020, a final opportunity of personal hearing was granted to Gaungour on February 25, 2020 which was also served on the email address of Gaungour viz. dhruvonarayan.jha@rediffmail.com (obtained from MCA website) by way of an email dated February 13, 2020. However, despite the service of the hearing notice to Gaungour by way of email and also on its postal address, it failed to appear for the hearing.

29. On August 24, 2017, Suvidha / noticee 30 appeared for personal hearing before the then AO and made their submissions in the matter. Vide its letter dated September 12, 2017, it made its detailed submissions in the matter and briefly stated the following:

(a) Suvidha has been taken up by a new management. The present management carried out all the due diligence in order to check the compliance level of the Company and found no past litigations against the Company.

(b) The current management of Suvidha had no connection with CSL, direct or indirect.

(c) At the time of acquisition of Suvidha by new management, Suvidha had no investment in Vibhuti or Radhasoami.

30. Pursuant to my appointment as AO, Vide letters dated August 05, 2019 and December 30, 2019, Suvidha / noticee 30 was granted opportunities to make its submission in response to the SCN and appear for personal hearings on September 04, 2019 and February 06, 2020, respectively. As no response was received from Suvidha, vide letter dated February 12, 2020, opportunity of personal hearing was granted to Suvidha on February 25, 2020 which was also served on the email address of Suvidha viz. v.parasrampuria@gmail.com (as mentioned on the letterhead of Suvidha) by way of an email dated February 13, 2020. However, despite the service of the hearing notice on the email address of Suvidha, it failed to appear for the hearing.

31. Padma / noticee 31 submitted its reply to the SCN vide letter dated August 22, 2017. Pursuant to my appointment as AO in the matter, vide letter dated August 05, 2019, Padma / noticee 31 was granted opportunity to make its submission in response to the SCN and appear for personal hearings on September 04, 2019 and February 06, 2020, respectively, which was also served on the email address of Padma viz. manishtiwari3279@gmail.com (obtained from the website of MCA). As no response was received from Padma, vide letter dated February 12, 2020, opportunity of personal hearing was granted to Padma on February 25, 2020 which was served on Padma on it email address and also by way of affixture at its postal address. However, despite the service of the hearing notice on address of the Padma, it failed to appear for the hearing. Briefly, the submissions made by Padma in response to the SCN are given below:

(a) On 10.12.2010, we had received Rs 2 crores from Radhasoami. The said amount was paid by Radhasoami to us towards loan. Further, we may point out that at the relevant time we were not aware of the source of the said 2 crore remitted by Radhasoami to us , i.e. it being part of IPO proceeds etc. In any event the same was of no concern to us also.

(b) On 12.12.2010, we had in the ordinary course, made an application seeking allotment of shares in the IPO of RKDL, wherein we had remitted an amount of around Rs. 5.25 crores for application of 8,20,300 shares,, to the Escrow Account of RKDL. Making applications seeking allotment of shares in IPO is not something abnormal and unusual. The said transaction was a genuine and bonafide transaction. Subsequently, post pro rata allotment, we were allotted 230,359 shares only (against 8,20,300 shares applied for) and we received refund for an amount of Rs 377,56,224/- on 18.12.2010 .Based on the said fund transfers for the purpose of seeking allotment of shares in IPO , no adverse inferences can be drawn against us .

(c) On 24. 12. 2010, we had paid Rs. 4 crore to our broker viz Comfort Securities Ltd ("CSL")- with whom we are registered as a client since the year 2008, for buying the shares of RKDL on the day of listing. On 27.12.2010 , we had done trading in the shares of RKDL through CSL, wherein, we had bought 13,56,786 shares and sold 10,71,786 shares in the ordinary course . The copy of the bill is enclosed at Annexure 1. Merely because we have traded in the shares of RKDL adverse inferences have been drawn against us. Further, we may point out that our relationship with CSL was limited and restricted to that of a client and broker and nothing beyond it. Based on the alleged conduct of CSL no adverse inference can be drawn against us and burden of their violations cannot be fastened on to us.

(d) This email id belongs to a Chartered Accountant who was carrying out work related to MCA filing, hence this cannot be the basis for establishing our connection with other entities. It may be appreciated that the email id of a professional is normally quoted in MCA to avoid any kind of delay in regulatory compliances/ queries received from MCA. Therefore, it is denied that we are connected to BLC Trading, Bhrosemand Commodities Pvt. Ltd, Padma Impex, Sukusama Trading and Ranisati Dealer in any manner directly/ indirectly.

(e) It is submitted that Ranisati dealers was our shareholder and they did not exercise any control over us. They were holding it as an investment in the ordinary course and based on the same no adverse can be drawn against us just for the above. We deny that we are connected to Ranisati Dealers in any manner directly/ indirectly.

(f) The said fund was receivgd as share application money and since the shares were not allotted, same was returned back within due course. Hence, we deny that Syncom Formulations had made investments in the equity shares of Padma Impex and further deny that we are connected to Syncom Formulations in any manner directly/ indirectly.

(g) The funds received/ transferred from /to Annu Agrawal (Wife of Anil Agrawal and director of CIL and CSL), Anil Agrawal (director of CIL and CSL), Syncom Formulations, Fact Enterprise, Ranisati Dealer, Prefer Abasan are concerned the same were received/ transferred during urgent need of funds, the funds were borrowed/transferred for a short duration and were returned/received ranging from 3 days to around 3 months' time.

(h) The shares were received from them by mistake and on realising the same, the shares were immediately returned back to them, hence, no adverse inference may be drawn against us. We deny that we are connected to Bunnings Trade Link and Padma Impex directly/ indirectly in any manner.

32. Ramanand & Associates / noticee 32 vide their letter dated November 21, 2016 had submitted their reply to the SCN. Subsequently, personal hearing was conducted for Ramanand before the then AO on May 23, 2017. Pursuant to my appointment as AO in the matter, Ramanand was granted another opportunity to make additional submissions and appear for personal hearings on February 06, 2020 vide letter dated December 27, 2019. Ramanand & Associates vide their email dated February 05, 2020 submitted their reply letter dated February 01, 2020 and requested that the matter may

be decided on the basis of its written response. Briefly, the submissions made by noticee 32 are as given below:

(a) *As far as question of utilization is concerned, the same was within the purview of Board of Directors according to disclosures given in the Prospectus and the payment of Rs. 21.90 Crores was made vide agreement dated January 17. 2011 with RKPL for purchase of immovable properties, development of land for expansion of manufacturing facilities in Tamilnadu*

(b) *Out of the Total IPO Proceeds of Rs. 73.60 crore, the total amount of Rs. 29.83 crore paid to various companies as advances. At the time of finalization of our Audit Report for the Financial Year 2010-2011, we took strong objection for showing the above amount of Rs. 29.83 crore as utilized under the head incremental working capital as neither any Purchase Order had been executed nor any material transaction had happened till 31-03-2011.*

(c) *Further, we asked the Company to furnish us Balance Confirmation Certificates from all the above parties. The Letters asking for Balance Confirmation were posted on the addresses available with the company by 'Registered Post Acknowledgement Due' (RPAD). Further, the Company furnished us the Balance Confirmation Certificates, received from above parties on which no company seal was affixed as pointed out during investigation. However, as the Payments to those parties were made by Cheques and as the copies of Balance Confirmation Certificates were furnished to us, we had sufficient audit evidence in our hand to substantiate disclosure of payment to those parties as 'Advances to Suppliers'.*

(d) *Please note that, the Board had flexibility for Composition, Timing and Utilisation of Issue Proceeds in terms of above disclosure in Prospectus. Thus, it was within the purview of Board of Directors to Pay Advance to Suppliers as one of the objectives of Public Issue was to finance incremental Working Capital Requirements and Project Expansion.*

33. It is observed from the above paragraphs that the principles of natural justice has been complied with for all the noticees and they were given adequate opportunities to submit their response to the SCN and appear for the hearing. However, due to the fact that several of the notices returned undelivered or unclaimed from the addresses of the noticees available on record, attempts were made to serve notices to them at their alternate address or by other means such as, emails, affixture and newspaper publication, which prolonged the current proceedings. The investigation in the instant case was completed in the month of January 2016. Thereafter, Adjudication was initiated vide order dated May 12, 2016 and the SCN was issued in this matter on September 30, 2016. However, despite the delivery of SCN at the addresses of all the noticees by different modes (in accordance with the AO rules), certain noticees failed to submit response to the SCN and also failed to appear for the personal hearing. Pursuant to my appointment as AO in the matter in the month of March 2019, the noticees were given opportunities to make representations in the matter. It is seen that despite the delivery of SCNs and hearing notices, certain noticees failed to make submission before the AO. As there are 32 noticees involved, ensuring the service of notices to each one of them, which on several occasions had to be done by way of affixture or newspaper publication, has taken considerable time. Due care has been taken w.r.t compliance of natural justice principles, in providing sufficient opportunities to such noticees, both for replying to the notices and for oral hearing. In this regard, the following table gives the status of SCNs delivery, response from all the noticees, in this matter.

Noticee no.	**Noticee Name**	**SCN delivered**	**Reply Received**	**Hearing notice delivered**	**Final Hearing**
1	RKDL	Delivered	November 17, 2016, May 17, 2017, May 25, 2017, January 30, 2020	Delivered	Hearing on February 06, 2020
2	R V Ravikumar	Delivered			
3	R. Amirthavalli	Delivered			
4	S. Vijayalakshmi	Delivered			
5	Badrinath S. Gandhi	Delivered			
6	Popatlal Kathariya	Delivered			
7	K S M Rao	Delivered			

8	Ashok Shetty	Delivered			
9	RPPL	Delivered			
10	CSL	Delivered	May 31, 2017 & March 18, 2020	Delivered	Hearing on February 25, 2020
11	Anil B. Agrawal	Delivered	May 31, 2017 & March 18, 2020	Delivered	Hearing on February 25, 2020
12	Bharat N. Shiroya	Delivered	May 31, 2017, March 11 & 18, 2020	Delivered	Hearing on February 25, 2020
13	Annu Anil Agrawal	Delivered	May 31, 2017 & March 18, 2020	Delivered	Hearing on February 25, 2020
14	Jugal C. Thacker	Delivered	May 31, 2017, March 09 & 18, 2020	Delivered	Hearing on February 25, 2020
15	Amit Kumar Khemka	Delivered	May 31, 2017 & March 18, 2020	Delivered	Hearing on February 25, 2020
16	Chandrakala Purohit	Delivered	May 25, 2017	Delivered by Post	August 24, 2017 before then AO. (Entity did not attend hearing before current AO)
17	Sarthak Vijlani	Delivered	February 24, 2020	Delivered	September 04, 2019
18	CIL	Delivered	Reply dated July 26, 2017	Delivered	Hearing on February 25, 2020
19	Radhasoami	Delivered	February 17, 2020	Delivered	Hearing on February 06, 2020
20	BLC	Delivered	Reply dated September 06, 2017	Delivered by email & paper publication.	Entity has not attended hearing
21	Fact	Delivered	Reply dated July 20, 2017, January 10, 2019.	Delivered	Hearing on February 06, 2020
22	Ranisati	Delivered on August 10 & 12, 2017 (Affixture)	No reply received from the entity	Delivered by email & affixture.	Entity has not attended hearing
23	Gulistan	Delivered on July 10, 2017 (Post)	No reply received from the entity	Delivered by email & affixture.	Entity has not attended hearing
24	Albright	Delivered on July 10, 2017 (Post)	No reply received from the entity	Delivered by post.	Entity has not attended hearing
25	Vibhuti	Delivered	Reply dated July 20, 2017	Delivered by email and post.	Entity has not attended hearing
26	Grafton	Delivered	Reply dated July 20, 2017	Delivered by email and post.	Entity has not attended hearing

27	Sukusama	Delivered on July 07, 2017 (Post)	No reply received from the entity	Delivered by email & paper publication.	Entity has not attended hearing
28	Heranba	Delivered on July 28, 2017 (Post)	No reply received from the entity	Delivered by email & paper publication.	Entity has not attended hearing
29	Gaungour	Delivered on August 14, 2017 (Post)	No reply received from the entity	Delivered by email, hand delivery and post.	Entity has not attended hearing
30	Suvidha	Delivered	Reply dated September 12, 2017	Delivered by email	August 24, 2017 before then AO. (Entity did not attend hearing before current AO)
31	Padma	Delivered	Reply dated August 22, 2017	Delivered by email & affixture	Entity has not attended hearing
32	Ramanand	Delivered	Reply received November 21, 2016 & February 05, 2020.	Delivered by email	Entity requested to decide matter on basis of written submissions

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

34. I have carefully perused the charges leveled against the Noticees, their replies and the documents / material available on record. The issues that arise for consideration in the present case are-

A. What are the connections that exist among the noticees with one another?

B. Whether RKDL, directors of RKDL, CSL, directors of CSL and the entities connected/associated with CSL acted in collusion with one another to siphon off Rs. 33.83 crore out of the total proceeds of Rs. 73.60 crore of the IPO of RKDL by layering the transactions, prior and post the IPO, thereby violating provisions of the SEBI Act, and PFUTP Regulations, as alleged in the SCN?

C. Whether CSL, directors of CSL, RKDL and directors of RKDL, are responsible for making wrong statements and not making full disclosures in the Prospectus of the IPO Offer of RKDL and also in

the annual report of FY 2010-11, thereby violating provisions of the SEBI Act, PFUTP Regulations, ICDR Regulations and Merchant Banker Regulations, as alleged in the SCN?

D. Whether RKDL, directors of RKDL and auditor of RKDL viz. Ramanand & Associates made mis-statement in the Annual Report of RKDL for the FY 2010-11 with regard to utilization of proceeds from IPO issue to cover-up the siphoning of funds of IPO proceeds of RKDL, thereby violating the provisions of the SEBI Act and PFUTP Regulations?

E. Whether the promoters and promoter group entities of RKDL pledged their locked-in shares with one of the entities connected to CSL, which was not a scheduled commercial bank or public financial institution, thereby violating the provisions of Regulations 39 of ICDR Regulations?

F. Do the violations of the Noticees, once determined, attract monetary penalty under sections 15HA and 15HB of the SEBI Act, as applicable? If so, what would be the monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15 J of the SEBI Act?

35. Before proceeding further, I would like to refer to the relevant provisions of the SEBI Act, PFUTP Regulations, Merchant Banker Regulations and ICDR Regulations, alleged to have been violated by the Noticees, as below:

- ***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;*

- ***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;*

(b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

(c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

(f)*publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*

(k) *an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;*

- ***ICDR Regulations***

8. Documents to be submitted before opening of the issue.

(2) *The lead merchant bankers shall submit the following documents to the Board after issuance of observations by the Board or after expiry of the period stipulated in sub-regulation (2) of regulation 6 if the Board has not issued observations:*

(b) *a due diligence certificate as per Form C of Schedule VI, at the time of registering the prospectus with the Registrar of Companies;*

(e) *a due diligence certificate as per Form D of Schedule VI, immediately before the opening of the issue, certifying that necessary corrective action, if any, has been taken;*

(f) *a due diligence certificate as per Form E of Schedule VI, after the issue has opened but before it closes for subscription.*

Pledge of locked-in specified securities

39*. Specified securities held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:*

(a) *if the specified securities are locked-in in terms of clause (a) ofregulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;*

(b) *if the specified securities are locked-in in terms of clause (b) of regulation 36 and the pledge of specified securities is one of the terms of sanction of the loan*

57. (1) *The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take aninformed investment decision.*

57. (2)*Without prejudice to the generality of sub-regulation (1):*

(a)*the red-herring prospectus, shelf prospectus and prospectus shall contain:*

(i) *the disclosures specified in Schedule II of the Companies Act, 1956; and*

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

60. (4)*The issuer shall make prompt, true and fair disclosure of all material developments which take place during the following period mentioned in this sub-regulation, relating to its business and securities and also relating to the business and securities of its subsidiaries, group companies, etc., which may have a material effect on the issuer, by issuing public notices in all the newspapers in which the issuer had issued pre-issue advertisement under regulation 47 or regulation 55, as the case may be:*

(a) *in case of public issue, between the date of registering finalprospectus or the red herring prospectus, as the case may be, with the Registrar of Companies, and the date of allotment of specified securities;*

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

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

SCHEDULE VIII

DISCLOSURES IN OFFER DOCUMENT, ABRIDGED PROSPECTUS AND ABRIDGED LETTER OF OFFER

PART A

DISCLOSURES IN RED HERRING PROSPECTUS, SHELF PROSPECTUS AND PROSPECTUS

(2)

(IV) Risk Factors:

(H) *The disclosures of Risk factors shall include, where applicable, thefollowing:*

(24) *A summary of the outstanding litigations, disputes, non-payment of statutory dues, overdues to banks or financial institutions, defaults against banks or financial institutions, contingent liabilities not provided for, the details of proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board or recognised stock exchanges, etc., pertaining*

to the issuer, promoter and wholetime directors of the issuer and group companies, along with the nature of the litigation, quantum of fundsinvolved, with a cross reference to the page where the detaileddisclosures have been made in the offer document. If any the above mentioned litigations, etc., arise after the filing the draft offer document,the facts shall be incorporated appropriately in the offer document.

(VII) Particulars of the Issue:

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

(A) Outstanding Litigations and Material Developments:

(1)*Outstanding litigations involving the issuer:*

(h) *The information regarding pending litigations, defaults, non-payment of statutory dues, proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board or stock exchanges against the issuer or its directors shall be appropriately disclosed under this head andas risk factor(s);*

(3) *Outstanding litigations involving the promoter and group companies:*

(a) *In case of an issuer not being a Government company, statutory authority or corporation or any special purpose vehicle set up by any of them, all pending litigations in which the promoters are involved, defaults to the financial institutions or banks, non-payment of statutory dues and dues towards instrument holders such as debt instrument holders, fixed deposits and arrears on cumulative preference shares, by the promoters and group companies, together with the amounts involved and the present status of such litigations or defaults and the details of proceedings initiated for economic offences or civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board or recognised stock exchanges against the promoters and group companies. The likely adverse effect of these litigations, defaults, etc. on the financial performance of the issuer shall also be mentioned*

(5) *Material developments since the last balance sheet date.*

(XVI) Other Information:

(B) Declaration:

(2) *The signatories shall further certify that all disclosures made in theoffer document are true and correct.*

Due diligence.

64. (1) *The lead merchant bankers shall exercise due diligence and satisfy himself about all the aspects of the issue including the veracity and adequacy of disclosure in the offer documents*

- ***Merchant Banker Regulations***

Code of conduct.

13. *Every merchant banker shall abide by the Code of Conduct as specified in Schedule III.*

Schedule III

CODE OF CONDUCT FOR MERCHANT BANKERS

1. *A merchant banker shall make all efforts to protect the interests ofinvestors.*

2. *A merchant banker shall maintain high standards of integrity, dignity and fairness in the conduct of its business.*

3. *A merchant banker shall fulfil its obligations in a prompt, ethical, andprofessional manner.*

4. *A merchant banker shall at all times exercise due diligence, ensureproper care and exercise independent professional judgment.*

6. *A merchant banker shall ensure that adequate disclosures are made to the investors in a timely manner in accordance with the applicable regulations and guidelines so as to enable them to make a balanced and informed decision.*

7. *A merchant banker shall endeavour to ensure that the investors areprovided with true and adequate information without making anymisleadingor exaggerated claims or any misrepresentation and are made aware of the attendant risks before taking any investment decision.*

21.*A merchant banker shall maintain an appropriate level of knowledgeand competence and abide by the provisions of the Act, regulations made thereunder, circulars and guidelines, which may be applicable and relevant to the activities carried on by it. The merchant banker shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.*

A. What are the connections that exist among the noticees with one another?

36. Let me deal with the issue of connection among the noticees among themselves and with other entities associated with CSL, as the same is necessary for establishing the charges alleged against the noticees in the SCN.

37. R V Ravikumar / noticee 2, Mrs. R Amirthavalli / noticee 3, S. Vijayalakshmi / noticee 4 / Badrinath S. Gandhi / noticee 5, Popatlal Kathariya / noticee 6, K S M Rao / noticee 7 and Ashok Shetty / noticee 8 were the directors of RKDL at the time of IPO issue. R V Ravikumar / noticee 2 and RPPL / noticee 9 were the promoters of RKDL at the time of IPO issue.

38. CSL / noticee 10 was appointed as the Book Running Lead Manager to the IPO issue of RKDL. The companies and persons listed in the table below are directly associated with CSL. The connection of the noticees among themselves and few of the other entities involved in the alleged dealings is given in table below

Name of the entity	Basis of connection/ relationship with other entities
BLC Trading And Agencies Private Limited	• E-mail Id of BLC, as per Form 23AC for FY ended March 2007 as obtained from MCA records, is comfortin@vsnl.com. This same e-mail Id is that of CIL, as per Form 23AC for FY ended March 2007. • Form 20B and Form 23AC of BLC for FY ended March 2008 has been certified by Anil B Agrawal (who is common director of CSL and CIL). • BLC, Bhrosemand Commodities Pvt. Ltd (hereinafter referred to as '**Bhrosemand**') which was erstwhile promoter of Splash Media Infra Ltd (hereinafter referred to as '**Splash Media'**), Padma, Sukusama and Ranisati are/ were having the same e-mail Id viz., pkc.mumbai@gmail.com, as per MCA records. • BLC received/ transferred funds from/to Aqua Trading Company (hereinafter referred to as '**Aqua'**) and Suvidha. • As per submissions of BLC and Syncom (India) Ltd (hereinafter referred to as '**Syncom'**), Syncom had granted short term advance to BLC with no interest. Further, Syncom also made an application to BLC for subscription of 1.10 lakh shares of BLC. • While BLC has submitted that it had given Rs 3.51 crore to Ranisati as advances, no interest has been charged in respect of transactions between them. • As per Annual Report of Fact for FY 2011-12, Fact had given long term loans & advances to BLC. • Mukesh P Chouhan, director of BLC transferred funds to Gaungour.
Ranisati Dealer Private Limited	• BLC, Bhrosemand, Padma, Sukusama and Ranisati are/ were having the same e-mail Id viz., pkc.mumbai@gmail.com, as per MCA records.

	• Fact had allotted convertible warrants through preferential offer to Anil Agrawal HUF, Sukusama and Ranisati. Pursuant to conversion of warrants on 16/05/2010 and 24/05/2010, each of these entities were holding 13.095% share capital of Fact. • Heading of the Annual Return form of Ranisati, filed pursuant to AGM dated Sep 29, 2012, is given as "Annual Return of Sukusama & Investments Private Limited". • As on Sep 30, 2010 and Sep 30, 2011, Ranisati was holding 15.73% shares of Padma. • While BLC has submitted that it had given Rs 3.51 crore to Ranisati as advances, no interest has been charged in respect of transactions between them. • Ranisati received/ transferred funds from/to Padma and Suvidha. • Rasika Sakpal, director of Ranisati received/ transferred funds from/to S5 Trading Pvt. Ltd (hereinafter referred to as 'S5 Trading'), Gaungour, Aqua, Bunnings Trade Link and Scan Infrastructure.
Gulistan Vanijya Pvt Ltd	• Rajendra Kumar Kothari is common director of Gulistan, Neha Cassettes, Jai Ambe Cassettes and Neelkanth Commodities. • Sarbeswar Parida is/was common director of Gulistan, Bhrosemand, Neelkanth Commodities (cessation on June 04, 2010) and Gaungour. • Gulistan, Gaungour, Albright, Grafton, Suvidha, Unisys Softwares, Jai Ambe Cassettes, Matrix Systel, Mintage Solutions, Neha Cassettes, Scan Infrastructure, Vibhuti and Neelkanth Commodities are/ were having the same e-mail Id, viz., dhruvonarayan.jha@rediffmail.com, as per MCA records. • Address of Gulistan, Unisys Softwares and JMD Sounds is same, viz., 75/C Park Street, Kolkata, West Bengal- 700016. • JMD Sounds, Gulistan Vanijya and Suvidha were shareholders of Vibhuti as on Sep 29, 2009. • Gulistan received/ transferred funds from/ to Grafton, J M D Sounds, Gaungour Suppliers, Matrix Systel, Unisys Softwares, Scan Infrastructure, Neelkanth Commodities and Jai Ambe Cassettes. • As submitted by Prefer Abasan Pvt. Ltd (hereinafter referred to as **'Prefer Abasan**'), it had taken loan of Rs 3 crore from Gulistan, but no loan agreement was entered by it and no interest was paid by it to Gulistan. Therefore, Prefer Abasan and Gulistan are connected entities.
Gaungour Suppliers Private Limited	• Sarbeswar Parida is/was common director of Gulistan, Bhrosemand, Neelkanth Commodities and Gaungour. • Gulistan, Gaungour, Albright, Grafton, Suvidha, Unisys Softwares, Jai Ambe Cassettes, Matrix Systel, Mintage Solutions, Neha Cassettes, Scan Infrastructure, Vibhuti and Neelkanth Commodities are/ were having the same e-mail Id, viz., dhruvonarayan.jha@rediffmail.com, as per MCA records. • Puspal Chandra is common director of Scan Infrastructure and Gaungour. • Address of Grafton, Albright, Bhrosemand, Neha Cassettes, Jai Ambe Cassettes, Puspal Chandra (director of Gaungour and Scan Infrastructure) and Dhruva Narayan Jha (director of Scan Infrastructure and Albright) is/ was same, viz., P-27 Princep Street, 3rd Floor, Kolkata, West Bengal- 700072.

	• As per Annual Report of Fact for FY 2011-12, Fact had given long term loans & advances to Gaungour. • Gaungour received/ transferred funds from/ to Gulistan, CIL, S5 Trading, Scan Infrastructure, Rasika Sakpal (director of Ranisati), Fact, Mukesh P Chouhan (director of BLC) and Neha Cassettes.
Heranba Finvest Services Pvt Ltd	• As per Annual Report of Fact for FY 2011-12, an amount of Rs 2.75 crore as at March 31, 2011 and March 31, 2012 is shown as long term loans & advances given by Fact to Heranba.
Fact Enterprise Limited	• Fact had allotted convertible warrants through preferential offer to Anil Agrawal HUF, Sukusama and Ranisati. Pursuant to conversion of warrants on 16/05/2010 and 24/05/2010, each of these entities were holding 13.095% share capital of Fact. • As per Annual Report of Fact for FY 2011-12, Fact has given long term loans & advances to BLC, Gaungour, Heranba Finvest, Padma and Suvidha. • Fact received/ transferred funds from/ to Gaungour, Padma and Heranba. • Fact has submitted that Mr Anil Agrawal (director of CSL and CIL) is their financial consultant, and entire preferential share application money was solicited and arranged by him. • Rajiv Kashyap (director of Fact) received funds from Splash Media.
Sukusama Trading and Investments Private Limited	• Amit Kumar Khemka, director of CSL and brother-in-law of Anil Agrawal, was director of Sukusama (during 02/08/2007 to 06/02/2010). Further, Amit Kumar Khemka was also holding shares of Sukusama as on Sep 30, 2010 and Sep 29, 2012. • E-mail Id of Sukusama, as per Form 32 filed on Aug 06, 2010 and Sep 03, 2010, is amit@comfortsecurities.co.in. Further, Form 32 of Sukusama, filed pursuant to Board resolution dated Aug 02, 2007, for appointment of Monika Khemka and Amit Kumar Khemka, has been certified by Anil B Agrawal. • Onesource Business Services Pvt Ltd and Maheswari Finance Co. Pvt Ltd were the common shareholders of Sukusama (as on Sep 30, 2010 and Sep 29, 2012) and Radhasoami (as on Sep 30, 2009). Further, Jhunjhunwala Marketing & Services Pvt Ltd was common shareholder of Sukusama (as on Sep 30, 2010 and Sep 29, 2012) and Radhasoami (as on Sep 30, 2009 and Sep 26, 2011). • BLC, Bhrosemand Commodities (erstwhile promoter of Splash Media), Padma, Sukusama and Ranisati Dealer are/ were having the same e-mail Id viz., pkc.mumbai@gmail.com, as per MCA records. • Fact had allotted convertible warrants through preferential offer to Anil Agrawal HUF (director of CSL and CIL), Sukusama and Ranisati Dealer. Pursuant to conversion of warrants on 16/05/2010 and 24/05/2010, each of these entities were holding 13.095% share capital of Fact Enterprise. • Heading of the Annual Return form of Ranisati Dealer, filed pursuant to AGM dated Sep 29, 2012, is given as "Annual Return of Sukusama & Investments Private Limited". • Kailash Chandra Sharma was common director of Splash Media (16/03/2010 to 30/05/2014) and Sukusama (10/04/2010 to 24/06/2011). Further, address of Sukusama (as per PNB A/c no. 1218002100031478 statement) and Splash Media (as per are Union Bank of India A/c no. 317904010060458 statment) is same, viz., Pyarelal Bldg, Near Infant Jesus School, Chincholi Bunder Road, Malad (W), Mumbai - 400064.

Splash Media & Infra Ltd	• Kailash Chandra Sharma was common director of Splash Media (16/03/2010 to 30/05/2014) and Sukusama (10/04/2010 to 24/06/2011). Further, address of Sukusama (as per PNB A/c no. 1218002100031478 statement) and Splash Media (as per are Union Bank of India A/c no. 317904010060458 statment) is same, viz., Pyarelal Bldg, Near Infant Jesus School, Chincholi Bunder Road, Malad (W), Mumbai - 400064. • BLC, Bhrosemand, Padma, Sukusama and Ranisati are/ were having the same e-mail Id viz., pkc.mumbai@gmail.com, as per MCA records. • Sarbeswar Parida is/was common director of Gulistan, Neelkanth Commodities (cessation on 04/06/2010) and Gaungour. • Address of Grafton, Albright, Bhrosemand, Neha Cassettes, Jai Ambe Cassettes, Puspal Chandra (director of Gaungour and Scan Infrastructure) and Dhruva Narayan Jha (director of Scan Infrastructure and Albright) is/ was same, viz., P-27 Princep Street, 3rd Floor, Kolkata, West Bengal- 700072. • As per balance sheet of Syncom as at March 31, 2011, Syncom had made investments in the equity shares of Bhrosemand. • As per balance sheet of Prefer Abasan as at March 31, 2011, Bhrosemand and Padma are shown as sundry debtors. • Splash Media transferred funds to Rajiv Kashyap (director of Fact).
Vibhuti Muti Trade Private Limited	• JMD Sounds, Gulistan and Suvidha were shareholders of Vibhuti as on Sep 29, 2009. • E-mail Id of Vibhuti is sushilkumarpurohit@rediffmail.com, and Sushil Kumar Purohit is director of Unisys Softwares. • Gulistan, Gaungour, Albright, Grafton, Suvidha, Unisys Softwares, Jai Ambe Cassettes, Matrix Systel, Mintage Solutions, Neha Cassettes, Scan Infrastructure, Vibhuti and Neelkanth Commodities are/ were having the same e-mail Id, viz., dhruvonarayan.jha@rediffmail.com, as per MCA records. • Vibhuti and Mintage Solutions have common address viz., B - 12, Jai Durga Co-Op. Hsg. Society Ltd., Cabin Road, Bhayender East, Bhayender, Maharashtra-401105. • Ramavatar Prajapati is/ was common director of Vibhuti (during 22/12/2006 to 20/01/2011), Matrix Systel (during 12/08/2008 to 04/01/2011) and Mintage Solutions. • Address of Suvidha (as per Kotak Mahindra Bank A/c no. 09612000003224 statement), Matrix Systel and Ramavatar Prajapati (director of Vibhuti (during 22/12/2006 to 20/01/2011), Matrix Systel (during 12/08/2008 to 04/01/2011) and Mintage Solutions) is/ was same, viz., 105 Sagar Shopping Center, J P Road, Andheri West, Mumbai- 400 058. • Vibhuti received/ transferred funds from/ to J M D Sounds, Unisys Softwares, Matrix Systel, Comfort Intech.
Comfort Securities Ltd & Comfort Intech Ltd	• E-mail Id of BLC, as per Form 23AC for FY ended March 2007 as obtained from MCA records, is comfortin@vsnl.com. This same e-mail Id is that of CIL, as per Form 23AC for FY ended March 2007. • Form 20B and Form 23AC of BLC Trading for FY ended March 2008 has been certified by Anil B Agrawal.

	• Fact had allotted convertible warrants through preferential offer to Anil Agrawal HUF, Sukusama and Ranisati Dealer. Pursuant to conversion of warrants on 16/05/2010 and 24/05/2010, each of these entities were holding 13.095% share capital of Fact. • Fact has submitted that Mr Anil Agrawal (director of CSL and CIL) is their financial consultant, and entire preferential share application money was solicited and arranged by him. • Amit Kumar Khemka, director of CSL and brother-in-law of Anil Agrawal, was director of Sukusama (during 02/08/2007 to 06/02/2010). Further, Amit Kumar Khemka was also holding shares of Sukusama as on Sep 30, 2010 and Sep 29, 2012. • E-mail Id of Sukusama, as per Form 32 filed on Aug 06, 2010 and Sep 03, 2010, is amit@comfortsecurities.co.in. Further, Form 32 of Sukusama, filed pursuant to Board resolution dated Aug 02, 2007, for appointment of Monika Khemka and Amit Kumar Khemka, has been certified by Anil B Agrawal. • Chandrakala Purohit (director of CSL) is daughter of and also has same address viz., 6/1, Bijoy Mukherjee Lane, Kolkata- 700025 as that of Jagadish Prasad Purohit (director of Scan Infrastructure, Unisys Softwares, Suvidha). • Further, Chandrakala Purohit has common address, viz., 6/1, Bijoy Mukherjee Lane, Kolkata- 700025 with Anil Kumar Purohit (director of Scan Infrastructure, Albright, Suvidha), Sushil Kumar Purohit (director of Unisys Softwares), Kailash Prasad Purohit (director of JMD Sounds, Unisys Softwares (during 06/12/1996 to 20/02/2010), Neha cassettes, Jaiambe Cassettes, Scan Infrastructure), Pawan Kumar Purohit (director of JMD Sounds) and Bal Chand Purohit (director of JMD Sounds). • CSL was Lead Manager to Rights issue of Syncom. Syncom has submitted that CSL also advised them on preferential issue. CSL was also Manager to the open offer wherein Target Company was Syncom. • Off market transfer between CSL and Syncom in the scrip of RKDL. • Anil Agrawal transferred funds to Padma. • Annu Agrawal (wife of Anil Agrawal and director of CIL and CSL) received/ transferred funds from/ to Suvidha, Padma. • Uday P Shah received funds from CIL.
Grafton Merchant Pvt.Ltd	• Gulistan, Gaungour, Albright, Grafton, Suvidha, Unisys Softwares, Jai Ambe Cassettes, Matrix Systel, Mintage Solutions, Neha Cassettes, Scan Infrastructure, Vibhuti and Neelkanth Commodities are/ were having the same e-mail Id, viz., dhruvonarayan.jha@rediffmail.com, as per MCA records. • Address of Grafton, Albright, Bhrosemand, Neha Cassettes, Jai Ambe Cassettes, Puspal Chandra (director of Gaungour and Scan Infrastructure) and Dhruva Narayan Jha (director of Scan Infrastructure and Albright) is/ was same, viz., P-27 Princep Street, 3rd Floor, Kolkata, West Bengal- 700072. • Raj Kumar Purohit was common director of Grafton (cessation on 18/03/2010), Albright, Brijdham Dealcom. • Albright and JMD Sounds were shareholders of Grafton as on Sep 30, 2009.

	• Grafton received/ transferred funds from/ to JMD Sounds, Unisys Softwares, Gulistan, Matrix Systel, Albright, Neelkanth Commodities, Jaiambe Cassettes and Neha Cassettes.
Albright Pvt Ltd	• Gulistan, Gaungour, Albright, Grafton, Suvidha, Unisys Softwares, Jai Ambe Cassettes, Matrix Systel, Mintage Solutions, Neha Cassettes, Scan Infrastructure, Vibhuti and Neelkanth Commodities are/ were having the same e-mail Id, viz., dhruvonarayan.jha@rediffmail.com, as per MCA records. • Address of Grafton, Albright, Bhrosemand, Neha Cassettes, Jai Ambe Cassettes, Puspal Chandra (director of Gaungour and Scan Infrastructure) and Dhruva Narayan Jha (director of Scan Infrastructure and Albright) is/ was same, viz., P-27 Princep Street, 3rd Floor, Kolkata, West Bengal- 700072. • Chandrakala Purohit has common address, viz., 6/1, Bijoy Mukherjee Lane, Kolkata- 700025 with Anil Kumar Purohit (director of Scan Infrastructure, Albright, Suvidha), Sushil Kumar Purohit (director of Unisys Softwares), Kailash Prasad Purohit (director of JMD Sounds, Unisys Softwares (during 06/12/1996 to 20/02/2010), Neha cassettes, Jaiambe Cassettes, Scan Infrastructure), Pawan Kumar Purohit (director of JMD Sounds) and Bal Chand Purohit (director of JMD Sounds). • Raj Kumar Purohit was common director of Grafton (cessation on 18/03/2010), Albright, Brijdham Dealcom. • Albright and JMD Sounds were shareholders of Grafton as on Sep 30, 2009. • Dhruva Narayan Jha is/ was common director of Albright and Scan Infrastructure. • Albright received/ transferred funds from/ to Scan Infrastructure, Grafton.
Suvidha Securities Private Limited	• Chandrakala Purohit is daughter of and also has same address viz., 6/1, Bijoy Mukherjee Lane, Kolkata- 700025 as that of Jagadish Prasad Purohit (director of Scan Infrastructure, Unisys Softwares, Suvidha). • Further, Chandrakala Purohit has common address, viz., 6/1, Bijoy Mukherjee Lane, Kolkata- 700025 with Anil Kumar Purohit (director of Scan Infrastructure, Albright, Suvidha Securities), Sushil Kumar Purohit (director of Unisys Softwares), Kailash Prasad Purohit (director of JMD Sounds, Unisys Softwares (during 06/12/1996 to 20/02/2010), Neha cassettes, Jaiambe Cassettes, Scan Infrastructure), Pawan Kumar Purohit (director of JMD Sounds) and Bal Chand Purohit (director of JMD Sounds). • Gulistan, Gaungour, Albright, Grafton, Suvidha, Unisys Softwares, Jai Ambe Cassettes, Matrix Systel, Mintage Solutions, Neha Cassettes, Scan Infrastructure, Vibhuti Muti Trade and Neelkanth Commodities are/ were having the same e-mail Id, viz., dhruvonarayan.jha@rediffmail.com, as per MCA records. • JMD Sounds, Gulistan and Suvidha were shareholders of Vibhuti as on Sep 29, 2009. • Suvidha and Unisys Softwares were shareholders of Radhasoami as on Sep 30, 2009. Further, Neha Cassettes and Matrix Systel were shareholders of Radhasoami as on Sep 26, 2011. • Address of Suvidha (as per Kotak Mahindra Bank A/c no. 09612000003224 statement), Matrix Systel and Ramavatar Prajapati (director of Vibhuti (during 22/12/2006 to 20/01/2011), Matrix Systel (during 12/08/2008 to 04/01/2011) and Mintage Solutions) is/ was same, viz., 105 Sagar Shopping Center, J P Road, Andheri West, Mumbai- 400 058.

	• As per Annual Report of Fact Enterprise for FY 2011-12, Fact had given long term loans & advances to Suvidha. • Suvidha received/ transferred funds from/ to Annu Agrawal (wife of Anil Agrawal and director of CIL and CSL), BLC, Luharuka Export Pvt Ltd (promoter and promoter group of CSL and CIL).
Padma Impex Private Limited	• BLC, Bhrosemand, Padma, Sukusama and Ranisati are/ were having the same e-mail Id viz., pkc.mumbai@gmail.com, as per MCA records. • As on Sep 30, 2010 and Sep 30, 2011, Ranisati was holding 15.73% shares of Padma. • As per balance sheet of Syncom as at March 31, 2011, Syncom had made investments in the equity shares of Padma Impex. • As per Annual Report of Fact Enterprise for FY 2011-12, Fact Enterprise had given long term loans & advances to Padma. • As per balance sheet of Prefer Abasan as at March 31, 2011, Bhrosemand and Padma are shown as sundry debtors. • Padma received/ transferred funds from/ to Annu Agrawal (wife of Anil Agrawal and director of CIL and CSL), Anil Agrawal (director of CIL and CSL), Syncom, Fact, Ranisati, Prefer Abasan. • Off market transfers between Bunnings Trade Link and Padma in the scrip of RKDL. • Off market transfers between Everready Marketing and Padma in the scrip of RKDL.
Radhasoami Securities Private Limited	• Onesource Business Services Pvt Ltd and Maheswari Finance Co. Pvt Ltd were the common shareholders of Sukusama (as on Sep 30, 2010 and Sep 29, 2012) and Radhasoami (as on Sep 30, 2009). Further, Jhunjhunwala Marketing & Services Pvt Ltd was common shareholder of Sukusama (as on Sep 30, 2010 and Sep 29, 2012) and Radhasoami (as on Sep 30, 2009 and Sep 26, 2011). • Suvidha and Unisys Softwares were shareholders of Radhasoami as on Sep 30, 2009. Further, Neha Cassettes and Matrix Systel were shareholders of Radhasoami as on Sep 26, 2011. • Radhasoami received funds from Matrix Systel.

39. CIL is an associate company of CSL, and had 4 common directors viz., Anil B. Agrawal, Bharat Nanubhai Shiroya, Annu Anil Agrawal and Jugal Chandrakant Thacker, with CSL, during the relevant period. I also note that the connection between CIL and CSL is not disputed by CSL in its reply to SCN. Further, CSL also submitted that despite the fact that it has common directors with CIL, both the companies were not aware of the activities of each other as both of them were independent of each other. It is extremely difficult to imagine that such large scale transactions involving crores of Rupees between CIL and RKDL could have escaped the knowledge of the

directors of CIL who were also directors of CSL. Therefore, I am of the view that CSL was fully aware of the nature and intent of the financial transactions between CIL and RKDL and I am unable to accept the aforesaid submission of CSL that the activities of CIL were totally independent and CSL was unaware of the activities of CIL.

40. CSL was connected to BLC as the e-mail address of BLC, as per Form 23AC for FY ended March 2007 as obtained from MCA records, was comfortin@vsnl.com which is also the email address of CIL, as per Form 23AC for FY ended March 2007. Further, the Form 20B and Form 23AC of BLC for FY ended March 2008 has been certified by Shri Anil B. Agrawal (director of CSL and CIL). CSL has submitted in its reply dated May 17, 2017 submitted that Anil B. Agarwal has discontinued his association with BLC and in the past, he was the consultant of BLC for regulatory compliances only. The alleged email id was given for operational convenience.

41. I note that CSL is connected to Fact as Fact had allotted convertible warrants through preferential offer to Anil Agrawal HUF (director of CSL and CIL), Sukusama and Ranisati. Pursuant to the conversion of warrants on May 16, 2010 and May 24, 2010, each of these entities were holding 13.095% share capital of Fact. Further, Fact had submitted during the course of investigation that Anil B. Agrawal (director of CSL and CIL) was their financial consultant, and entire preferential share application money was solicited and arranged by him. CSL in its reply has submitted that Mr. Anil B. Agarwal as a chartered accountant had rendered financial advice to Fact as consultant and not solicited and arranged preferential share application money. CSL also stated that Anil B. Agarwal is a mere shareholder of Fact without any control over the latter.

42. I note that CSL has not challenged the facts which form the basis for establishing connection between itself and other entities, as alleged in the SCN. However, CSL has contended that the connections mentioned are nebulous and not strong enough to establish any sort of association among CSL and other entities w.r.t. the fraud in the IPO issue of RKDL.

43. I am not in agreement with the said argument of CSL regarding its connection/association with other noticees. I find the explanation given by CSL simplistic and an afterthought to cover up the fund transfers that have been done by other noticees associated with CSL in respect of the IPO issue of RKDL. The submissions of CSL are contradictory as on one hand it has accepted that its directors have dealt with Fact, Padma, Sukusama, Suvidha, Syncom, etc. by way of financial transactions, share transfers or by holding important position in such companies, and on the other hand CSL is stating that its directors were totally oblivious to the dealings of these companies.

44. Thus, when the circuitous funds transfer done by the noticees (which is explained in detail in the following paragraphs) are considered along with the connections mentioned above (which have not been contradicted or challenged by the noticees), it becomes sufficiently clear that the parties involved in such transfers were doing it in coordination with each other to carry out the alleged fraud upon the investors of RKDL. In my view, the evidence available on record as discussed in the previous paragraphs is strong enough to establish the linkages among various noticees, as mentioned above. Therefore, I conclude that CSL and its directors were connected with noticees 18 to 31 and were fully aware of the acts / financial transactions, w.r.t. the IPO issue of RKDL.

B. Whether RKDL, directors of RKDL, CSL, directors of CSL and the entities connected/associated with CSL acted in collusion with one another to siphon off Rs. 33.83 crore out of the total proceeds of Rs. 73.60 crore of the IPO of RKDL by layering the transactions, prior and post the IPO, thereby violating provisions of the SEBI Act, PFUTP Regulations, ICDR Regulations and Merchant Banker Regulations, as alleged in the SCN?

45. RKDL came out with its IPO for issue of 1,15,00,000 equity shares of Rs. 10 each in December 2010. The price band of the issue was Rs 56 to Rs 64 per equity share and the bid period of the IPO was from December 08, 2010 to December 10, 2010. The issue was subscribed 2.16 times and the issue price of the IPO was at Rs. 64 per equity share, aggregating to Rs. 73.60 crore. RKDL had received Rs. 40.35 crore on December 23, 2010, Rs. 15.50

crore and Rs. 16.50 crore on December 24, 2010 (totaling Rs 72.35 crore) as IPO proceeds. As discussed earlier, the BRLM / Merchant Banker for the IPO was CSL. The scrip of RKDL was listed at BSE and NSE on December 27, 2010.

46. Pursuant to the investigation w.r.t. the IPO issue of RKDL, it was revealed that a fraudulent scheme was perpetrated by CSL along with RKDL and the other entities connected to CSL to siphon off funds to the tune of Rs. 33.83 crore out of the IPO proceeds of RKDL. With regard to the modus opernadi used for siphoning IPO proceeds, I note that RKDL had taken loans prior to the IPO issue which were repaid using the funds from IPO proceeds. However, it is observed that on receiving the loan, the funds were not utilized by RKDL for any genuine business purpose but were immediately transferred to several entities connected to CSL in a circuitous manner. Thus, an artificial liability was created on RKDL by way of these loans which were settled using IPO proceeds. Similarly, funds were transferred by RKDL from the IPO proceeds to several other entities associated with CSL on the pretext of advance to suppliers and other business activities. However, in reality the funds transferred to CSL associated entities were never utilized for any business activity related to RKDL. They were either used to invest in the shares of RKDL or transferred further to other entities associated with CSL, creating a web of transactions resulting in loss to RKDL. Therefore, the net effect of such fraud is siphoning off the IPO proceeds of RKDL.

47. As mentioned above, RKDL received Rs 40.35 crore on December 23, 2010, Rs 15.50 crore and Rs 16.50 crore on December 24, 2010 (totaling Rs 72.35 crore) as IPO proceeds. The IPO proceeds were received by RKDL in its Axis Bank Account. Subsequent to the receipt of IPO proceeds, following debit transactions were observed in the Axis Bank Account of RKDL.

Sl. No.	Name of entity	Amount transferred (Rs)	Date(s) of transfer	Amount refunded (Rs)	Date(s) of refund	Net Amount transferred (Rs)
1	Gulistan	4.00 cr	24-12-2010	-	-	4.00 cr
2	Fact	2.01 cr	24-12-2010	-	-	2.01 cr
3	CIL	12.88 cr (approx.)	24-12-2010	-	-	12.88 cr (approx.)
4	Ranisati	7.65 cr	24-12-2010	2.75 cr	17-02-2011	4.90 cr

5	S5 Trading	2.00 cr	24-12-2010	2.00 cr	17-01-2011 & 18-01-2011	-
6	Aqua Trading Company	2.00 cr	24-12-2010	2.00 cr	19-01-2011 & 20-01-2011	-
7	Crystal Corporation	2.00 cr	24-12-2010	2.00 cr	14-01-2011 & 15-01-2011	-
8	RKDL	34.80 cr	28-12-2010, 04-01-2011, 14-01-2011	-	-	34.80 cr
9	Pushpendra Shukla/Ram Manohar Sin	1.50 cr	29-12-2010	1.50 cr	01-01-2011	-
10	Vibhuti	2.25 cr	29-12-2010	-	-	2.25 cr
11	BLC	0.50 cr	03-01-2011	1 lakh	27-01-2011	0.49 cr
12	SAP Print Solutions Pvt Ltd	0.28 cr	05-01-2011	-	-	0.28 cr
13	Heranba	5.00 cr	18-01-2011, 19-01-2011, 20-01-2011, 21-01-2011	-	-	5.00 cr
14	Sukusama	3.00 cr	18-01-2011	-	-	3.00 cr
15	Gaungour	2.75 cr	18-02-2011	-	-	2.75 cr
Total Amount transferred (net of refunded amount)						**72.36 crore**

48. As can be seen from above, out of Rs 72.36 crore received in the Axis bank account of RKDL, only Rs 34.8 crore was transferred to RKDL (SBI Bank a/c no. 00000010397621613). Further, an amount of Rs 37.28 crore (net of refunded amount) was transferred to various other entities including noticees such as Sukusama, Gaungour, Heranba, Vibhuti, BLC, Ranisati, CIL, Fact and Gulistan.

49. The table given below provides a summary of the siphoning of funds out of IPO proceeds of RKDL till March 31, 2011.

Sl. No.	**Entity through which funds siphoned off**	**Amount siphoned off (Rs.)**
1	BLC, Ranisati, CIL and Fact	5.28 crore (4.79 crore + 0.49 crore)
2	Ranisati, CIL and Fact	9.55 crore (4.65 crore + 4.90 crore)
3	Radhasoami	2 crore
4	Gulistan Vanijya Pvt Ltd	4 crore
5	Vibhuti, Grafton, Albright and Gulitsan	2.25 crore
6	Sukusama	3 crore
7	Heranba	5 crore

8	Gaungour, Grafton and Albright	2.75 crore
Total		**33.83 crore**

50. RKDL vide its letter dated July 02, 2012 had submitted to SEBI that during their IPO process, Mr. Anil Agrawal, Director of CSL and CIL, requested them to open a bank account with Axis Bank, Goregaon Link Road Branch, and had taken blank signed cheques from RKDL stating the reason for ease of incurring issue expenses. RKDL further submitted that CSL along with CIL transferred funds to the tune of Rs 12 crore to RKDL, immediately before opening of the issue claiming as Inter corporate deposits, and routed such amount by misusing the signed cheques to their connected benami companies such as BLC and Ranisati. RKDL also submitted that after conclusion of issue proceeds, CIL took the money back out of the issue proceeds.

51. RKDL, vide its letter dated March 19, 2013 had also submitted that after the completion of the IPO, CSL transferred the issue proceeds from RKDL's refund accounts to the Axis bank account, and subsequently transferred Rs. 36.22 crore to accounts of companies/ individuals associated with CSL.

52. The detailed findings of the investigation with respect to the fund transfers among the noticees and siphoning of funds are given in following paragraphs.

<u>Activities and Transactions prior to IPO issue which led to creation of artificial liability in the books of RKDL which was settled using the siphoned off funds from IPO.</u>

53. It is observed that prior to receipt of IPO proceeds of around Rs. 73 crore, several financial transactions were executed between RKDL and other noticees associated with CSL. Following paragraphs provide details of fund transfers that were done between RKDL and other noticees prior to the receipt of IPO proceeds by RKDL that ultimately resulted in creation of artificial liability in the books of RKDL in the form of Bridge Loans.

a. RKDL received Rs. 2 crore from CIL on October 08, 2010.

b. RKDL received Rs. 4.79 crore from CIL on November 25, 2010, and transferred the same amount to BLC on the same day.

c. On November 25, 2010, RKDL again received Rs. 4.65 crore from CIL, and transferred the same to Ranisati on the same day.

d. RKDL further received Rs. 16 lakh on November 29, 2010, Rs. 37 lakh on December 01, 2010, Rs. 42 lakh and Rs. 12 lakh on December 06, 2010 and Rs. 20 lakh on December 08, 2010 from CIL.

e. On December 06, 2010, RKDL received Rs. 2 crore from Fact and on the same day transferred the same amount i.e. Rs 2 crore to Radhasoami.

54. The funds that were transferred to and from the bank accounts of the RKDL and CIL were further transferred to other noticees that were connected to CIL and CSL, in a circuitous manner. The detail of such fund transfers is given below:

a. BLC received Rs 4.79 crore from RKDL on November 25, 2010 and on the same day i.e. November 25, 2010, transferred an amount of Rs. 4,99,98,000 to the Escrow account of RPP Infraprojects Ltd (hereinafter referred to as '**RPP Infra**'), as subscription amount for its application of shares in the IPO of RPP Infra. It is also observed that CSL was one of the syndicate members for the IPO of RPP Infra. Subsequently, on December 03, 2010, an amount of Rs. 3,30,82,575 was received in the account of BLC from RPP Infra and on the same day, BLC transferred Rs. 3.51 crore to Ranisati.

b. Ranisati had received Rs. 4.65 crore from RKDL on November 25, 2010 and on the same day, an amount of Rs. 4,99,98,000 was transferred from the account of Ranisati to the Escrow account of RPP Infra. Subsequently, on December 03, 2010, Ranisati received an amount of Rs. 3,30,82,575 from RPP Infra and an amount of Rs. 3.51 crore from BLC. On the same day i.e. December 03, 2010, Ranisati transferred Rs. 6.40 crore to CIL.

c. Further, on December 04, 2010, Ranisati also transferred Rs. 15 lakh to an entity Suvidha, which had applied in the IPO of RKDL and later also traded in the scrip of RKDL.

d. Subsequent to the receipt of Rs 6.40 crore from Ranisati on December 03, 2010, CIL returned Rs. 2 crore to Ranisati on December 04, 2010. On the same day i.e. December 04, 2010, Ranisati transferred this amount of Rs. 2 crore to BLC, which was transferred by BLC to Fact on the same day. Subsequently, Fact also transferred the amount Rs. 2 crore to RKDL on December 06, 2010.

e. CIL from its account no. 318001010036374 with Union bank (Hereinafter referred to as '**Union Bank Account'**) further transferred Rs 2.35 crore to Ranisati on December 13, 2010. The said Union Bank Account was a joint account of CIL, Annu Anil Agarwal and Anil B. Agarwal.

f. On the same day i.e. December 13, 2010, Ranisati also received Rs 2.15 crore from CSL (who was the broker of Ranisati) as pay-out of sale of shares, out of which Rs 1.79 crore was from sale of 2,25,539 shares of RPP Infra allotted to Ranisati in the IPO issue of RPP Infra. Ranisati transferred Rs 3.75 crore to BLC and Rs 1.045 crore to Suvidha on the same day, i.e., December 13, 2010.

g. On the same day i.e. December 13, 2010, BLC also received Rs 1,68,98,339/- from CSL (who was the broker of BLC) as pay-out for sale of 2,25,539 shares of RPP Infra allotted to BLC in IPO issue of RPP Infra and on the same day, BLC transferred Rs 5.45 crore to Fact. Fact further transferred Rs 5.45 crore to Suvidha (allottee in the IPO issue of RKDL and trader in the scrip of RKDL after listing) on the same day i.e. December 13, 2010. Also, as mentioned above, Suvidha also received Rs 15 lakh on December 04, 2010 and Rs 1.045 crore on December 13, 2010 from Ranisati.

h. Suvidha had applied for 10,15,600 shares in the IPO of RKDL and had transferred an amount of Rs 6,49,98,400 to the escrow account of RKDL on December 14, 2010. Suvidha was allotted 2,85,201

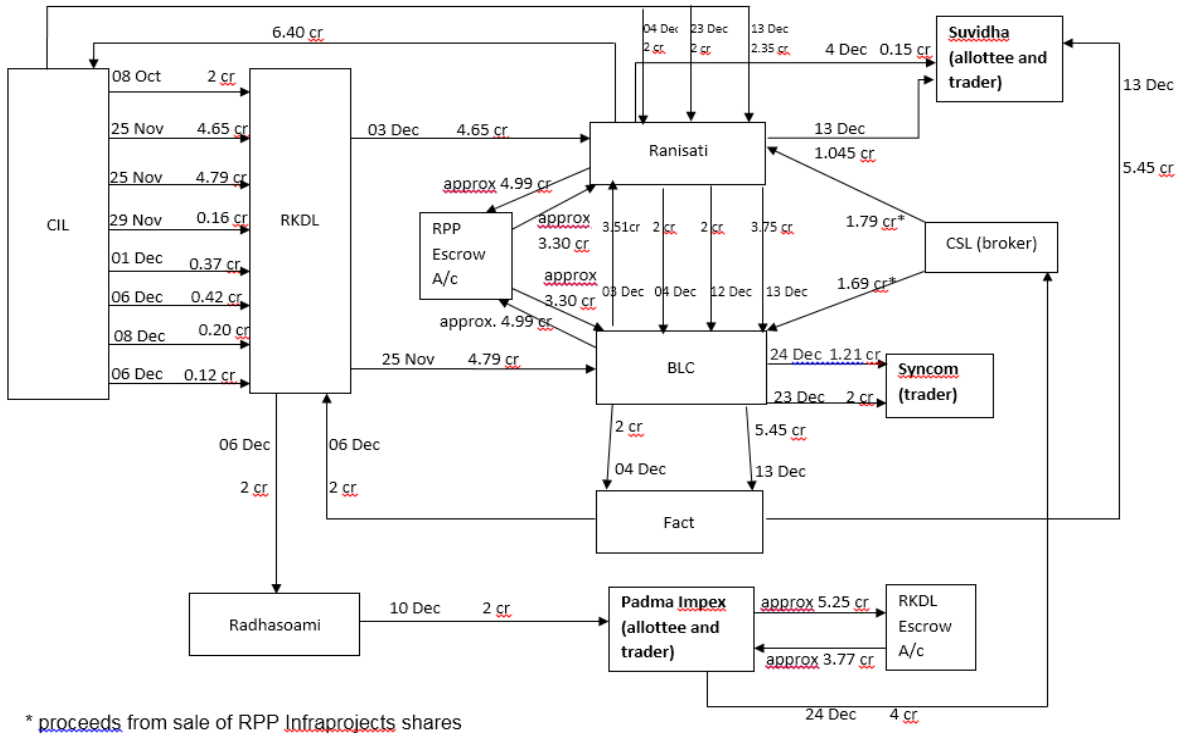
shares for an amount of Rs 1,82,52,864. On December 20, 2010, RKDL IPO refund for an amount of Rs 4,67,45,536 was received in the account of Suvidha and on December 23, 2010, Suvidha transferred Rs 4.65 crore to Religare Securities (its broker) for purchase of shares of RKDL. Suvidha had bought 8 lakh shares of RKDL for around Rs 6.63 crore and sold 6 lakh shares for around Rs 4.78 crore on the date of listing, i.e. December 27, 2010. Further, Suvidha had also purchased 6,55,362 shares of RKDL for around Rs 5.31 crore and sold 2,41,434 shares for around Rs 1.98 crore during December 28 and 29, 2010.

i. CIL from its Union Bank Account transferred Rs 2 crore to Ranisati on December 23, 2010. On the same day, Ranisati transferred the same amount to BLC, which in turn transferred the same amount, i.e., Rs 2 crore to Syncom, on the same day. Syncom had also received Rs 1.21 crore from BLC on December 24, 2010 and purchased 4.3 lakh shares of RKDL for a total value of around Rs 3.66 crore on listing day of scrip i.e., December 27, 2010.

j. Radhasoami received Rs 2 crore from RKDL on December 06, 2010. On December 10, 2010, Radhasoami transferred this amount (i.e. Rs. 2 crore) to Padma. On December 13, 2010, an amount of Rs 5,24,99,200 was transferred from the account of Padma to the Escrow account of RKDL. Subsequently, Padma was allotted 2,30,359 shares of RKDL. On December 18, 2010, RKDL IPO refund for an amount of Rs. 3,77,56,224 was received in the account of Padma and on December 24, 2010, Padma transferred Rs 4 crore to CSL (CSL was broker of Padma) for buying shares of RKDL on the day of listing. Padma purchased 13,56,786 shares of RKDL for around Rs 11.52 crore and sold 10,71,786 shares for around Rs 8.95 crore on the listing day, i.e. December 27, 2010.

55. A pictorial representation of the above fund transactions prior to receipt of IPO proceeds, is given below

Fund movement prior to receipt of IPO proceeds



* proceeds from sale of RPP Infraprojects shares

56. Thus, from the above chart and discussions regarding the transaction w.r.t. RKDL, CIL and other entities connected to CSL, I observe the following:

a. In total, an amount of Rs. 12.71 crore was transferred by CIL to RKDL, and Rs. 6.40 crore was received back by CIL from RKDL through Ranisati and BLC.

b. Out of the Rs 6.4 crore received by CIL from RKDL, through Ranisati and BLC, it transferred back Rs 2 crore to Ranisati, which was then transferred to Fact through BLC. Thereafter, Fact transferred this amount of Rs. 2 crore to RKDL and RKDL transferred it to Radhasoami, which then transferred the same amount to Padma, which was an allottee in the IPO of RKDL and also traded in the shares of RKDL post IPO.

c. CIL also transferred Rs. 2.35 crore to Ranisati, which was then routed to Suvidha (which was an allottee in the IPO of RKDL and also traded in the shares of RKDL post IPO) through BLC and Fact. Further, proceeds amounting to Rs 3.48 crore from sale of RPP Infra,

allotted to BLC and Ranisati in IPO of RPP Infra, were also routed to Suvidha. BLC and Ranisati had applied in the IPO of RPP Infra from the funds received from RKDL. Further, CSL was one of the syndicate members in the IPO of RPP Infra.

d. CIL further transferred Rs 2 crore to Ranisati, which was then routed through BLC to Syncom, which was one of the net buyers of RKDL shares on the listing day.

e. Thus, prior to receipt of IPO proceeds by RKDL, funds have been routed to two allottees and traders in the scrip of RKDL, Suvidha (Rs 0.15 crore + Rs 2.35 crore + approx. Rs 3.48 crore) and Padma (Rs 2 crore), and to a trader, Syncom (Rs. 2 crore).

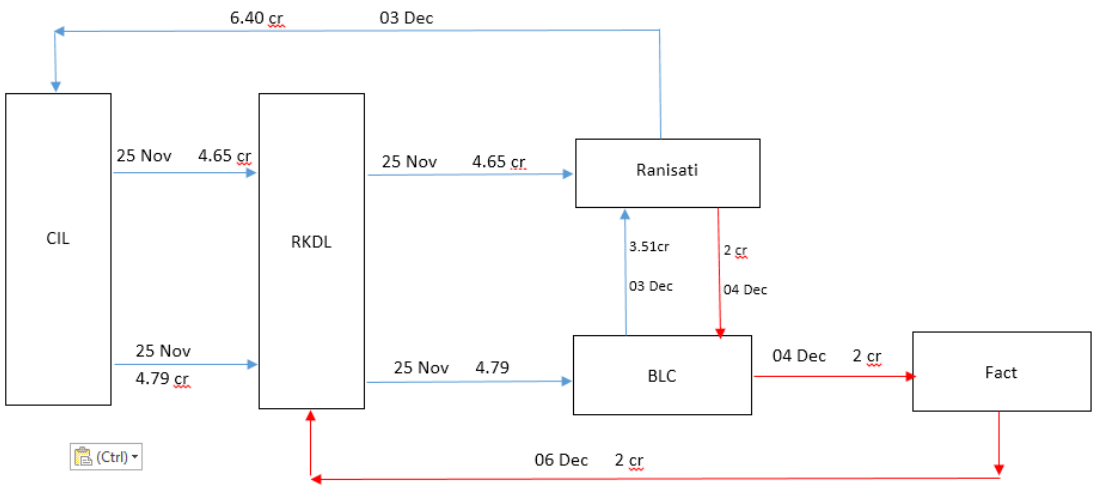
57. I find from the discussions above that as a result of series of circuitous transfer of funds between RKDL and associate companies of CSL viz., CIL, Ranisati, BLC, Fact etc, a liability has been created in the books of RKDL which was repaid using the IPO proceeds.

58. In one such transaction, the loan liabilities of Rs. 4.65 crore and Rs. 4.79 crore (i.e. Rs. 9.44 crore out of the total Rs. 12.71 crore loan of RKDL from CIL) were created on November 25, 2010 due to the fund transfer from CIL to RKDL. The said loan amounts of Rs. 4.65 crore and Rs. 4.79 crore were further transferred by RKDL to Ranisati and BLC, respectively, on the same day without any business rationale. Thereafter, on December 03, 2010, out of this Rs. 9.44 crore (transferred to Ranisati and BLC), CIL received back Rs. 6.40 crore from Ranisati and BLC (through Ranisati). As this amount of Rs. 6.40 crore was effectively transferred from the account of RKDL to the account of CIL (through multilayer transactions using bank accounts of Ranisati and BLC, as explained in previous paragraphs), it should have ideally reduced the liability of RKDL towards CIL by Rs. 6.40 crore. However, as this amount of Rs. 6.40 crore was discreetly transferred back to CIL by RKDL through fictitious transactions, resulting in round tripping of Rs. 6.4 crore, the liability of RKDL towards CIL remains unchanged at Rs. 12.71 crore. This total loan of Rs. 12.71 crore was later repaid by RKDL using the IPO proceeds, whereas in reality the effective liability of RKDL towards CIL

was only Rs. 6.31 crore only (as Rs. 6.40 crore was already transferred back to CIL by RKDL).

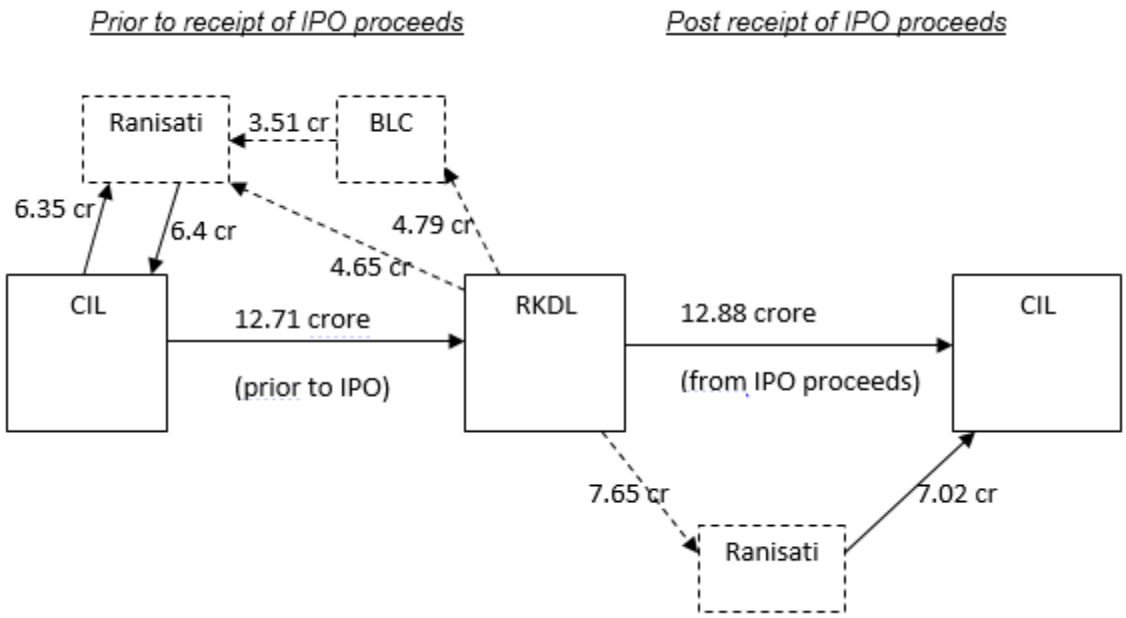
59. In a similar transaction, out of Rs. 9.44 crore received by Ranisati and BLC (out of which Rs. 6.40 crore was transferred back to CIL) Rs. 2 crore were transferred to Fact on December 04, 2010. Thereafter on December 06, 2010, this amount of Rs. 2 crore was transferred from Fact to the account of RKDL as a bridge loan. As a result of which a fictitious loan liability of Rs. 2 crore towards Fact was created in the books of RKDL. Thus, the source of this loan of Rs. 2 crore given by Fact was RKDL itself (Rs. 9.44 crore fictitiously transferred from RKDL to Ranisati and BLC). As a result an artificial liability of Rs. 2 crore was created in the books of RKDL.

60. Thus, I conclude that a liability of Rs. 8.4 crore in the books of RKDL as loan towards CIL and Fact is clearly fictitious. The liability of Rs. 6.4 crore towards CIL was effectively settled by RKDL by transferring funds to CIL and liability of Rs. 2 crore towards Fact was created using the funds of RKDL itself. This fraudulent liability of Rs. 8.4 crore was later settled using the IPO proceeds, which means that effectively IPO proceeds of RKDL were siphoned off to the tune of Rs. 8.4 crore due to aforementioned creation of artificial liability. The chart below depicts the round tripping of funds between RKDL, CIL, Ranisati and BLC to create artificial liability in the books of RKDL:



61. <u>The details of fund transactions of RKDL with CIL(for siphoning of amount of Rs. 4.79 crore and Rs. 4.65 crore) is given below:</u>

a) A pictorial representation of the fund transactions of RKDL with CIL, Ranisati and BLC prior and after receipt of IPO proceeds by RKDL is given below:



b) Prior to the receipt of IPO proceeds by RKDL, CIL had transferred Rs. 12.71 crore to RKDL, purportedly as a bridge loan. Out of this amount, RKDL transferred Rs. 4.65 crore and Rs. 4.79 crore to Ranisati and BLC, respectively on November 25, 2010, pursuant to the receipt of the said amounts from CIL on the same day. Further, CIL had received Rs 6.4 crore from Ranisati and BLC (through Ranisati) on December 03, 2010. CIL then transferred a total of Rs. 6.35 crore on December 04, 13 and 23 of 2010 to Ranisati.

c) Pursuant to the receipt of the IPO proceeds by RKDL, on December 24, 2010, RKDL transferred approx. Rs 12.88 crore to CIL and Rs. 7.65 crore to Ranisati. It is observed that out of the total of Rs. 7.65 crore received, Ranisati transferred around Rs. 7.02 crore to CIL on the same day viz. December 24, 2010.

62. During the course of investigation, CIL vide its letters dated June 11, 2014 and July 25, 2014, submitted that it had given loan amounting to Rs 12.71 crore at the interest rate of 15% p.a. to RKDL, prior to receipt of IPO proceeds by RKDL. The principal amount along with interest, totaling to Rs.

12,88,18,000, was returned by RKDL to CIL on December 24, 2010. CIL also furnished statement of accounts and copy of Form 16A (TDS certificate) in respect of the said loan transaction. However, it is observed that CIL failed to produce the copy of the said loan agreement with RKDL.

63. CIL had further submitted that it had received the amounts of Rs. 6.4 crore and Rs. 7.02 crore from Ranisati, as shown above, as repayment against loan given by it to Ranisati. CIL also furnished statement of accounts and copy of Form 16A (TDS certificate) in respect of this loan transaction along with the copy of loan agreement with Ranisati, dated July 15, 2010 for borrowing limit to the extent of Rs 12 crore for a maximum period of 1 year from the date of the first disbursement, with interest at the rate of 8% p.a. compounded on periodic basis. However, it is observed that the aforesaid loan agreement between CIL and Ranisati, as provided by CIL, was executed on a plain paper. Further, inconsistencies have been observed as per the statement of accounts provided by CIL in respect of Ranisati as the interest has been compounded at irregular intervals (ranging from 1 day to 2 months 5 days). Therefore, the said agreement between CIL and Ranisati cannot be relied upon as proper evidence in support of the submissions made by CIL. Further, the fact that the aforesaid loan agreement is not genuine is also corroborated by the fact that Ranisati, its submissions before SEBI had submitted that the aforesaid amount of Rs. 6.4 crore and Rs. 7.02 crore were given by it to CIL as a loan, which is in contradiction of the submission made by CIL.

64. Thus, it is observed that CIL had transferred Rs 12.71 crore to RKDL prior to the IPO of RKDL in the garb of bridge loan given to RKDL and had received Rs 12.88 crore back from RKDL out of IPO proceeds (purportedly as repayment of the bridge loan). However, both RKDL and CSL concealed this information from the general public as disclosure for the same was not made in the offer document. The mis-statements and non-disclosures observed in the offer documents have been discussed in later paragraphs.

65. The funds had moved from CIL to RKDL and then from RKDL to BLC and Ranisati and finally from BLC and Ranisati to escrow account of RPP Infra

on the same day itself, viz., November 25, 2010. Further, pursuant to receipt of refund from escrow account of RPP Infra to Ranisati and BLC on December 03, 2010, the funds had moved from BLC to Ranisati and from Ranisati to CIL on the same day itself viz., December 03, 2010.Also, post receipt of IPO proceeds by RKDL, the funds had moved from RKDL to Ranisati and then from Ranisati to CIL on the same day itself, i.e., December 24, 2010.

66. Therefore, considering the fact that RKDL had itself submitted to SEBI that its IPO proceeds were siphoned off, and that CSL and RKDL deliberately did not disclose the details of bridge loan given by CIL to RKDL, fictitious evidence submitted by CIL in the form of dubious loan agreement between CIL and Ranisati, the connections among the noticees, explained in earlier paragraphs, synchronized movement of funds among RKDL, CIL and other noticees, it is observed that an artifice was created to siphon off the above Rs 4.65 crore and Rs 4.79 crore, which were first transferred from CIL to RKDL, and then from RKDL to Ranisati and BLC. Thus, the IPO proceeds amounting to Rs 4.65 crore and Rs 4.79 crore were siphoned off in the process, as CIL was refunded from the IPO proceeds itself. Further, out of these siphoned off Rs 4.65 crore and Rs 4.79 crore, Rs 6.4 crore were siphoned off to CIL, associate of merchant banker, CSL.

67. Further, it is also noted that, out of this Rs 6.4 crore siphoned off to CIL;

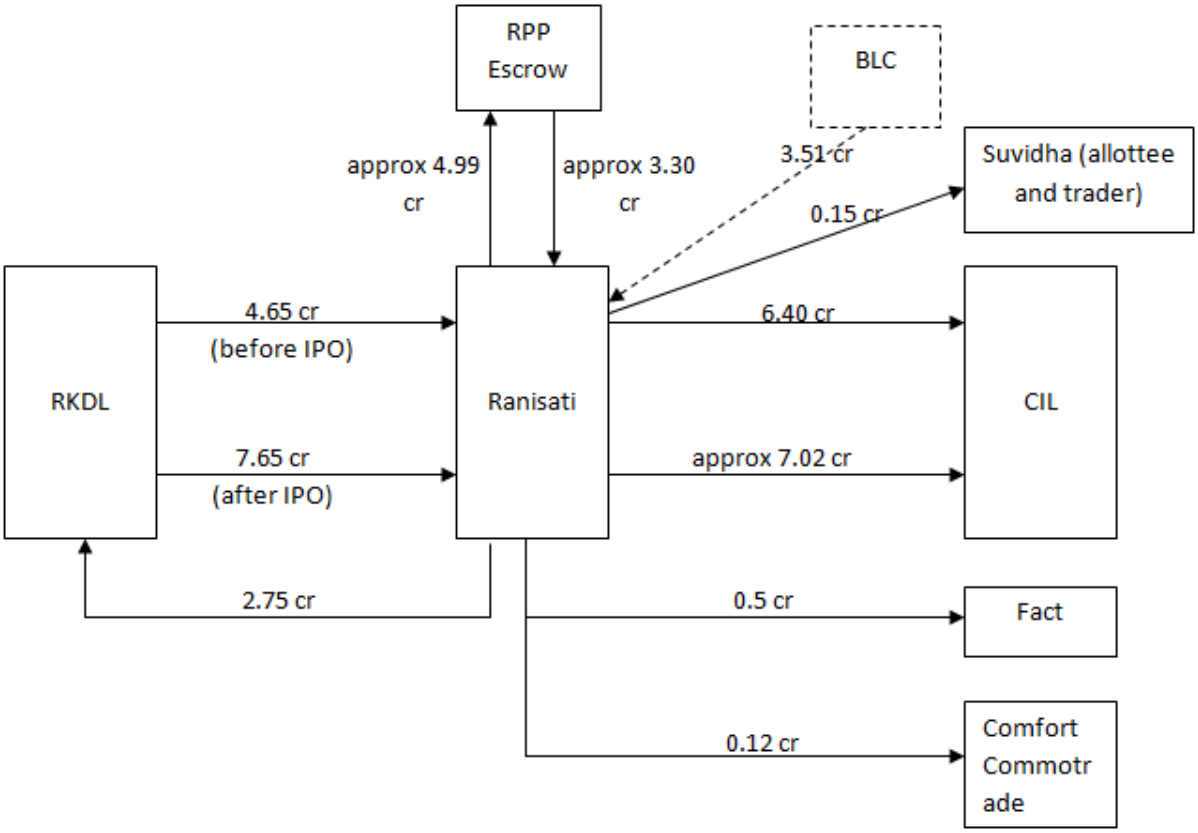
a) Rs 2 crore was routed to Fact (through Ranisati and BLC), which had transferred the same amount to RKDL, and pursuant to receipt of IPO proceeds by RKDL, received back the same amount along with interest from RKDL.

b) Rs 2.35 crore was routed to Suvidha (allottee and trader) through Ranisati, BLC and Fact.

c) Rs 2 crore was routed to Syncom (buyer of RKDL shares on the listing day) through Ranisati and BLC.

68. **<u>The details of fund transactions of RKDL with Ranisati (for siphoning of a net amount of Rs. 4.9 crore out of the IPO proceeds of RKDL) is given below:</u>**

a) A pictorial representation of the fund transactions of RKDL with Ranisati is given below:



b) Prior to receipt of IPO proceeds by RKDL, Ranisati had received Rs 4.65 crore from RKDL on November 25, 2010, and on the same day transferred Rs 4,99,98,000 to the Escrow account of RPP Infra. Subsequently, on December 03, 2010, Ranisati received Rs 3,30,82,575 from RPP Infra. On the same day Ranisati had also received Rs. 3.51 crore from BLC and on the same day Ranisati transferred Rs. 6.40 crore to CIL.

c) Further, on December 04, 2010, Ranisati also transferred Rs 15 lakh to Suvidha, which had applied in the IPO of RKDL and had also traded in the scrip.

d) Pursuant to the receipt of IPO proceeds by RKDL, Ranisati (Union Bank A/c no. 318001010036869) received Rs 7.65 crore from RKDL (Axis Bank A/c no. 910020037719618) on December 24, 2010. On the same day, Ranisati made the following fund transfers:

- Rs 7,02,47,901/- to CIL (Union Bank A/c no. 318001010036897)

- Rs 50 lakh to Fact (Union Bank A/c no. 318001010036877)

e) Further, on December 31, 2010, Ranisati transferred Rs 12 lakh to Comfort Commotrade Pvt. Ltd.

f) Ranisati further transferred Rs. 2.75 crore to RKDL on February 17, 2011.

69. Ranisati vide its letters dated February 24, 2014 and June 20, 2014 has submitted the following:

i. Its business is trading in shares and securities.
ii. Ranisati had received Rs. 4.65 crore and Rs. 7.65 crore from RKDL as part payment towards purchase of shares. Further, excess money of Rs. 2.75 crore was refunded by Ranisati to RKDL.
iii. Ranisati had given Rs. 6.4 crore and Rs. 7.02 crore (approx) to CIL as loan.
iv. Ranisati had received Rs. 3.51 crore from BLC as short term advances.
v. Ranisati had given Rs 50 lakh to Fact as short term advances.
vi. Ranisati had paid Rs 12 lakh to Comfort Commotrade on account of trading in commodity exchange.

70. Vide summons dated July 02, 2014, Ranisati was advised to provide the back-papers/ documents in support of the above reasons furnished by it for the above fund transfers. Ranisati was also advised to provide the name of scrip/ company, copy of share application form, number of shares allotted, current status of the shares, etc, for purchase of which Ranisati had claimed to have received the above amounts from RKDL. However, no reply has been received from Ranisati.

71. Vide summons dated December 04, 2014, Suvidha was advised to, *inter*-alia furnish the reasons for its above fund transaction with Ranisati. However, no reply has been received. In view of the aforesaid non-compliance of summons by Ranisati, vide adjudication order dated October 25, 2018, a penalty of Rs. 5,00,000/- was imposed on Ranisati.

72. Thus, it is observed from the partial submissions made by Ranisati that it had received Rs. 4.65 crore and Rs. 7.65 crore from RKDL as part payment towards purchase of shares. However, during the course of investigation and

current adjudication proceedings, Ranisati failed to provide the share application form or other details in support of its submissions. Further, investment in shares was not among the objects of the IPO of RKDL or interim use of funds from the issue, as per the prospectus filed by RKDL. As mentioned earlier, RKDL had submitted before SEBI that the above funds were siphoned off through associate companies of CSL. Therefore, it is concluded that the amounts of Rs. 4.65 crore and Rs. 7.65 crore, as explained above, had been siphoned off out of the IPO proceeds of RKDL through Ranisati, out of which Rs 2.75 crore was later refunded to RKDL.

73. It is further observed that Ranisati has submitted that it had given the amount of Rs. 6.40 crore and Rs. 7.02 crore as a loan to CIL. However, as mentioned above, CIL had submitted that it had received the said amounts of Rs. 6.40 crore and Rs. 7.02 crore from Ranisati as repayment against loan given by it to Ranisati, and has also furnished a copy of loan agreement. Further, it has already been noted that the said loan agreement between CIL and Ranisati is fraught with inconsistencies and cannot be relied upon as genuine documentary evidence.

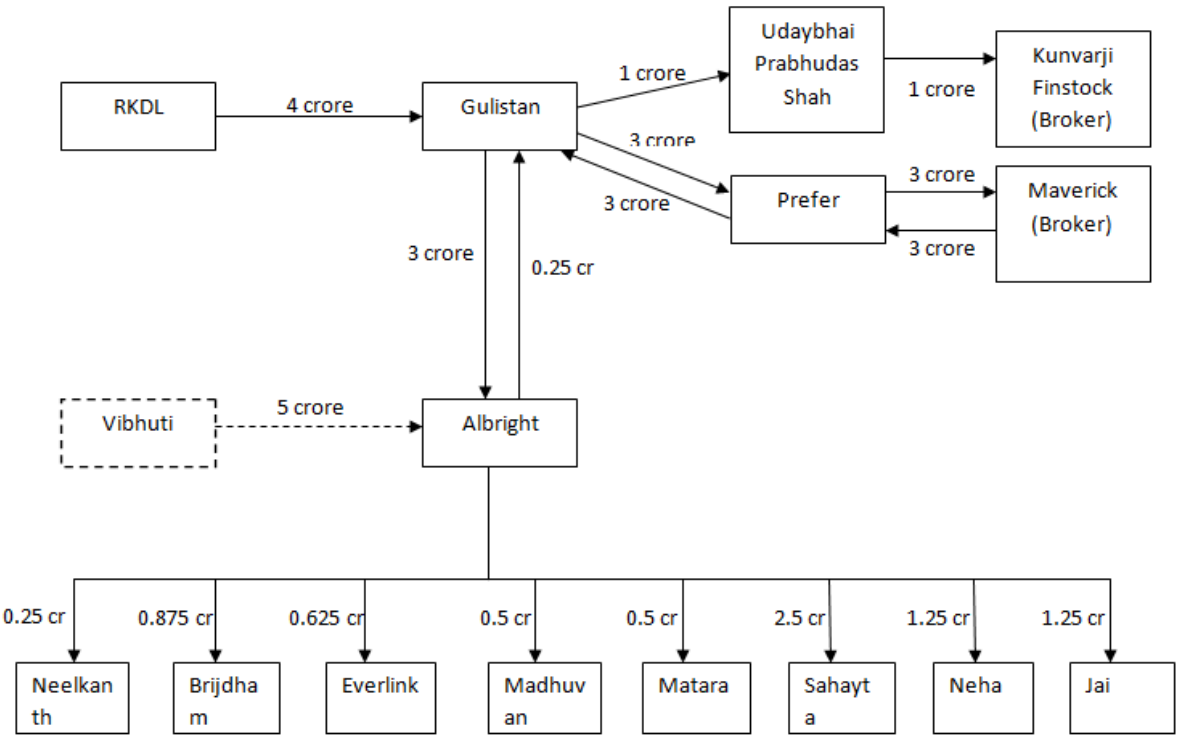
74. The funds had moved from RKDL to Ranisati; and from Ranisati to escrow account of RPP Infra on the same day itself, i.e., November 25, 2010. Further, pursuant to receipt of refund from escrow account of RPP Infra to Ranisati and BLC on December 03, 2010, the funds had moved from BLC to Ranisati; and from Ranisati to CIL on the same day itself, i.e. December 03, 2010.Further, post receipt of IPO proceeds by RKDL, the funds had moved from RKDL to Ranisati and then from Ranisati to CIL and Fact on the same day itself, viz., December 24, 2010.Thus, prior to the IPO, Rs 4.65 crore had been siphoned off through Ranisati. Ranisati had also received Rs 3.51 crore from BLC (whose role has been discussed later), and routed Rs 6.4 crore to CIL. Further, Ranisati had also routed Rs 15 lakh to Suvidha Securities, which had applied in the IPO of RKDL and had also traded in the scrip.

75. Post IPO, Ranisati received Rs. 7.65 crore from RKDL and later refunded Rs 2.75 crore to RKDL. In the light of the facts discussed above viz., trail of funds, failure of Ranisati to produce documents in support of its submission

for rationale behind transfer of funds post IPO, inconsistencies observed with respect to the submission of Ranisati and CIL for rationale behind transfer of funds between them, the utilization of IPO proceeds for purposes (purchase/investment in shares) other than mentioned in IPO prospectus and submission of RKDL before SEBI pertaining to siphoning off its IPO proceeds through companies associated with CSL, it is concluded that the amount of Rs 4.9 crore (Rs. [7.65 - 2.75] crore) was siphoned out of the IPO proceeds of RKDL through Ranisati. Further, out of the said Rs 7.65 crore, Rs 7.02 crore (approx.) was routed to CIL and Rs 50 lakh to Fact.

76. **The details of fund transactions of RKDL with Gulistan (for siphoning of an amount of Rs. 4 crore out of the IPO proceeds of RKDL) is given below:**

a) A pictorial representation of the fund transactions of RKDL through Gulistan is given below:



b) Gulistan (Kotak Mahindra Bank A/c no. 03232000018000) had received Rs. 4 crore from RKDL (Axis Bank A/c no. 910020037719618) on December 24, 2010, out of the IPO proceeds. On the same day, Gulistan transferred Rs. 1

crore to Udaybhai Prabhudas Shah and Rs. 3 crore to Prefer Abasan Pvt. Ltd, which are both entities associated with CSL.

c) On receipt of Rs. 1 crore from Gulistan on December 24, 2010, Udaybhai Prabhudas Shah (Federal Bank A/c no. 15410200002214) transferred Rs. 1 crore to his broker, Kunvarji Finstock Pvt. Ltd on the same day. Udaybhai Prabhudas Shah had bought 6,42,500shares (buy value of approximately Rs. 5.47 crore) and sold 2,42,500 shares (sell value of approximately Rs. 1.95 crore) of RKDL on the day of listing, i.e., December 27, 2010.

d) On receipt of Rs. 3 crore from Gulistan on December 24, 2010, Prefer Abasan (HDFC bank A/c no. 10152560003621) transferred the same to its broker Maverick Share Brokers Pvt. Ltd. on December 27, 2010.Prefer Abasan had bought 35,41,092 shares (buy value of approximately Rs. 30.24 crore) and sold 27,25,890 shares (sell value of approximately Rs. 23.14 crore) of RKDL on its listing date, i.e., December 27, 2010.

e) Subsequently, on February 10, 2011, Prefer Abasan transferred Rs 3 crore to Gulistan, and Gulistan in turn transferred the same to Albright (Kotak Mahindra Bank A/c no. 03232000022644) on the same day.

f) Apart from Rs. 3 crore received from Gulistan on February 10, 2011, Albright also received Rs 5 crore from Vibhuti (Kotak Mahindra Bank A/c no. 09612000007328) on the same day. On the same day, Albright made the following fund transfers:

    a. Rs. 25 lakhs to Neelkanth Commodities Pvt Ltd (Neelkanth)
    b. Rs. 87.50 lakhs to Brijdham Dealcom Pvt Ltd (Brijdham)
    c. Rs. 62.50 lakhs to Everlink Distributors Pvt Ltd (Everlink)
    d. Rs. 50 lakhs to Madhuvan Data Matics Traders Pvt Ltd
    e. Rs. 50 lakhs to Matara Electrical Traders Pvt Ltd (Matara)
    f. Rs. 2.5 crore to Sahayta Financial Consultancy Services Pvt Ltd
    g. Rs. 1.25 crore to Neha Cassettes Pvt Ltd (Neha Cassettes)
    h. Rs. 1.25 crore to Jai Ambe Cassettes Pvt Ltd (Jai Ambe).

g) Further, on February 11, 2011, Albright also transferred Rs. 25 lakh to Gulistan.

77. It is already explained in paragraphs above, where connections are discussed that Gulistan, Albright, Neelkanth, Brijdham, Neha Cassettes, Jai Ambe Cassettes, Prefer Abasan, Udaybhai Prabhudas Shah are connected entities.

78. During the course of investigation, a summons dated January 29, 2014 was issued to the Gulistan seeking information regarding its business, reasons for the above fund transactions with RKDL, Udaybhai Prabhudas Shah, Prefer Abasan and Albright. Gulistan, vide its letter received on February 10, 2014, requested for extension of time till mid of March 2014 for submission of reply. Upon non-receipt of reply, vide summons dated June 03, 2014, Gulistan was again reminded to submit the information/ documents sought vide SEBI's earlier summons. However, Gulistan has not provided the information/ documents.

79. Prefer Abasan vide its letters dated February 04, 2014 and June 07, 2014 submitted that it had taken loan amounting to Rs. 3 crore from Gulistan on December 24, 2010 and repaid it on February 10, 2011, but no loan agreement for the same was entered by it.

80. Vide summons dated Jan 29, 2014 and June 04, 2014, Udaybhai Prabhudas Shah was called upon to inter alia furnish reasons for its above fund transaction with Gulistan. However, no reply has been received from him.

81. Vide summons dated January 29, 2014, Albright was called upon to *inter-alia* furnish reasons for the above fund transactions with Gulistan and other entities. Albright, vide its letter received on February 10, 2014, requested for extension till 1st week of March 2014 for submission of reply. Upon non-receipt of any reply, vide summons dated June 03, 2014, Albright was again called upon to submit the information/ documents sought vide SEBI's earlier summons. However, Albright has not provided the information/documents as sought vide aforesaid summons.

82. On the basis of submissions made by Prefer Abasan, it is observed that no loan agreement was entered between itself and Gulistan for its aforesaid fund transactions. Further, from the said confirmation of accounts furnished by Prefer Abasan in respect of Gulistan, it is observed that no interest has

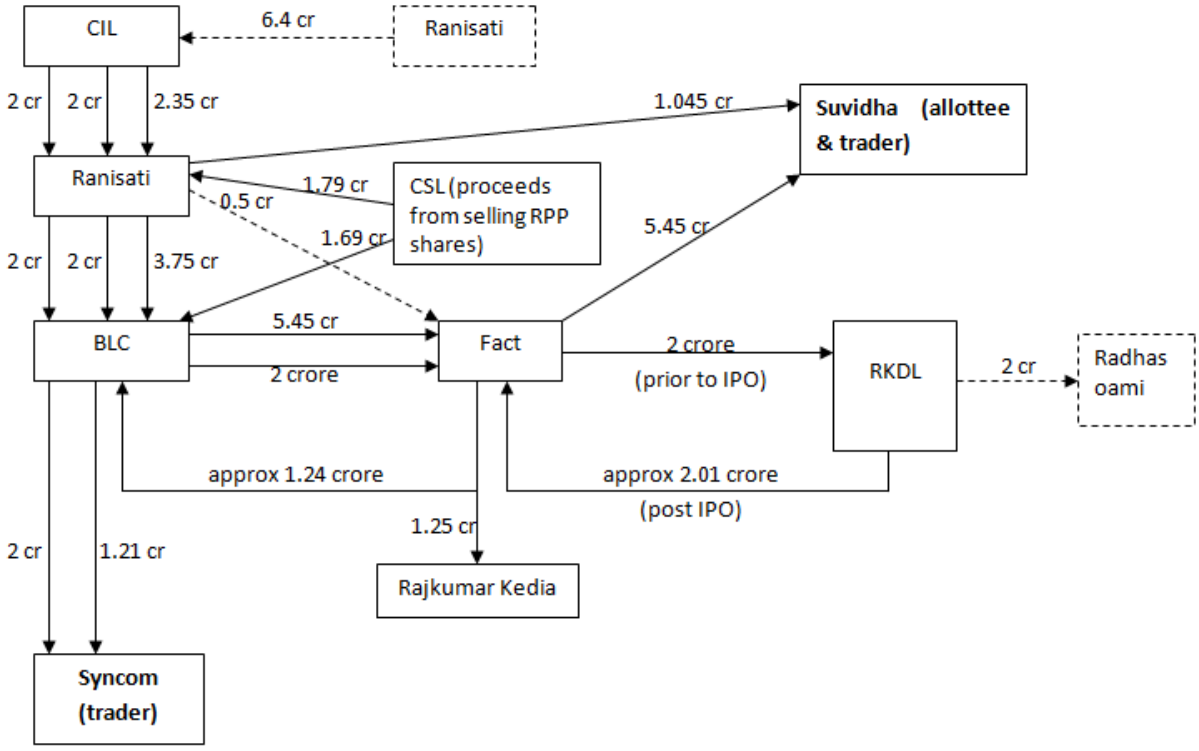
been paid by Prefer Abasan to Gulistan against the said loan. Also, Prefer Abasan had routed the funds to its broker for buying shares of RKDL. Therefore, I am of the view that the transactions between Gulistan and Prefer Abasan are not genuine business transactions.

83. Therefore, considering the above fund transactions which don't bear any business rationale, the fact that RKDL had itself submitted to SEBI that its IPO proceeds were siphoned off through companies associated with CSL, routing of funds to traders in the scrip of RKDL in the manner explained above and the connection of the abovementioned noticees explained in paragraphs above, it is established that Rs. 4 crore has been siphoned off from IPO proceeds through Gulistan, out of which:

- Rs. 1 crore has been routed to Udaybhai Prabhudas Shah which was used for buying shares of RKDL on the listing day, and
- Rs. 3 crore were initially routed to Prefer Abasan which was used for buying shares of RKDL on the listing day, and were later transferred from Prefer Abasan to Gulistan and then from Gulistan to Albright.

84. **<u>The details of fund transactions of RKDL with Fact is given below:</u>**

a) A pictorial representation of the above fund transactions is given below:



b) As has been brought out earlier, prior to receipt of IPO proceeds by RKDL, on December 06, 2010, RKDL received Rs. 2 crore from Fact (Union Bank A/c no. 318001010036877), and on the same day transferred Rs 2 crore to Radhasoami.

c) It is observed that Fact had received Rs. 2 crore from BLC on December 04, 2010 and BLC had received Rs. 2 crore from Ranisati on the same day and Ranisati had received Rs 2 crore from CIL (Union bank A/c no. 318001010036897) also on the same day viz., December 04, 2010.Further, CIL had received Rs 6.4 crore from Ranisati on December 03, 2010, out of the siphoned off amounts of Rs 4.65 crore and Rs 4.79 crore through Ranisati and BLC, which has already been explained in previous paragraphs.

d) It is observed that CIL from its another account (Union bank a/c no. 318001010036374 in the name of CIL, Annu Anil Agarwal, Anil Agarwal) further transferred Rs 2.35 crore to Ranisati on Dec 13, 2010.

e) On the same day, Ranisati also received Rs 2.15 crore from CSL (broker) as pay-out, out of which approx. Rs 1.79 crore was from (net) sale of 2,25,539 shares of RPP Infra allotted to Ranisati in IPO. Ranisati transferred Rs 3.75

crore to BLC and Rs 1.045 crore to Suvidha (allottee and trader) on the same day, viz., December 13, 2010.

f) On the same day, BLC also received Rs 1,68,98,339/- from CSL (broker) as pay-out for sale of 2,25,539 shares of RPP Infra allotted to BLC in IPO. And on the same day, BLC transferred Rs 5.45 crore to Fact. Fact further transferred Rs 5.45 crore to Suvidha (allottee and trader) on the same day.

g) Further, as also brought out above, CIL (Union bank a/c no. 318001010036374 in the name of CIL, Annu Anil Agarwal, Anil B. Agarwal) also transferred Rs 2 crore to Ranisati on December 23, 2010. On the same day, Ranisati transferred the same amount to BLC, which in turn transferred the same amount, i.e., Rs. 2 crore to Syncom (Dena Bank A/c no. 012313001046) on the same day. Syncom transferred the same amount to its broker Arcadia Share & Stock Brokers Pvt. Ltd on December 24, 2010 for buying shares of RKDL on the listing date, i.e., December 27, 2010.

h) Pursuant to receipt of IPO proceeds by RKDL, Fact received Rs. 2,01,33,000.00 from RKDL and Rs. 50 lakh from Ranisati on December 24, 2010. On the same day, Fact made the following fund transfers:

    i. Fact transferred Rs. 1,24,75,000.00 to BLC, which in turn transferred Rs 1.21 crore to Syncom on the same day. Syncom then transferred the same amount to its broker Arcadia Share & Stock Brokers Pvt. Ltd. on the same day, i.e., December 24, 2010 which was used for purchase of 4.3 lakh shares of RKDL for a total value of approx. Rs 3.66 crore, on the listing date, i.e., December 27, 2010.

    ii. Fact had also transferred Rs 1.25 crore to Rajkumar Kedia.

85. As regards the aforesaid transactions, Fact had submitted the following:

    i. Rs. 2 crore was given to RKDL as short term loan on interest, and Rs 2,01,33,000/- was received back from RKDL as original amount and interest. It was Mr Anil B. Agarwal who made Fact to give Rs. 2 crore to RKDL. The loan agreement was executed among them (Mr Anil Agarwal and RKDL) and Fact was informed by Mr Anil Agarwal that

on receiving the payments back, RKDL has taken the loan agreement back. Fact does not have a copy of it.

ii. Rs. 2 crore was received from BLC as a token for their purchase of shop in Fact's Dave Compound project.Further, Rs 1,24,75,000/- was paid back to BLC as part payment for cancellation of their booking. Fact has also furnished ledger statements in respect of BLC and copy of allotment/ cancellation letters to BLC. Further, there is no outstanding with them.

iii. Rs. 50 lakh was received from Ranisati as share application money.

iv. Rs. 1.25 crore was paid to Rajkumar Kedia for booking in his commercial property in Delhi. It was Mr Anil B. Agarwal who advised Fact to invest in Rajkumar Kedia's property.

v. Fact has received share application money of Rs. 3.45 crore from Sukusama.

vi. Entire preferential share application money of Fact was solicited and arranged by Mr Anil Agarwal, Fact's Financial Consultant. It was Mr Anil Agarwal who has done all these transactions.

vii. Vide its letter dated July 08, 2014; Fact has submitted that all the transactions except that of Rajkumar Kedia of Rs 1.25 crore were squared up by March 2011. Fact will be issuing notices soon to recover that amount from Rajkumar Kedia and to cancel Fact's bookings. Further, vide its letter dated December 29, 2014, Fact has informed that they have initiated the process to recover from Rajkumar Kedia, Anil Agarwal.

viii. Fact had given Rs 5.45 crore to Suvidha for investment in their projects. Fact was given an impression by Anil Agarwal and Suvidha that Suvidha has huge construction projects in Jaipur. Fact's team went to Jaipur to verify Suvidha's projects on February 09, 2014 and

February 23, 2014. Later on Fact got to know that all their (Suvidha's) projects are litigated and company is facing financial problems in executing their projects. Thereon, Fact demanded their money back and pressurised Mr Anil Agarwal. On March 24, 2011, Fact managed to get their entire amount back and has not dealt with them thereon. There is nothing outstanding from Suvidha. Fact has also furnished entire ledger in respect of Suvidha.

86. It is observed that Fact had not furnished certain information/ documents and also submitted false information in reply to the summons issued by SEBI, for which a penalty of Rs. 1,00,000 was imposed on it vide Adjudication Order dated December 31, 2018.

87. Further, vide its letter dated December 29, 2014, Fact has inter alia submitted that on March 24, 2011 it managed to get their entire amount back from Suvidha and has not dealt with them thereon. Also, as per ledger statement and account confirmation furnished by Fact in respect of Suvidha, for the period April 01, 2010 to March 31, 2011, the entire amount of Rs 5.45 crore has been shown as refunded upto March 24, 2011. However, as per Annual Report of Fact for FY 2011-12, Rs 5.57 crore as on March 31, 2011 and Rs 3.372 crore as on March 31, 2012 has been shown outstanding in the name of Suvidha.

88. Fact vide its letter dated February 14, 2014 has, *interalia* submitted that Fact / its promoters/ directors had no transaction with Heranba and Gaungour during the period Oct 01, 2010 to Mar 31, 2011. However, following transactions of Fact with Heranba and Gaungour were observed in the bank account statement of Fact (Union Bank A/c no. 318001010036877):

- Transfer of Rs 1 crore from Fact to Heranba on Jan 24, 2011.
- Transfer of Rs 50 lakh from Fact to Heranba on Jan 25, 2011.
- Transfer of Rs 75 lakh from Fact to Heranba on Feb 08, 2011.
- Transfer of Rs 50 lakh from Fact to Heranba on Feb 11, 2011.
- Transfer of Rs 44 lakh from Fact to Gaungour on Feb 25, 2011.

89. Vide summons dated December 04, 2014, Suvidha was advised to inter alia furnish the reasons for its above fund transactions with Fact and Ranisati.

However, no reply has been received from Suvidha. In view of the aforesaid violation of Suvidha, I note that a penalty of Rs. 5,00,000 was imposed on it vide Adjudication Order dated November 28, 2018.

90. In regard to its above transactions, BLC vide its letters dated February 22, 2014, June 23, 2014, July 23, 2014 and December 29, 2014 has submitted the following:

i. BLC had applied in the IPO of RPP Infra for 2,25,539 shares at Rs. 75 per share, and those shares were sold on December 06, 2010 at Rs. 75.04 per share and the proceeds were given to Fact on December 13, 2010.

ii. BLC had received Rs. 2 crore from Ranisati on December 04, 2010 as 'advances returned'. BLC has also furnished statement of account in respect of Ranisati.

iii. BLC had given Rs. 2 crore to Fact on December 04, 2010 for purchase of property. BLC had received Rs 1,24,75,000 from Fact as return in part for money given for purchase of property. BLC has also furnished copy of allotment/ cancellation letters from Fact and statement of account in respect of Fact.

iv. BLC had given Rs. 2 crore on December 23, 2010 and Rs. 1.21 crore on December 24, 2010 to Syncom as repayment of short term advance of Rs. 3.21 crore. BLC has furnished statement of account in respect of Syncom. BLC has also furnished copy of letter dated July 01, 2010 addressed to Syncom, wherein BLC has agreed to refund short term advance amounting to Rs 3.21 crore on or before December 31, 2010, without interest.

91. Syncom vide its letters dated July 23, 2014 has submitted the following:

i. Syncom had given an advance of Rs 3.21 crore to BLC for which full and final repayment was made by them on December 24, 2010 to the tune of Rs 1.21 crore. Prior to this BLC had repaid Rs 2 crore on

December 23, 2010. Syncom has furnished a copy of the ledger of BLC in its books. Syncom has also furnished copy of said letter dated July 01, 2010 from BLC addressed to Syncom, wherein BLC has agreed to refund short term advance amounting to Rs 3.21 crore on or before December 31, 2010, without interest.

ii. CSL was lead manager for Syncom's rights issue and also advised Syncom on preferential issue.

iii. On February 21, 2011, Syncom had made an application to BLC for subscription of 1.1 lakh shares of BLC at Rs 100 per share for which Syncom paid Rs. 1.1 crore to BLC.

iv. Syncom bought 4,30,000 shares of RKDL on December 27, 2010 for a total amount of Rs 3,67,32,794/-.

92. From the above, the following is observed:

i. Fact had transferred Rs 2 crore to RKDL prior to the IPO of RKDL, and had received Rs 2,01,33,000/- crore from RKDL out of the IPO proceeds. Accordingly, these fund transactions between RKDL and Fact were in the nature of bridge loan given by Fact to RKDL, which were repaid from the IPO proceeds. Disclosure of the same was not made in the offer document. The mis-statements and non-disclosures observed in the offer documents have been discussed in later paragraphs.

ii. As regards transfer of Rs 50 lakh from Ranisati to Fact, while Fact has informed that the same was received from Ranisati as share application money; Ranisati has stated that the same was given to Fact as short term advances. Therefore, the replies of Fact and Ranisati are contradictory.

iii. Fact has stated that Mr. Anil Agarwal is their financial consultant and the above transactions, including loan transaction with RKDL, preferential allotment of shares, transactions with Rajkumar Kedia

and Suvidha were executed by him on their behalf. It is further observed from disclosure dated June 22, 2010 filed by Fact with BSE under Regulation 7(3) of SAST Regulations, 1997, that Anil Agrawal HUF had acquired 11.77% shares of Fact pursuant to conversion of warrants, with post acquisition holding being 13.09%. Therefore, Fact and Anil Agarwal/ CSL are connected entities. It is further observed from the said disclosure, that Ranisati and Sukusama were also allotted 13.09% shares pursuant to conversion of warrants.

iv. While Rs 1.25 crore was transferred by Fact to Rajkumar Kedia on December 24, 2010, Fact vide its letter dated July 08, 2014 has stated that they will be issuing notices soon to recover that amount from Rajkumar Kedia and to cancel their bookings. This significant delay in even issuing notices for recovery of amounts also casts doubt on the genuineness of their transaction.

v. BLC has submitted that it had given the proceeds amounting to Rs 1.69 crore (approx) to Fact, from the sale of 2,25,539 shares allotted to it in the IPO of RPP Infra. It is also noted that prior to receipt of IPO proceeds by RKDL, Rs 4.79 crore was siphoned off from RKDL through BLC, which had applied in the IPO of RPP Infra out of the siphoned off amount. Therefore, these sales proceeds of RPP shares were effectively from the siphoned off funds from RKDL.

vi. Similarly, Ranisati had received Rs. 2.15 crore from CSL (broker) on December 13, 2010 as pay-out, out of which approx. Rs 1.79 crore was from (net) sale of 2,25,539 shares of RPP Infra allotted to Ranisati in IPO of RPP Infra. It is also noted that prior to receipt of IPO proceeds by RKDL, Rs 4.65 crore was siphoned off from RKDL through Ranisati, which had applied in the IPO of RPP Infra out of the siphoned off amount. Therefore, these sales proceeds of RPP shares were effectively from the siphoned off funds from RKDL.

vii. While BLC has submitted that it had received Rs 2 crore from Ranisati as 'advances returned', from the statement of account

furnished by BLC in respect of Ranisati, it is noted that no interest has been charged in respect of transactions between them.

viii. Similarly, in respect of Rs 3.21 crore given by BLC to Syncom, which BLC and Syncom have claimed as repayment of short term advance, it is noted from BLC's letter to Syncom and ledger statement that no interest for the same has been charged.

ix. From the statement of account furnished by BLC in respect of Fact, it is noted that three debit journal entries amounting to Rs 3,89,57,000/- on March 31, 2012 have been shown, and there was no outstanding balance as on March 31, 2012. However, from the annual report of Fact for the year 2011-12, it is noted that an amount of Rs 3,89,57,000 is shown outstanding as at March 31, 2012 under the head 'Long-term Loans & Advances'. Therefore, the statement of account furnished by BLC and the said information contained in the Annual report of Fact are contradictory.

93. Based on the above fund transactions, observations made above, aforesaid connection of entities, non-furnishing of information/ submission of false information by Fact and Suvidha, it is concluded that the amount of Rs. 2 crore that was given by Fact to RKDL prior to IPO was routed through layers from CIL, out of the Rs 6.4 crore received by CIL from Ranisati out of the siphoned off amounts of Rs. 4.65 crore and Rs.4.79 crore from RKDL through Ranisati and BLC.

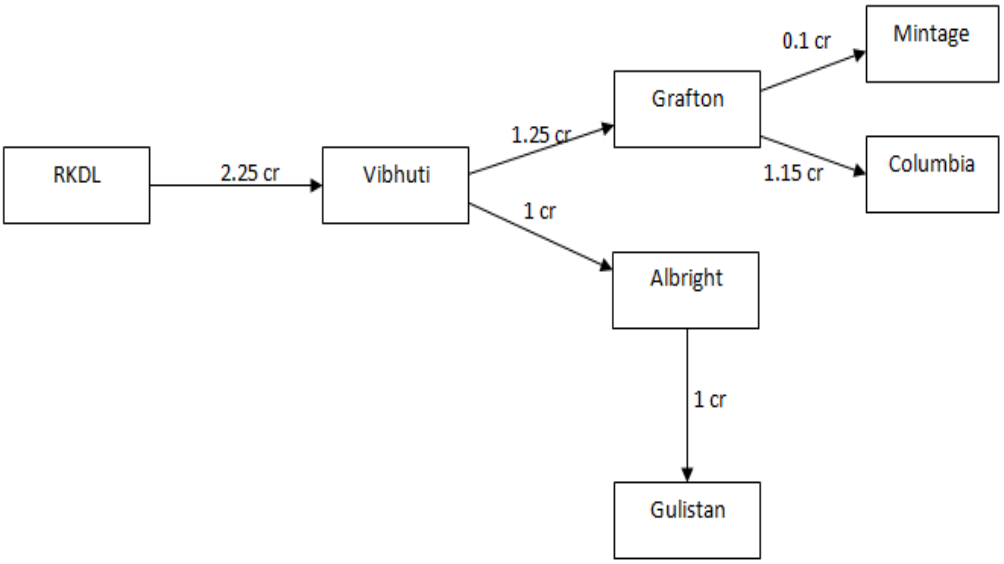
94. Further, out of the said Rs 6.4 crore received by CIL from Ranisati, Rs 2.35 crore was also routed from CIL through layers to Suvidha (allottee and trader in the shares of RKDL). BLC and Ranisati also routed the proceeds of approx. Rs 3.48 crore from sale of RPP Infra shares allotted to them in the IPO of RPP Infra Ltd, to Suvidha. BLC and Ranisati had applied in the IPO of RPP Infra out of the Rs 4.79 crore and Rs 4.65 crore siphoned off from RKDL respectively. Therefore, this approx. Rs 3.48 crore was effectively from the siphoned off amounts of Rs 4.79 crore and Rs 4.65 crore from RKDL.

95. Also, out of the said Rs 6.4 crore received by CIL from Ranisati, Rs 2 crore was also routed through layers to Syncom for buying shares of RKDL on the date of listing.

96. On receipt of IPO proceeds, RKDL transferred Rs 2.01 crore to Fact. This Rs 2.01 crore received out of IPO proceeds and Rs 50 lakh received from Ranisati (siphoned off through Ranisati from IPO proceeds) were also routed to Syncom (Rs 1.21 crore) for buying shares of RKDL on the date of listing, and to Rajkumar Kedia (Rs 1.25 crore).

97. **The details** of f**und transactions of RKDL with Vibhuti (for siphoning Rs. 2.25 crore out of the IPO proceeds of RKDL) are given below:**

i. A pictorial representation of the above fund transactions is given below:



ii. Vibhuti (Kotak Mahindra Bank A/c no. 09612000007328) had received Rs 2.25 crore from RKDL (Axis Bank A/c no. 910020037719618) on December 29, 2010, out of the IPO proceeds. On the same day, Vibhuti transferred Rs. 1.25 crore to Grafton and Rs. 1 crore to Albright.

iii. On receipt of Rs. 1.25 crore from Vibhuti on December 29, 2010, Grafton (Kotak Mahindra Bank A/c no. 03232000022442) transferred Rs. 10 lakhs to Mintage Solutions Pvt Ltd (Mintage) and Rs 1.15 crore to Columbia Granites Pvt Ltd (Columbia) on the same day.

iv. On receipt of Rs 1 crore from Vibhuti on Dec 29, 2010, Albright (Kotak Mahindra Bank A/c no. 03232000022644) transferred the same to Gulistan on the same day.

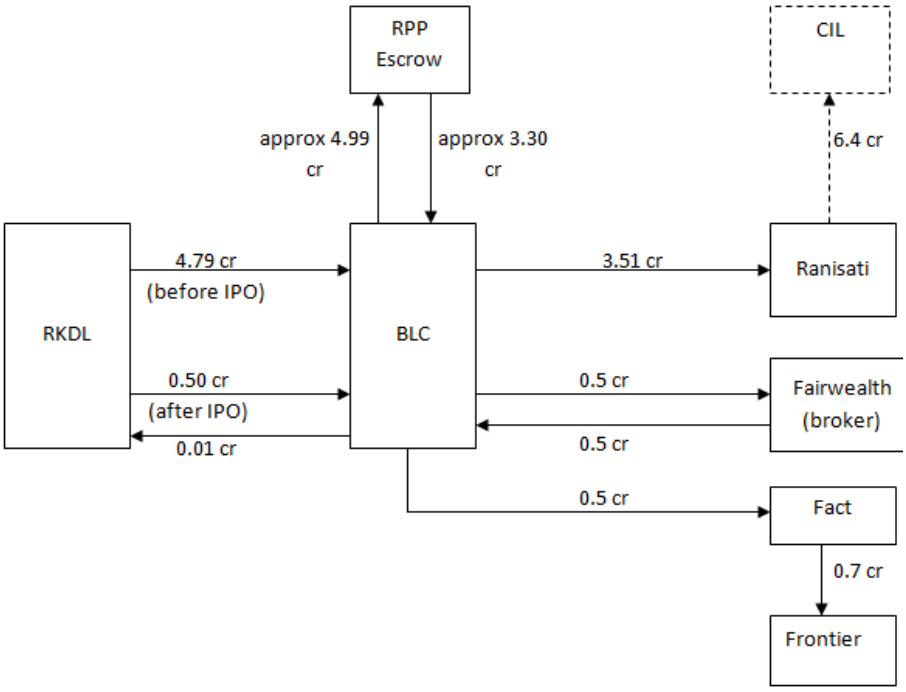
98. As already noted above, Albright not provided the desired information/ documents including reasons for the above fund transactions with Vibhuti and Gulistan. Gulistan has also not provided the desired information/ documents including reasons for the above fund transactions with Albright. Gulistan and Albright have not made any submission during the course of current adjudication proceedings also.

99. Therefore, in view of the non-submission of information, as mentioned above and based on the above fund transactions, connection amongst the entities,

RKDL's submission regarding siphoning off of IPO proceeds through companies associated with CSL, transfer of funds among entities on the same day, it is concluded that Rs. 2.25 crore has been siphoned off out of IPO proceeds from RKDL through Vibhuti and then through Grafton and Albright.

100. <u>The details of the fund transactions of RKDL with BLC (for siphoning of amount of Rs. 4.79 crore and Rs. 49 lakh out of IPO proceeds of RKDL) are given below:</u>

i. A pictorial representation of the fund transactions of RKDL with BLC is given below:



ii. Prior to receipt of IPO proceeds by RKDL, BLC (Union bank A/c no. 318001010036506) had received Rs 4.79 crore from RKDL on November 25, 2010. On the same day, an amount of Rs 4,99,98,000/- was transferred from the account of BLC to the Escrow account of RPP Infra. Subsequently, on December 03, 2010, an amount of Rs. 3,30,82,575/- was received in the account of BLC from RPP Infra. And on the same day, BLC transferred Rs

3.51 crore to Ranisati. Further, on the same day, Ranisati transferred Rs 6.40 crore to CIL.

iii. Post IPO issuance, BLC received Rs. 50 lakh from RKDL (Axis Bank A/c no. 910020037719618) on January 03, 2011, and on the same day transferred such amount to its broker viz., Fairwealth Securities Ltd (hereinafter referred to as '**Fairwealth**'). BLC had bought 2.6 lakh shares of CIL for a value of Rs. 10.4 lakh on December 23, 2010.

iv. On January 06, 2011, BLC received back Rs 50 lakh from Fairwealth, and transferred the same to Fact on January 07, 2011. On the same day, Fact transferred Rs 70 lakh to Frontier Mercantile Pvt Ltd.

v. BLC transferred Rs 1 lakh to RKDL on January 27, 2011.

101. BLC vide its letters dated February 22, 2014, June 23, 2014, July 23, 2014 and December 29, 2014 had submitted the following:

i. BLC is in the business of trading in clothes and trading in shares and securities. It is also commission agent and contracting of housekeeping and transportation.

ii. BLC had received Rs 4.79 crore and Rs 50 lakh from RKDL for purchase of shares. Vide its letter dated July 23, 2014; BLC has also furnished statement of account in respect of RKDL. As per this statement of account, BLC has booked a debit journal entry of Rs 3.25 crore against RKDL on account of loss on sale of 5,25,000 shares of Splash Media purchased on RKDL's behalf in the month of October 2010at Rs 91.25 per share and sold at Rs 31 plus charges.

iii. Further, vide its letter dated December 29, 2014, BLC has furnished a copy of letter dated February 18, 2011 from RKDL addressed to BLC, applying for 52,900 shares of BLC at Rs 1000 each aggregating to Rs 5.29 crore, along with copy of share application form.

iv. BLC had given Rs 3.51 crore to Ranisati as advances. BLC has also furnished statement of account in respect of Ranisati. BLC has also furnished a copy of its letter dated Dec 03, 2010 addressed to Ranisati, granting a sum of Rs 3.51 crore to Ranisati as short term advance, and stating that the said amount is refundable by December 2010.

v. BLC had given Rs 50 lakh to Fairwealth on account of trading in shares. This amount was subsequently received back from Fairwealth as the deal was called off by both the parties.

vi. BLC had given Rs 50 lakh to Fact for purchase of property. BLC has also furnished statement of account in respect of Fact.

102. It is observed that BLC has furnished contradictory information to SEBI during the course of investigation. Vide its letter dated July 23, 2014, BLC furnished statement of account in respect of RKDL, as per which BLC booked a debit journal entry of Rs 3.25 crore against RKDL on account of loss on sale of 5,25,000 shares of Splash Media purchased on RKDL's behalf in the month of October , 2010 at Rs 91.25 per share and sold at Rs 31 plus charges. However, vide its letter dated December 29, 2014, BLC furnished a copy of letter dated February 18, 2011 from RKDL addressed to BLC, applying for 52,900 shares of BLC at Rs 1000 each aggregating to Rs 5.29 crore, along with copy of share application form. Therefore, earlier BLC informed that it received money from RKDL for purchase of shares of Splash Media, but later it informed that it received money for application by RKDL for shares of BLC. Hence the submissions of BLC are contradictory and cannot be relied upon.

103. In respect of the above transactions, Fact vide its letters dated February 14, 2014, July 08, 2014 and Dec 29, 2014 has submitted the following:

i. Rs 50 lakh was received from BLC as booking in Krishna Marvel at Juhu. Fact has also furnished ledger statement in respect of BLC.

ii. Rs 70 lakh was given to Frontier Mercantile Pvt Ltd as token for booking of their premises. Fact has also furnished ledger statement in respect of Frontier. Fact has further submitted that they have requested Anil Agarwal for the copies of allotment/ cancellation, and shall submit them as they get them. Further there is nothing outstanding from Frontier.

104. BLC has furnished a copy of letter dated February 18, 2011 from RKDL addressed to BLC, applying for 52,900 equity shares of BLC of Rs 10 each at the premium of Rs 990 each aggregating to Rs 5.29 crore, along with copy of share application form. Further, as per statement of account furnished by BLC in respect of RKDL, as on March 31, 2011, the net amount paid by RKDL to BLC was Rs 5.28 crore (Rs 1 lakh was transferred by BLC to RKDL on January 27, 2011).

105. It is noted from the Balance Sheet of BLC as on March 31, 2011, as furnished by BLC, that while the 'issued, subscribed & paid up' share capital was 10,000 equity shares of Rs 10 each (same as previous year), the 'authorized' share capital was 50,000 equity shares of Rs 10 each. Further, the 'share application money' as on March 31, 2011 has been shown as Rs 3,64,35,000/-, which is less than the net amount paid by RKDL. Therefore, the said letter dated February 18, 2011 of RKDL along with share application form, as furnished by BLC, is unreliable.

106. Further, out of the Rs 4.79 crore and Rs 50 lakh (totaling Rs 5.29 crore) received from RKDL, BLC had returned Rs 1 lakh to RKDL on January 27, 2011, thereby the net amount received from RKDL being Rs 5.28 crore. However, as per the copy of RKDL's letter dated February 18, 2011 and share application form, as furnished by BLC, the application was for 52,900 shares at Rs 1000 each, aggregating to Rs 5.29 crore.

107. While BLC has submitted that it had given Rs 3.51 crore to Ranisati as advances, from the statement of account furnished by BLC in respect of

Ranisati, it is noted that no interest has been charged in respect of transactions between them.

108. Also from the statement of account furnished by BLC in respect of Fact, three debit journal entries amounting to Rs 3,89,57,000/- on March 31, 2012 have been shown, and there was no outstanding balance as on March 31, 2012. However, from the annual report of Fact for the year 2011-12, it is noted that an amount of Rs 3,89,57,000 is shown outstanding as at March 31, 2012 under the head 'Long-term Loans & Advances'. Therefore, the statement of account furnished by BLC and the said information contained in the Annual report of Fact are contradictory.

109. While the money was paid by Fact to Frontier Mercantile Pvt Ltd, as submitted by Fact, they have requested Anil Agarwal for the copies of the allotment/ cancellation. Therefore, the transaction between Fact and Frontier Mercantile Pvt. Ltd appear to be non-genuine.

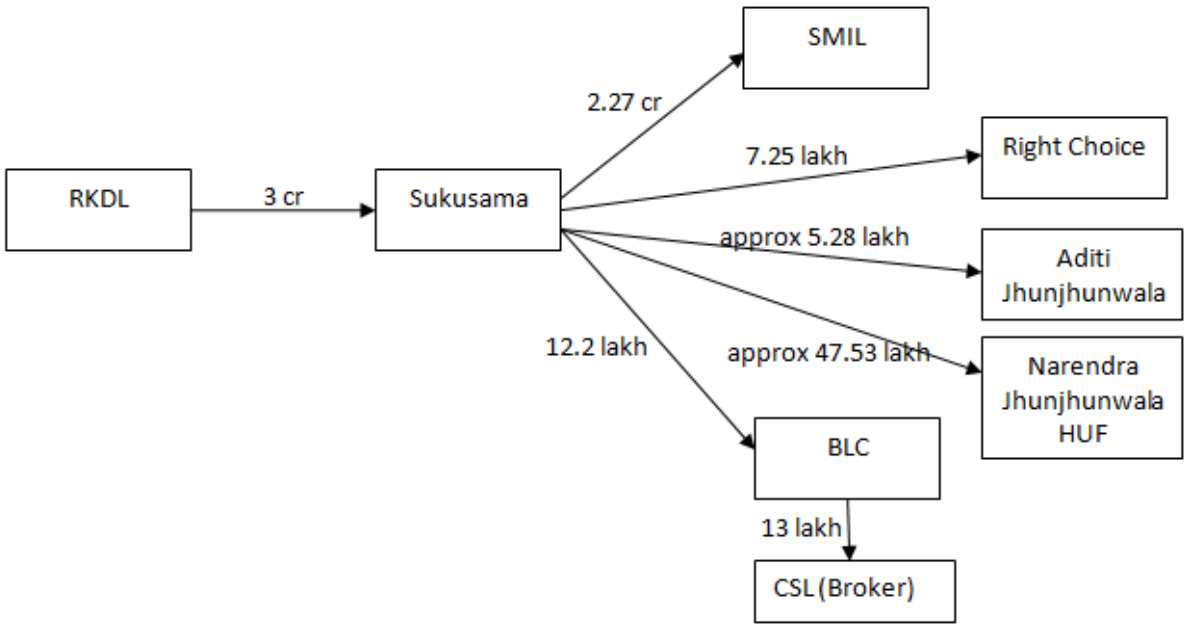
110. Based on the fund transactions and the observations mentioned above and considering the submission of RKDL regarding siphoning off of IPO proceeds through companies associated with CSL, the connection of entities and submission of contradictory replies by BLC, it is concluded that prior to IPO, Rs 4.79 crore has been siphoned off from RKDL through BLC, and a part of it was received by CIL (BLC had transferred Rs 3.51 crore to Ranisati, which in turn transferred Rs 6.4 crore to CIL).

111. Further, BLC had applied in the IPO of RPP Infra out of the said Rs 4.79 crore siphoned off from RKDL. It has also been noted above that BLC had routed the sales proceeds of these RPP Infra shares (allotted in IPO) amounting to Rs 1.69 crore, to Suvidha, which had applied in the IPO of RKDL and had also traded in the scrip. Therefore, this Rs 1.69 crore, routed to an allottee and trader, was effectively from the siphoned off amounts of Rs 4.79 crore from RKDL.

112. It is further established that Rs.49 lakh were siphoned off from RKDL through BLC, as BLC received Rs. 50 lakh from RKDL for purchase of shares which were transferred to Fairwealth by BLC. After receiving back the same amount from Fairwealth, BLC siphoned off the said amount through Fact. BLC returned 1 lakh to RKDL on January 27, 2011.

113. **<u>The details of fund transactions of RKDL with Sukusama (for siphoning of amount of Rs. 3 crore out of IPO proceeds of RKDL) are given below:</u>**

i. A pictorial representation of the of fund transactions of RKDL with Sukusama is given below:



ii. Sukusama (PNB A/c no. 1218002100031478) had received Rs. 3 crore from RKDL (Axis Bank A/c no. 910020037719618) on January 18, 2011, out of the IPO proceeds.

iii. On the same day, Sukusama transferred Rs 2.27 crore to Splash Media and Rs 7.25 lakh to Right Choice Financial Services Ltd.

iv. Further, on the next day, i.e., January 19, 2011, Sukusama transferred approx. Rs 5.28 lakh to Aditi Jhunjhunwala, approx. Rs 47.53 lakh to Narendra Jhunjhunwala HUF and Rs 12.20 lakh to BLC. On the next day, i.e., January 20, 2011, BLC transferred Rs 13 lakh to its broker CSL. BLC had bought 1,37,626 shares of Splash Media for a value of approx. Rs 1.64 crore, on January 18, 2011.

114. Sukusama vide its letters dated February 24, 2014, June 21, 2014, July 23, 2014 and December 27, 2014 has submitted the following:

i. Nature of business of Sukusama is trading in shares and securities.

ii. Sukusama had received Rs 3 crore from RKDL towards purchase of shares. Sukusama has furnished a copy of letter dated February 18, 2011 from RKDL addressed to Sukusama, applying for 30,000 equity shares of Sukusama at Rs 1000 each aggregating to Rs 3 crore, along with copy of share application form.

iii. Sukusama had transferred Rs 2.27 crore to Splash Media as repayment of advances. Sukusama has furnished copy of its letter dated July 14, 2010 addressed to Splash Media, acknowledging granting of advance of Rs 3.11 crore for a short period, and that Sukusama shall repay the same amount to Splash Media by January 2011.

iv. Sukusama had transferred Rs 7.25 lakh to Right Choice Financial Services Ltd as repayment of advances. Sukusama has furnished copy of its letter dated July 14, 2010 addressed to Right Choice Financial Services Ltd, acknowledging granting of advance of Rs 7.25 lakh for a short period, and that Sukusama shall repay the same amount to Right Choice Financial Services Ltd by February 2011.

v. Sukusama had transferred approx. Rs 5.28 lakh to Aditi Jhunjhunwala as repayment of loan. Sukusama has furnished copy of its letter dated July 12, 2010 addressed to Aditi Jhunjhunwala, acknowledging granting of loan of Rs 5 lakh

for a short period, and that Sukusama shall repay the same amount to Aditi Jhunjhunwala by Jan 2011 with interest at 12% p.a.

vi. Sukusama had transferred approx. Rs 47.53 lakh to Narendra Jhunjhunwala HUF as repayment of loan. Sukusama has furnished copy of its letter dated July 12, 2010 addressed to Narendra Jhunjhunwala HUF, acknowledging granting of loan of Rs 45 lakh for a short period, and that Sukusama shall repay the same amount to Narendra Jhunjhunwala HUF by Jan 2011 with interest at 12% p.a.

vii. Sukusama had transferred Rs 12.20 lakh to BLC as repayment of advances. Sukusama has furnished copy of its letter dated July 14, 2010 addressed to BLC, acknowledging granting of advance of Rs 47.50 lakh for a short period, and that Sukusama shall repay the same amount to BLC by Feb 2011.

viii. Sukusama has also furnished ledger statements in respect of the above entities.

115. From the above submissions of Sukusama, the following is observed:

i. Sukusama has submitted that it had received Rs 3 crore from RKDL as share application money for its shares. It is noted that investment in/ purchase of shares of a company engaged in the business of trading in shares and securities was not among objects of the IPO of RKDL or interim use of funds from the issue, as per the prospectus. Further, RKDL has also submitted that the above funds were siphoned off through the companies associated with CSL. It is therefore observed that the amount of Rs 3 crore had been siphoned off out of the IPO proceeds through Sukusama.

ii. It is shown in the Schedules forming part of the Balance Sheet of Sukusama for FY 2010-11,that Sukusama had received share application money of Rs 4.476 crore including Rs 3 crore from RKDL. Further, in the schedules forming part of balance sheet for FY 2011-12, share application money pending allotment has been shown as Rs 30.5 lakh. However, in the Annual Return of Sukusama, under the list of shareholders as on September 29, 2012, name of RKDL is not shown. Further, the number of issued shares as on September 29, 2012 and as

on September 30, 2010 is same, viz., 4,10,000 shares, which means that shares were not allotted to RKDL during this period. However, share application money pending allotment had reduced from Rs 4.476 crore to Rs 30.5 lakh during FY 2011-12.

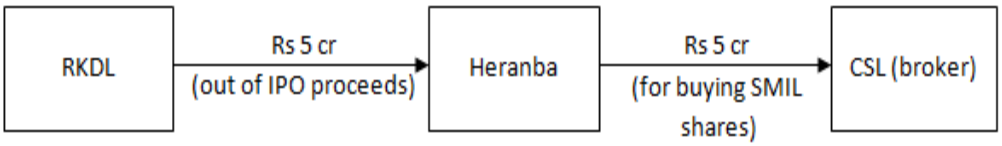
iii. While Sukusama has submitted that it had transferred Rs 12.20 lakh to BLC as repayment of advances, from the ledger statement furnished by Sukusama in respect of BLC, it is noted that no interest has been charged in respect of transactions between them.

iv. Similarly, in respect of Rs 2.27 crore transferred by Sukusama to SMIL, while Sukusama has claimed the same as repayment of advances, it is noted from the ledger statement furnished by Sukusama in respect of SMIL that no interest has been charged in respect of transactions between them.

116. Based on the observations mentioned above with respect to the fund transactions and submission of Sukusama, it is concluded that Rs. 3 crore has been siphoned out of the IPO proceeds of RKDL through Sukusama.

117. <u>The details of the fund transactions of RKDL with Heranba(for siphoning of amount of Rs. 5 crore out of IPO proceeds of RKDL) is given below:</u>

i. A pictorial representation of the fund transactions of RKDL with Heranba is given below:



ii. Heranba (Kapol Coop Bank A/c no. 6980) had received a total of Rs 5 crore from RKDL (Axis Bank A/c no. 910020037719618) out of the IPO proceeds, during the period January 18, 2011 to January 21, 2011

iii. Heranba in turn transferred the same amounts to its broker CSL on the same days of receipt of the above amounts. During the period January

01, 2011 to February 15, 2011, Heranba, through its broker CSL, had bought 22,77,600 shares of SMIL for a total value of approx. Rs. 23.21 crore at BSE.

118. Vide summons dated December 04, 2014 sent to Heranba at one of its director's address (Kiran Vinodchand Shah), as per MCA website, Heranba was advised to inter alia inform about its businesses and reasons for the above fund transactions with RKDL. Kiran Vinodchand Shah, vide his letter dated January 10, 2015, made the following submissions:

i. He had submitted his resignation letter to the company on March 04, 2011. He has also furnished copy of his resignation letter dated March 04, 2011.

ii. Though he was director of the company during the period of the aforesaid transactions, he is not aware about the same.

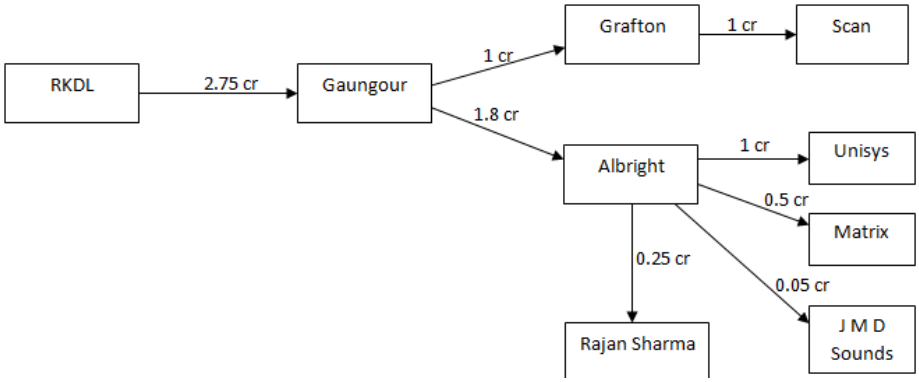
iii. All transactions were made by other director, Mrs Pratusha Kadu, who entered in the financial transactions without informing him.

119. Further, summons to Heranba could not be delivered to any of its addresses or at the address of its other director, Pratusha Roshan Kadu. It is noted from MCA database as on November 14, 2015 that Kiran Vinodchand Shah is still shown as director of Heranba. Therefore, Kiran Vinodchand Shah has furnished false information, and has also not provided the desired information/ documents, thereby hampering the investigation .It is observed that Heranba had not made any submission in response to the SCN under adjudication proceedings also.

120. Therefore, based on the above fund transactions, aforesaid connection of entities, RKDL's submission regarding siphoning off of IPO proceeds through companies associated with CSL and furnishing of false information/ non-furnishing of information by director of Heranba, it is concluded that Rs. 5 crore has been siphoned off from RKDL out of IPO proceeds through Heranba.

121. <u>The details of the fund transactions of RKDL with Gaungour (for siphoning of amount of Rs. 2.75 crore out of IPO proceeds of RKDL)are given below:</u>

i. A pictorial representation of the fund transactions of RKDL with Gaungour is given below:



ii. Gaungour (Kotak Mahindra Bank A/c no. 03232180000434) had received Rs 2.75 crore from RKDL (Axis Bank A/c no. 910020037719618) on February 18, 2011, out of IPO proceeds.

iii. On the same day, Gaungour transferred Rs 1 crore to Grafton (Kotak Mahindra Bank A/c no. 03232000022442) and Rs 1.8 crore to Albright (Kotak Mahindra Bank A/c no. 03232000022644).

iv. Grafton in turn transferred the same amount, i.e. Rs 1 crore to Scan Infrastructure Ltd (Kotak Mahindra Bank A/c no. 03232180000900) on the same day, i.e. February 18, 2011.

v. On receipt of Rs 1.8 crore from Gaungour, Albright made the following fund transfers on the same day, i.e., February 18, 2011:

- Rs 1 crore to Unisys Softwares and Holding Industries Ltd
- Rs 50 lakh to Matrix Systel Pvt Ltd
- Rs 5 lakh to J M D Sounds Ltd
- Rs 25 lakh to Rajan Sharma

122. As demonstrated in the paragraph dealing with the connections, Gaungour, Grafton, Albright, Scan Infrastructure, Unisys, Matrix and J M D Sounds Ltd are connected entities.

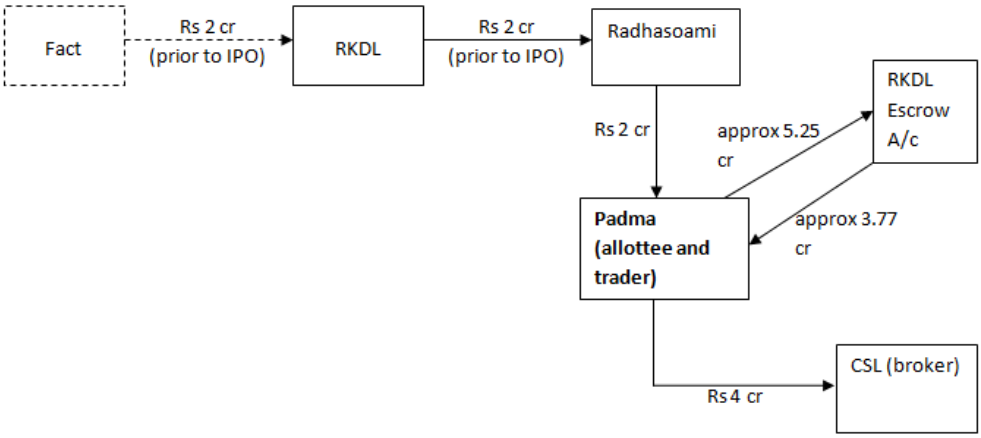
123. Vide summons dated January 29, 2014, Gaungour was advised to inter alia inform about its business and reasons for the above fund transactions with RKDL, Grafton and Albright. Gaungour, vide its letter dated February 13, 2014, requested for extension till middle of March 2014 for submission of reply. Upon non-receipt of any reply, vide summons dated June 03, 2014, Gaungour was again advised to submit the information/ documents sought vide SEBI's earlier summons. However, Gaungour failed to provide the information/ documents sought through the aforesaid summons for which a penalty of Rs. 5,00,000 was imposed on Gaungour vide Adjudication Order dated September 28, 2018.

124. It is observed that Grafton has also not provided the rationale behind its aforementioned fund transactions with Gaungour and Scan Infrastructure. Further, Albright has also not provided the desired information/ documents including reasons for the above fund transactions with Gaungour, Unisys, Matrix, J M D Sounds and Rajan Sharma. It is noted in previous paragraphs that Gaungour has not responded to the SCN / hearing notices in the instant proceedings also.

125. Based on the above fund transactions, aforesaid connection among the entities involved, non-furnishing of information by Gaungour, Grafton and Albright, transfer of funds among such entities on the same day and RKDL's submission regarding siphoning off of IPO proceeds through companies associated with CSL, it is concluded that Rs 2.75 crore has been siphoned off out of the IPO proceeds from RKDL through Gaungour and then through Grafton and Albright.

126. **The details of fund transactions of RKDL with Radhasoami (for siphoning of amount of Rs. 2 crore out of IPO proceeds of RKDL) is given below:**

i. A pictorial representation of the fund transactions of RKDL with Radhasoami is given below:



ii. Prior to receipt of IPO proceeds by RKDL, RKDL had received Rs 2 crore from Fact on December 06, 2010, and on the same day transferred the same amount to Radhasoami (HDFC Bank A/c no. 01662000013980).

iii. On December 10, 2010, Radhasoami transferred Rs. 2 crore to Padma (HDFC Bank A/c no. 00602320017340). On December 13, 2010, an amount of Rs 5,24,99,200.00 was transferred from the account of Padma to the Escrow account of RKDL and later Padma was allotted 2,30,359 shares of RKDL.

iv. On December 18, 2010, RKDL IPO refund for an amount of Rs 3,77,56,224 was received in the account of Padma. On December 24, 2010, Padma transferred Rs 4 crore to its broker CSL and purchased. 13,56,786 shares (buy value of approximately Rs 11.52 crore) and sold 10,71,786 shares (sell value of approximately Rs 8.95 crore) of RKDL on the listing day, i.e. December 27, 2010.

127. It is further observed that Fact, Radhasoami and Padma are connected entities.

128. Radhasoami vide its letter dated February 10, 2014 has submitted the following:

i. It is sub-broker with ITI Financial Services Ltd.

ii. Rs 2 crore was received from RKDL as share application money. Radhasoami has furnished a copy of the application form by RKDL. The said amount was later returned on December 10, 2010 to Padma as per RKDL's verbal request.

iii. Vide summons dated October 21, 2015, Padma was advised to inter alia inform its business reasons for the above fund transaction with Radhasoami. However, Padma has not provided the information/ documents.

129. From the above, the following is observed:

i. Prior to receipt of IPO proceeds by RKDL, RKDL received Rs 2 crore from Fact and transferred the same amount to Radhasoami. On receipt of IPO proceeds, RKDL transferred Rs 2 crore plus interest to Fact. Therefore, the money transferred to Radhasoami was *effectively* out of the IPO proceeds.

ii. Radhasoami has submitted that it had received Rs 2 crore from RKDL as share application money for its shares, which was later returned to Padma as per RKDL's verbal request.

130. It is noted that investment in/ purchase of shares of a sub-broker was not among objects of the IPO of RKDL or interim use of funds from the issue, as per the prospectus. Also, rather than 'returning' the money to RKDL itself, transferring the same to another entity Padma, that too based on oral request, makes this transaction dubious. Further, the money transferred to Padma was used by it to apply in the IPO and trade in the scrip of RKDL.

131. Based on the fund transactions and observations mentioned above, aforesaid connection of entities, non-furnishing of information by Padma, it is concluded that Rs 2 crore has been siphoned off from RKDL effectively out of the IPO proceeds of RKDL through Radhasoami. Further, this siphoned off Rs 2 crore

was also routed to Padma which was used for applying in the IPO and trading in the scrip of RKDL.

132. I would like to mention here that the most important aspect of these transactions is that such transactions were not done for any genuine business purpose. During the proceedings, none of the noticees could produce any documentary evidence of plausible rationale to show that the fund transfer out of the account of RKDL were part of normal business proceedings. In my view, the rationale given by BLC and Ranisati regarding the fund transfers with RKDL and other entities, are afterthought to cover up the fraudulent transactions. Ranisati did not provide any evidence in support of its claims. Similarly BLC provided contradictory statements which cannot be relied upon. It is also pertinent to note that RKDL has already mentioned that these transactions are fraudulent transactions resulting in siphoning of funds to the tune of Rs. 33.83 crore out of the total IPO proceeds.

133. Further, CSL has also not submitted any comment with respect to transactions done by other noticee companies claiming ignorance about their business transactions and referring to these to be third party transactions, despite the fact that it has adequately been established that these noticees are closely connected with CSL, as demonstrated in the paragraph dealing with the connections. CSL has only submitted its reply w.r.t. transaction of RKDL with CIL stating that CIL had provided short term loan to RKDL. However, as explained above, the loan which was provided by CIL to RKDL was not utilized by RKDL but was further transferred to CIL and BLC who then transferred it to several other entities. Thus, the said loan by CIL has only resulted in fraudulent creation of an artificial liability in the books of RKDL which was settled by repaying the loan from the IPO proceeds. Therefore, I conclude that CSL and its directors have siphoned off this amount of Rs. 33.83 crore from the IPO of RKDL through its associate companies viz. CIL, BLC, Ranisati, Fact,

Radhasoami, Gulistan, Vibhuti, Grafton, Albright, Padma, Sukusama, Heranba, Gaungour and Suvidha.

134. I note that noticee 14 / Jugal Chandrakant Thacker and noticee 16 / Chandrakala Purohit have contended that they were the independent directors of CSL, and thus, were not liable for the alleged violations of CSL. I am not in agreement with aforesaid submission of the noticee 14 and 16. Noticee 14 was one of the common directors of CSL and CIL. Similarly, noticee 16 was connected with the directors of other noticee companies associated with CSL as established in the paragraph on connections among the noticees. Therefore, the noticees 14 and 16, cannot claim ignorance regarding the affairs of CSL and are equally liable as much as other directors of CSL for the fraudulent activities of CSL, as established above.

135. It is observed that during the course of investigation and current adjudication proceedings, RKDL submitted that prior to IPO issue, Mr. Ravi Kumar (as Managing Director of RKDL) had expressed financial constraint to Mr. Anil Agarwal regarding meeting out IPO related expenses. At the time of giving loan of Rs. 2 crore by CIL, Mr. Anil Agarwal had taken signatures of Mr. Ravi Kumar on some documents, presumable shares pledge related documents. On the basis of advice of CSL, RKDL had opened Axis Bank Account exclusively for the purpose of meeting out its IPO related expenses. Further, on the basis of request of Mr. Anil Agarwal, Mr. Ravi Kumar has given him signed cheques out of RKDL's Axis Bank account. RKDL has also furnished copy of MoU dated September 05, 2012 under which Mr. Anil Agarwal has admitted having received blank signed documents including pledge documents etc., prior to IPO.

136. RKDL further submitted that Mr. Anil Agarwal illegally and fraudulently transferred Rs 4.79 crore and Rs 4.65 crore from CIL to RKDL's bank account with Axis Bank and by misusing blank signed cheques taken from Mr. Ravi Kumar transferred Rs 4.79 crore and Rs 4.65 crore to BLC and Ranisati.

Further, Economic Offence Wing (hereinafter referred to as '**EOW'**), Mumbai had investigated the trail of these funds and have found that Rs. 6.40 crore has gone back to CIL directly and Rs. 3.38 crore has gone to Fact, wherein Mr. Anil Agrawal is the major shareholder.

137. As per the submission of RKDL, it availed a loan of Rs. 3.27 crore (out of Rs 12.71 crore transferred by CIL) from CIL during October 08, 2010 to December 13, 2010 to meet RKDL expenses and IPO expenses. Mr. Anil Agrawal again deposited one cheque of Rs 2 crore in RKDL's Axis Bank account drawn up by Fact and re-transferred the fund to Radhasoami. RKDL had neither requested for any loan from CIL nor from Fact nor given any loan to BLC, Ranisati and Radhasoami. Anil Agarwal misused his access to RKDL's Axis Bank account and the blank signed cheques lying with him. Thus, Mr. Anil Agarwal by misusing the blank signed cheques transferred the sum of Rs 37.29 crore to entities directly or indirectly associated with him.

138. RKDL has further submitted that at the relevant time Mr. Anil Agarwal had blank signed pledge request forms and blank cheques with him and also he assured for returning the money to RKDL, therefore he forced RKDL to show the same payment as the payment made to suppliers of materials, and RKDL had shown the same in the balance sheet as advances.

139. RKDL has already filed 6 suits before Hon'ble Bombay High Court against BLC, Gulistan, Ranisati, Sukusama, Vibhuti and Gaungour making CSL and Mr. Anil Agarwal as defendant for recovery of Rs 36.25 crore. The Axis Bank Account (A/c no. 910020037719618) where IPO proceeds were credited and from where funds were siphoned off/ routed, was in the name of RKDL, and therefore RKDL was responsible for the transactions in this account.

140. Further, even if the submission of RKDL that it had availed a loan of only Rs 3.27 crore from CIL during Oct 08, 2010 to Dec 13, 2010 (out of Rs 12.71 crore

received from CIL and Rs 2 crore from Fact prior to receipt of IPO proceeds by RKDL, and which were repaid from the IPO proceeds) is considered, the same were not disclosed in the Prospectus dated December 14, 2010.The concealing of correct information continued. Also, RKDL concealed the siphoning off of IPO proceeds in the Annual Report for FY 2010-11, as RKDL has shown the siphoned off amounts in the balance sheet as advances made to suppliers of materials. Further, this act of siphoning off of IPO proceeds was not disclosed by RKDL until SEBI took up the matter with it in June 2012 (i.e. around one and a half years after the IPO), with regard to compliance with Regulation 39 of ICDR Regulations and non-disclosure of default in payment by Mr. Ravi Kumar against loans in the Prospectus.

141. Therefore, it is clear that such large scale fraudulent siphoning of funds is not possible without the collusion of RKDL with CSL. RKDL has itself submitted before SEBI that fund have been siphoned out of its IPO proceeds through CSL and its associate companies. I am of the view that by making such submission, RKDL attempted to put entire blame of the fraud on CSL and portray a picture of ignorant company with respect to the fund transfers out of the company. However, I am not in agreement with RKDL that CSL could perpetrate such massive fraud only on the basis of blank cheques and documents signed by the directors of RKDL. Even if I agree for once that signed blank cheques and documents were handed over by RKDL to CSL, it would be naïve to accept that a listed company and its directors are not aware of the implications of signing such documents and handing over the same to a third party. I also note that the siphoning off of funds did not happen in a single instance but continued for months which began with creation of artificial liability in the books of RKDL through bridge loans till repayment of such loans. It would be too farfetched to believe that funds amounting to crores of rupees were being transferred in and out of the bank accounts of RKDL for months and RKDL was not aware of the same. Neither RKDL nor any other of the

noticee has been able to produce any satisfactory document to show that such transactions were genuine business transactions. Therefore, I conclude that RKDL and its directors are also responsible for siphoning of funds to the tune of Rs. 33.83 crore out of the IPO proceeds.

142. The directors of RKDL (during the relevant period) were Mr. R V Ravikumar / noticee 2, Mrs. R Amirthavalli / noticee 3, Mrs. S Vijayalakshmi / noticee 4, Mr. Badrinath S Gandhi / noticee 5, Mr. Popatlal Kathariya / noticee 6, Mr. K S M Rao / noticee 7 and Mr. Ashok Shetty / noticee 8. I note that noticees 6, 7 and 8 were the independent directors of RKDL. It is observed that as per the Annual Report of RKDL for FY 2010-11, Mr. Ashok Shetty / noticee 8 was the chairman and Mr. K S M Rao / noticee 7, Mr. Popatlal Kathariya / noticee 6 and Mr. Badrinath S Gandhi / noticee 5 were members of the Audit Committee of RKDL. In this regard, while I am in agreement with the submission that noticees 6 to 8 were Independent Directors of RKDL during the relevant period, I find that the evidence suggests that they were involved in the affairs of the Company which made them privy to the suspicious manner in which IPO proceeds of RKDL were being siphoned off. Noticees 5 to 8 were part of the Audit Committee. As part of the Audit Committee, they had access to the financial status of the Company. It is unimaginable that as part of the Audit Committee they were not aware of the fact that the IPO proceeds of the Company are being transferred out of the accounts of the company in such suspicious manner, as explained. As directors, it were noticees 2 to 8 that were running the affairs of RKDL and therefore the noticees 2 to 8 are responsible for the IPO funds not being utilized by the Company for any of the stated purposes of IPO issuance.

143. In respect of liability of the directors for the fraud committed by a Company, the Hon'ble Supreme Court, in the matter of N Narayanan v. Adjudicating Officer, SEBI (2013) 12 SCC 152 has observed as under:

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

144. In view of the findings mentioned above and observations of Hon'ble Supreme Court, I conclude that noticees 2 to 8 have also participated in the siphoning off the IPO proceeds of RKDL.

145. In view of the observations above, I conclude that RKDL (noticee 1), directors of RKDL (noticees 2 to 8), CSL (noticees 10) and directors of CSL (noticees 11 to 16) have violated the provisions of sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1),4 (2) (f) and (k) of the PFUTP Regulations.

C. Whether CSL, directors of CSL, RKDL and directors of RKDL, are responsible for making wrong statements and not making full disclosures in the Prospectus of the IPO Offer of RKDL and also in the annual report of FY 2010-11, thereby violating provisions of the SEBI Act, PFUTP Regulations, ICDR Regulations and Merchant Banker Regulations, as alleged in the SCN?

146. As mentioned in previous paragraphs, RKDL had received Rs. 12.71 crore from CIL during Oct 08, 2010 to Dec 13, 2010 (i.e., prior to receipt of IPO proceeds by RKDL), and had repaid approx. Rs. 12.88 crore to CIL on Dec 24, 2010 out of the IPO proceeds. I further note that, RKDL also received Rs. 2

crore from Fact on December 06, 2010 (i.e., prior to receipt of IPO proceeds by RKDL), and had repaid approx. Rs. 2.01 crore to Fact on Dec 24, 2010 out of IPO proceeds.

147. CIL in its reply to SEBI had submitted that it had given a loan amounting to Rs. 12.71 crore to RKDL at the interest rate of 15% p.a., prior to receipt of IPO proceeds. The principal amount along with interest, totaling to Rs. 12,88,18,000, was repaid back by RKDL to CIL on December 24, 2010. Similarly, Fact in its reply to SEBI had submitted that Rs. 2 crore was given to RKDL as short term loan on interest, and Rs 2,01,33,000/- was repaid back by RKDL as principle amount and interest.

148. However, I note that in the Prospectus dated December 14, 2010 of RKDL, following is disclosed at point no. 8 under the head 'Notes forming part of the capital structure' (Page 48) -

'*Our Company has not raised any bridge loans against the proceeds of this Issue.*'

149. It has been further disclosed in the Prospectus at Page 190 under the head 'Material Development' that -

'*In the opinion of the Board of Directors of our Company, there have not arisen, since the date of the last audited financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability or value of assets or our ability to pay material liabilities within the next twelve (12) months. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.*'

150. However, as explained above, there was an outstanding liability of around Rs. 14.89 crore which was 20.23% of the total size of the IPO issue, on account of loans taken by RKDL from CIL and Fact. As a result of the loans taken by RKDL, there was a liability of Rs 14.89 crore, always attached to the capital raised by way of IPO proceeds which is material and should have been disclosed to the investors.

151. I note from the submissions made by CSL in its reply to SCN that it was aware of the bridge loan taken by RKDL from CIL and Fact prior to the IPO issue. CSL has submitted that for both these loans, at the relevant time, it was explained by RKDL that the same was a short term loan liability taken for temporary working capital requirements and that the loan would be repaid shortly and is availed on a need basis. CSL further submitted that the management of RKDL explained to them that the said short loans would be repaid shortly and were not material. It is based on the said explanation of RKDL to CSL that the short-term loans would be repaid shortly, the same were not treated as material and accordingly same were not disclosed in the offer document by CSL. CSL further submitted that at the relevant time, RKDL had not stated that it would be repaying the loans raised out of the IPO proceeds. On the contrary, RKDL had explained to CSL that the said short term loans would be repaid shortly out of its own funds.

152. The abovementioned explanation given by the Noticee for omission of disclosure of bridge loans from the Prospectus of IPO issue cannot be accepted. First of all, the liability of 20.23% of the IPO proceeds cannot be termed as immaterial by any stretch of imagination. It means that RKDL could not use 20.23% of the capital for any business purpose (as was supposedly disclosed in the Prospectus) as 20.23% of the capital raised will have to be necessarily used for settling previous outstanding liabilities. I am of the view that the investors of RKDL should have been notified of such huge liability attached to the IPO issue so that they could have made sound investment decision at the time of investing in the shares of RKDL. Secondly, even if the said loans were termed as short term loans by RKDL, CSL was well aware that the said loans were not settled by RKDL at the time of IPO issue and the same would be settled using the IPO proceeds. In my view, the short duration of the loan taken cannot be treated as a reason to term any loan immaterial and CSL should have considered the purported short term loans as material developments due to the fact that the said loans were still outstanding at the

time of IPO issue. Finally, the role of CSL as BRLM to the IPO issue was not limited to disclose in IPO Prospectus whatever has been submitted by RKDL to them. CSL was expected to carry out proper due diligence before finalizing the Prospectus. Therefore, I conclude that there were ample signals indicating that the bridge loan would be repaid using IPO proceeds which were deliberately ignored by CSL.

153. Further, I note that CSL has failed to independently check whether the funds received by RKDL from CIL and Fact as loan have been used for the purpose stated by RKDL. It has already been mentioned in pre-paragraphs that out of Rs 12.71 crore and Rs 2 crore received by RKDL from CIL and Fact respectively, Rs 4.79 crore, Rs 4.65 crore and Rs 2 crore were immediately transferred to entities connected to CSL viz. BLC, Ranisati and Radhasoami, respectively. Subsequently, through CIL and Fact, funds were routed to allottees and traders in the scrip of RKDL, viz., Suvidha, Padma and Syncom. Furthermore, all these entities viz., Fact, BLC, Ranisati, Radhasoami, Suvidha, Padma, Syncom and CIL are connected/ related to CSL. The aforesaid siphoning of funds has been explained in detail in previous sections. However, considering the connection of CSL with these entities, it is established that CSL was aware of the subsequent siphoning of funds to allottees and traders in the scrip of RKDL, and not utilized by RKDL for purposes stated. However, I note that CSL, despite being aware of such transactions failed to disclose the same in the prospectus of the IPO issue of RKDL.

154. I also note that one of the promoter directors of RKDL viz, Mr. R. V. Ravikumar / noticee 2, had availed loans for Vanilla Cultivation and also a Car loan from Union Bank of India, T. Nagar, Chennai branch, and an amount of Rs 1,99,96,113.00 was outstanding with interest charged upto September 30, 2011. I note that Mr. R. V. Ravikumar defaulted in payment of interest and installments and therefore, Union Bank of India had classified the accounts of Mr. R. V. Ravikumar as Non-Performing Assets with effect from December

2009. Further, the Bank had filed a suit before the Debts Recovery Tribunal (DRT), II Chennai for recovery of dues. However, I note that there was no disclosure of these borrowings in the IPO Prospectus of RKDL.

155. I note that CSL, in its reply has submitted that at the relevant time it was not aware of any litigation by Union Bank of India and the same was not in their knowledge at the time of filing the offer document. CSL submitted to have relied on the information provided by RKDL and its management personnel. In this regard, I am of the view that the knowledge of conduct/misconduct of promoter and director of any company is of paramount importance to the investors of that company. Therefore, CSL, as BRLM, failed to conduct an independent due diligence w.r.t. the prospectus of the IPO of RKDL.

156. I note that CSL has also submitted in its reply that the requisite due diligence of RKDL was carried out by Mr. Sarthak Vijlani / noticee 17 who was the overall in-charge of the Merchant Banking operations of CSL. It was Mr. Sarthak Vijlani who supervised each and every activity of the Merchant Banking operation with regard to the IPO of RKDL. In this regard, I am of the view that Mr. Sarthak Vijlani, as authorized signatory of CSL is also responsible for the non-disclosures and misrepresentations in the IPO prospectus. However, the same doesn't absolve CSL and its directors from their responsibilities considering their involvement in the fraudulent activity of siphoning of IPO proceeds of RKDL. I don't find anything on record to show that Mr. Sarthak Vijlani exhibited control over the activities of other noticees involved in the fraud in this matter or even CSL, to the same extent as Mr. Anil Agarwal. Therefore, I am of the view that although Mr. Sarthak Vijlani is responsible for lapses in the disclosures that were to be made in the IPO prospectus, the evidence doesn't prove that he was also involved in the fraudulent activities of CSL and its other connected entities.

157. In this regard, I would like to quote the following observations of Hon'ble SAT in the matter of Keynote Corporate Services Ltd. vs. SEBI (order dated February 19, 2014):-

"..Due diligence on part of Merchant Banker does not mean passively reporting whatever is reported to it but to find out everything that is worth finding out. It is about making an active effort to find out material developments that would affect interest of investors. It is on faith that intermediary has conducted due diligence with utmost sincerity that investing public goes forward and decides to invest in a particular company.

"...As a matter of fact he is responsible for adequacy and veracity of all disclosures in all documents pertaining to issue of IPO, since as BRLM / Merchant Banker solemn duties are cast on him and for justifying the same he has to play a pro-active role by looking into authenticity of various matters/disclosures/statements, etc. contained in prospectus;

…. BRLM has to bring out documents pertaining to IPO so that investors can take judicious and informed decisions on subscription to IPO and thus he is responsible for failing investor's trust in prospectus of ESL for IPO and for doing considerable higher damage to securities market….

…this Tribunal expects better standards of performance from professionals, who charge reasonably good fee from clients and who bring out documents prospectus in this case), which are relied on by investors, at large, to take informed decisions regarding investments in scrips / IPO and this standard of professionalism should be higher than a reasonable man with ordinary prudence will demonstrate in the matter of due diligence

…. ensuring the truth and correctness of the letter of offer is a fundamental responsibility of the merchant banker which he has to discharge by exercising due diligence. In fact, an incorrect or wrong information in a letter of offer or other similar documents issued for the

benefit of investors in general could lead to serious consequences including loss of credibility for the market operators and for the regulatory system. This kind of failure has to be taken very seriously by the market regulator..."

158. Further, Hon'ble Supreme Court of India, in the matter of Chander Kanta Bansal V. Rajinder Singh Anand MANU/SC/7310/2008: (2008) 5 SCC 117 has held as under :

"The words "due diligence" have not been defined in the Code of Civil Procedure, 1908. According to Oxford Dictionary (Edn. 2006), the word "diligence" means careful and persistent application or effort. "Diligent" means careful and steady in application to one's work and duties, showing care and effort. As per Black's law Dictionary (18 th Edn), "Due Diligence" means the diligence reasonably expected from, and ordinarily exercised by, a person who seeks to satisfy a legal requirement or to discharge an obligation. According to Words and Pharses by Drain-Dypnea (Permanent Edn. 13-A) "due diligence", in law, means doing everything reasonable, not everything possible. "Due Diligence" means reasonable diligence; it means such diligence as a prudent man would exercise in the conduct of his own affairs."

159. From the above observations of Hon'ble SAT and Hon'ble Supreme Court, I note that the standard of due diligence expected from a merchant banker /BRLM is of reasonable diligence and it depends upon the facts and circumstances of the case. Such obligation has to be fulfilled. Considering the professional role in the issue process, the merchant banker is expected not to passively disclose whatever is given to it by the issuer but to exercise reasonable diligence and find out everything which is worth finding and to ensure adequate, true and fair disclosures in the Prospectus. In the instant case, the role of the CSL is not limited to mere non-disclosure in IPO prospectus; infact the non-disclosure and misrepresentation of facts in the IPO prospectus was part of the scheme and artifice devised by CSL and its directors to siphon funds out of the IPO proceeds of RKDL.

160. It is further observed that in the Annual Report of RKDL for FY 2010-11,under Schedule 23 (B) (Notes on accounts forming part of Balance sheet), at point 3 (Utilization of proceeds from Public Issue) at page 31, it is mentioned that the company has raised money by public issue during the year of Rs 7360 lakh, and the company has utilized Rs 3425 lakh till March 31, 2011, and pending utilization of Rs 3935 lakh as of March 31, 2011, the funds are temporarily invested in banks accounts by way of Fixed Deposits of Rs 3590 lakh and SBI Mutual Fund investment of Rs 400/- lakh.

161. While it was disclosed in the Annual Report for FY 2010-11 of RKDL, under the head 'Utilisation of proceeds from Public Issue' that pending utilization of Rs 3935 lakh, the funds are temporarily invested in bank accounts by way of Fixed Deposits of Rs 3590 lakh and SBI Mutual Fund investment of Rs 400 lakh, RKDL has given details of only Rs 34.86 crore invested in SBI FD and Rs 4 crore in SBI Mutual Fund.

162. Further, against the said fixed deposit of Rs 34.86 crore, RKDL had taken overdraft facility and given loan of Rs 21.90 crore to RPPL / noticee 9. It is observed that this amount of Rs 21.90 crore given to RPPL was shown as utilized amount against 'Expansion of Manufacturing Unit' (as submitted by the Auditor). However, it is observed that the source of the said Rs. 21.90 crore (shown as utilized amount) was the overdraft facility against fixed deposits, and not the IPO proceeds. This was done to cover-up act of siphoning off of IPO proceeds. Further, RKDL has shown the siphoned off amounts in the balance sheet as advances made to suppliers of materials.

163. It is noted that prior to IPO, artificial liability was created against the IPO proceeds on account of bridge loans taken by RKDL from CIL and Fact. Further, these bridge loans were not disclosed in the Prospectus. Also, part of the funds received by RKDL, before the IPO, from CIL and Fact were siphoned off through entities connected/ related to merchant banker, which were effectively from IPO proceeds as CIL and Fact were refunded out of the IPO

proceeds itself. Further, additional funds were siphoned off through merchant banker connected/ related entities on receipt of IPO proceeds. A total amount of Rs 33.83 crore was siphoned off from the IPO proceeds as on March 31, 2011. RKDL further concealed the siphoning off of IPO proceeds in the Annual Report for FY 2010-11 as it had made mis-statement in the Annual Report with regard to utlization of IPO proceeds, and had shown the siphoned off amounts in the balance sheet as advances made to suppliers of materials. RKDL did not disclose the siphoning off of IPO proceeds until SEBI took up the matter with it in June 2012, i.e. around one and a half years after the IPO. These indicate that RKDL and the merchant banker, CSL devised a scheme or artifice to siphon off IPO proceeds to entities connected to CSL.

164. However, as noted in the earlier paragraphs, Rs 33.83 crore had been siphoned off from the IPO proceeds as on March 31, 2011. Therefore, there is no question of funds to the tune of Rs. 34.25 crore being utilized by RKDL for business purposes. Thus, it is clear that misrepresentation was made in the annual report of RKDL for the year FY 2010-11.

165. In view of the observations made above, I am of the view that CSL did not adhere to the high standards of services expected from a Merchant Banker and failed to exercise due diligence, skill, proper care and independent professional judgment while acting as Book Running Lead Manager in the IPO of RKDL. This failure on the part of CSL, directors of CSL and Mr. Sarthak Vijlani resulted in gullible investors being deprived of material information to enable them to take well informed decision regarding the shares of RKDL and their investment decision in the IPO of RKDL. Therefore, I conclude that CSL (noticee 10), directors of CSL (noticee 11 to 16) and Mr. Sarthak Vijlani (noticee 17) have violated the provisions of Regulations 64(1) and 8(2) (b), (e) and (f) of ICDR Regulations and Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the Merchant Banker Regulations. I also conclude that this act

of CSL and its directors was deliberate and was part of its scheme to defraud investors of RKDL by siphoning of Rs. 33.83 crore out of the IPO proceeds as explained in previous sections. Therefore, due to the deliberate non-disclosure and by making misrepresentations in the IPO prospectus, CSL (noticee 10), directors of CSL (noticee 11 to 16), have also violated the provisions of sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations.

166. Further, RKDL and its directors are also responsible for the aforesaid non-disclosure and misrepresentations in the IPO prospectus and also for mis-statements made in the annual report made for the FY 2010-11 done with an intention to conceal the collusion with CSL and its directors to siphon of funds to the tune of Rs. 33.83 crore out of the IPO proceeds, thereby violating the provisions of Regulations 57(1), 60(4) (a) and 60 (7) (a) of the ICDR Regulations and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a), 2(X)(A)(5) and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.

D. Whether RKDL, directors of RKDL and auditor of RKDL viz. Ramanand & Associates made mis-statement in the Annual Report of RKDL for the FY 2010-11 with regard to utilization of proceeds from IPO issue to cover-up the siphoning of funds of IPO proceeds of RKDL, thereby violating the provisions of the SEBI Act and PFUTP Regulations?

167. As mentioned earlier, noticee 32 / Ramanand was the auditor of RKDL for the FY 2010-11. The allegations against Ramanand is that the wrong statements were observed in the Annual report of RKDL for the FY 2010-11 which were due to the collusion of Ramanand with RKDL to conceal the siphoning off of the IPO proceeds of RKDL.

168. One of the alleged false statement observed in the annual report of RKDL for FY 2010-11 is that it is shown that RKDL had utilized Rs. 21.90 crore of the IPO proceeds for the expansion of the manufacturing facilities. However, it is

alleged that the source of the said Rs. 21.90 crore were not the IPO proceeds as mentioned in the Annual report but it was received as the overdraft facility availed by RKDL against the fixed deposits. In response, Ramanand has submitted that as on March 31, 2011, out of the total IPO proceeds of Rs. 73.60 crore, RKDL invested Rs. 35.35 crore in Fixed Deposits with State Bank of India (hereinafter referred to as '**SBI**') and Rs. 4 crore in the Mutual Fund of SBI. It was against this fixed deposit of Rs. 35.35 crore that RKDL availed the overdraft facility of Rs. 33.12 crore out of which Rs. 21.90 crore was paid to RPPL for expansion of the manufacturing facilities. As submitted by Ramanand, RKDL did not have any overdraft facility against its own funds. The overdraft facility was availed against fixed deposits invested out of the IPO proceeds. Therefore, the source of Rs. 21.90 crore paid to RPPL was overdraft facility against fixed deposits invested out of the IPO proceeds.

169. Another allegation pertaining to the incorrect statement in the Annual report for FY 2010-11 is in respect of the amounts of Rs 29.83 crore paid by RKDL to Radhasoami, Heranba, Ranisati, etc, which were shown as advances to suppliers. It is found that such transfers were dubious and the funds such transferred were mere siphoning off the IPO proceeds of RKDL. Considering the materiality of the amount involved (Rs 29.83 crore), Ramanand should have looked into if there are any agreements/ purchase orders etc. between RKDL and the said entities for supply of materials specifying the nature of materials, purchase schedules, timing of supply; or else in absence of any agreement/ purchase order, etc., Ramanand should have made suitable qualification in the financial statements regarding lack of such documents. In this regard, Ramanand has submitted that the Balance Confirmation submitted by RKDL was not bearing the company seal. However, as the Payments to those parties were made by cheques and as the copies of Balance Confirmation Certificates were furnished to Ramanand, it had sufficient audit evidence to substantiate disclosure of payment to those parties as 'Advances to Suppliers'. Ramanand has further submitted that the Board of RKDL had

flexibility for composition, timing and utilization of IPO proceeds in terms of the IPO prospectus. Thus, it was within the purview of Directors to pay advance to the suppliers as one of the objective of IPO was to finance incremental working capital requirements and project expansion.

170. I have perused all the records produced before me regarding the allegations made against Ramanand as the auditor of RKDL for FY 2010-11. I am not in agreement with the submissions and clarifications provided by Ramanand in this regard. I am of the view that the overdraft facility availed by RKDL even if it was against the investment of IPO proceeds in fixed deposits, cannot be termed as utilization of IPO proceeds, itself. In the instant matter, the IPO proceeds were shown as deposited in fixed deposits in annual report therefore the question of showing the same amount as utilized for expansion of manufacturing facility does not arise. By showing the funds received as overdraft against fixed deposits (from IPO proceeds) as funds actually being utilized from IPO proceeds, a wrong picture of utilization of IPO proceeds have been portrayed to the investors.

171. Further, the transfer of funds to the other entities viz. Radhasoami, Heranba, Ranisati, etc were dubious. It is explained in previous paragraphs that such transfer of funds were done to siphon off funds out of the IPO proceeds. It was the responsibility of Ramanand as statutory auditor to verify whether the objectives for which payments were made by RKDL out of the IPO proceeds were matching the objectives disclosed in the IPO prospectus. The auditor cannot merely act as a publisher of facts stated by the company without carrying out any due diligence or verification at its level. In this case, Ramanand should have made efforts to disclose correct facts in the Annual report of the unavailability of supporting basic documents like a genuine agreement for supply of materials or machinery. However, by merely relying upon the statements of RKDL and by also basing their statements in the Annual report on the dubious documents submitted by the company,

Ramanand has aided RKDL in siphoning the funds out of the IPO proceeds, thereby violating the provisions of section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations. Further, by concealing and misrepresenting the true facts regarding the utilization of IPO proceeds in the Annual Report for the FY 2010-11, noticees 1 to 8 have violated the provisions of section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) and 4(1), 4(2)(f)&(k) of the PFUTP Regulations.

E. Whether the promoters and promoter group entities of RKDL pledged their locked-in shares with one of the entities connected to CSL, which was not a scheduled commercial bank or public financial institution, thereby violating the provisions of Regulations 39 of ICDR Regulations?

172. It is observed that CIL has submitted a disclosure to BSE on December 05, 2011 under Regulation 29(1) of SEBI (SAST) Regulations, 2011, stating that 51.77% shares of RKDL have been pledged with them. Pursuant to this, an announcement was made on BSE on December 21, 2011 by RKDL vide their letter dated December 15, 2011, *inter alia,* stating that no shares have been pledged and CIL in connivance with CSL and their Chairman Mr. Anil Agrawal have purportedly fabricated documents and misused the properties of the company and the promoters.

173. It is observed from the records available that the pledge request forms aggregating to 1,24,24,719 shares, have been signed by noticee 2 / Mr. Ravi Kumar, in his individual capacity and as authorized signatory of noticee 9 / RPPL. In terms of Regulation 39 of ICDR Regulations, specified securities held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution.

174. In the present case, it is observed that locked-in shares of noticee 2 / Mr. Ravi Kumar and noticee 9 / RPPL were pledged with CIL on the basis of request

forms signed by Mr. Ravi Kumar. During the course of investigation, CSL vide its letter dated January 24, 2012, submitted before SEBI that CIL is a RBI registered Non-Banking Financial Company, but it does not fall under the definition of scheduled commercial bank or public financial institution. In this regard RKDL, RPPL and Mr. Ravi Kumar have submitted that such pledging of shares have been done on the basis of documents forged by CSL, CIL and its directors specifically Mr. Anil Agarwal. However, I am of the view that promoters of RKDL cannot claim such ignorance as it is clear from the discussions in previous paragraphs that RKDL was in collusion with CSL in this scheme and artifice created to siphon funds out of the IPO proceeds. Therefore, it is concluded that Mr. Ravi Kumar and RPPL have violated the provisions of Regulation 39 of ICDR Regulations.

F. Do the violations of the Noticees, once determined, attract monetary penalty under sections 15HA and 15HB of the SEBI Act, as applicable? If so, what would be the monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15 J of the SEBI Act?

175. In view of the discussions above regarding the siphoning of funds, I conclude that a fraudulent scheme synchronized by the RKDL, CSL, their directors and other noticees associated with CSL and its connected entities was employed by them to siphon off funds to the tune of Rs. 33.83 crore from the IPO proceeds of the RKDL through series of circuitous transfers involving creating artificial liability in the books of RKDL. The device employed by RKDL & CSL was such that funds were transferred prior to the IPO issue, in the account of RKDL in the garb of loans taken which were then purportedly repaid using the funds from IPO proceeds. However, on receiving the loan, the funds were not utilized by RKDL for any genuine business purpose but were immediately transferred to several entities connected to CSL in a circuitous manner. Thus,

an artificial liability was created on RKDL by way of these fictitious loans which were settled using IPO proceeds. Therefore, the net effect of such fraud is siphoning of the IPO proceeds of RKDL. Therefore, I conclude that the noticees are liable for penalty as per the details given below:

Sr. No.	**Name of the noticee**	**Penal Provisions**	**Violations observed**
1	Ravikumar Distilleries Ltd	Section 15HA of the SEBI Act	Noticees 1 to 8 Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4(1),4 (2) (f) and (k) of SEBI (PFUTP) Regulations, 2003. Regulations 57(1), 60(4) (a) and 60 (7) (a) of SEBI (ICDR) Regulations, 2009 and Clauses 2(IV)(H)(24); 2(VII)(G); 2(X)(A)(1)(h) and 2(X)(A)(3)(a); 2(X)(A)(5); and 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57 (2) (a) of SEBI (ICDR) Regulations, 2009. **Noticees 2 and 9**: Regulation 39 of SEBI (ICDR) Regulations, 2009.
		Section 15HB of the SEBI Act	
2	R V Ravikumar	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
3	Mrs. R Amirthavalli	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
4	Mrs. S. Vijayalakshmi	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
5	Badrinath S. Gandhi	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
6	Popatlal Kathariya	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
7	K S M Rao	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
8	Ashok Shetty	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	

9	Ravikumar Properties Pvt Ltd.	Section 15HB of the SEBI Act	
10	Comfort Securities Ltd	Section 15HA of the SEBI Act	**Noticees 10 to 17** Regulation 64(1) and 8(2) (b), (e) and (f) of SEBI (ICDR) Regulations, 2009. Regulation 13 read with Clauses 1, 2, 3, 4, 6, 7 and 21 of the Code of Conduct for Merchant Bankers specified under Schedule III in the SEBI (Merchant Bankers) Regulations, 1992. Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003.
		Section 15HB of the SEBI Act	
11	Anil Beniprasad Agrawal	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
12	Bharat Nanubhai Shiroya	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
13	Annu Anil Agrawal	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
14	Jugal Chandrakant Thacker	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
15	Amit Kumar Khemka	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
16	Chandrakala Purohit	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
17	Sarthak Vijlani	Section 15HA of the SEBI Act	
		Section 15HB of the SEBI Act	
18	Comfort Intech Ltd	Section 15HA of the SEBI Act	**Noticees 18 to 32** Section 12A (a), (b) and (c) of SEBI Act, 1992.
19	Radhasoami Securities Pvt Ltd.	Section 15HA of the SEBI Act	

20	BLC Trading and Agencies Pvt Ltd.	Section 15HA of the SEBI Act	Regulations 3 (a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003.
21	Fact Enterprise Ltd.	Section 15HA of the SEBI Act	
22	Ranisati Dealer Pvt Ltd.	Section 15HA of the SEBI Act	
23	Gulistan Vanijya Pvt Ltd.	Section 15HA of the SEBI Act	
24	Albright Electricals Pvt Ltd.	Section 15HA of the SEBI Act	
25	Vibhuti Muti Trade Pvt Ltd	Section 15HA of the SEBI Act	
26	Grafton Merchant Pvt Ltd	Section 15HA of the SEBI Act	
27	Sukusama Trading and Investments Pvt. Ltd.	Section 15HA of the SEBI Act	
28	Heranba Finvest Services Private Limited	Section 15HA of the SEBI Act	
29	Gaungour Suppliers Pvt. Ltd.	Section 15HA of the SEBI Act	
30	Suvidha Securities Pvt Ltd	Section 15HA of the SEBI Act	
31	Padma Impex Private Limited	Section 15HA of the SEBI Act	
32	Ramanand & Associates	Section 15HA of the SEBI Act	

176. The provision of sections 15HA and 15HB of the SEBI Act are mentioned below:

> ***SEBI Act***
> ***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 of 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 may extend to one crore rupees.*

177. While determining the quantum of penalty under sections 15HA and 15HB of the SEBI Act, it is important to consider the relevant factors as stipulated in section 15J of the SEBI Act which reads as under: -

> ***Factors to be taken into account by the adjudicating officer.***
> ***15J.*** *While adjudging quantum of penalty under section 15-I, 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.*

178. With regard to the above factors to be considered while determining the quantum of penalty, it may be noted that the investigation department of SEBI has revealed that a total of Rs. 33.83 crore has been siphoned out of the IPO Proceeds of RKDL, due to the fraudulent acts of the noticees. While determining the penalty, I have also considered the fact that SEBI, vide order dated March 12, 2019 under section 11B of the SEBI Act has also imposed a

debarment on noticees 1 to 8 (for a period of three years) and noticees 11 to 17 (for a period of five years) and prohibited them from accessing the securities market and further prohibited from being associated with the securities market in any manner. Subsequently, vide order dated February 14, 2020, the debarment period of noticee 17 was changed to one year. I have also considered the fact that vide aforesaid order dated March 12, 2019, the directors of CSL (noticees 11 to 17) have been directed to return the amount of Rs. 33.83 crore to RKDL with annual interest of 12%. As discussed above, CSL and its directors specifically Mr. Anil Agarwal are the key entities who were involved in the fraudulent activities w.r.t. the IPO of RKDL. All the other entities involved were associated with CSL. I also observe that CSL / Mr. Anil Agarwal and associate companies of CSL/ Mr. Anil Agarwal have been found to be involved in other cases for violation of various provisions of securities law which also includes serious charges of fraud, similar to present matter. Therefore, it is clear that CSL and its directors have indulged in the fraudulent activities repeatedly which has caused harm to the interest of general investors. The penalty imposed on each of the noticees is in proportion to their role in the fraudulent activity of siphoning of funds. While noticing that RKDL, CSL, CIL and their promoters and/or directors had colluded in the fraudulent activity of siphoning off of the IPO funds, the role of CSL is significant and crucial. The trail of fund movements as discussed in previous paragraphs essentially show that the entire web of fraudulent transactions were centered around CSL and entities who were connected to it. Investigation has clearly brought out that the money has gone back to companies connected/related to CSL.

ORDER

179. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and in exercise of the powers conferred upon me under section 15-I of the SEBI

Act read with Rule 5 of the Adjudication Rules, I hereby impose following penalties on the noticees under sections 15HA and 15HB of the SEBI Act, as applicable.

Sr. No.	Name of the noticee	Penal Provisions	Penalty Imposed
1	Ravikumar Distilleries Ltd	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
		Section 15HB of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
2	R V Ravikumar	Section 15HA of the SEBI Act	Rs 25,00,000/- (Rs. Twenty Five lakh only)
		Section 15HB of the SEBI Act	Rs 6,00,000/- (Rs. Six lakh only)
3	Mrs. R Amirthavalli	Section 15HA of the SEBI Act	Rs 5,00,000/- (Rs. Five lakh only)
		Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)
4	Mrs. S. Vijayalakshmi	Section 15HA of the SEBI Act	Rs 5,00,000/- (Rs. Five lakh only)
		Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)
5	Badrinath S. Gandhi	Section 15HA of the SEBI Act	Rs 5,00,000/- (Rs. Five lakh only)
		Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)
6	Popatlal Kathariya	Section 15HA of the SEBI Act	Rs 5,00,000/- (Rs. Five lakh only)
		Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)
7	K S M Rao	Section 15HA of the SEBI Act	Rs 5,00,000/- (Rs. Five lakh only)
		Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)
8	Ashok Shetty	Section 15HA of the SEBI Act	Rs 5,00,000/- (Rs. Five lakh only)
		Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)
9	Ravikumar Properties Pvt Ltd.	Section 15HB of the SEBI Act	Rs 1,00,000/- (Rs. One lakh only)

10	Comfort Securities Ltd	Section 15HA of the SEBI Act	Rs. 5,00,00,000/- (Rs. Five crore only)
		Section 15HB of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
11	Anil B. Agrawal	Section 15HA of the SEBI Act	Rs. 5,00,00,000/- (Rs. Five crore only)
		Section 15HB of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
12	Bharat Nanubhai Shiroya	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
		Section 15HB of the SEBI Act	Rs. 20,00,000/- (Rs. Twenty lakh only)
13	Annu Anil Agrawal	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
		Section 15HB of the SEBI Act	Rs. 20,00,000/- (Rs. Twenty lakh only)
14	Jugal Chandrakant Thacker	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
		Section 15HB of the SEBI Act	Rs. 20,00,000/- (Rs. Twenty lakh only)
15	Amit Kumar Khemka	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
		Section 15HB of the SEBI Act	Rs. 20,00,000/- (Rs. Twenty lakh only)
16	Chandrakala Purohit	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
		Section 15HB of the SEBI Act	Rs. 20,00,000/- (Rs. Twenty lakh only)
17	Sarthak Vijlani	Section 15HB of the SEBI Act	Rs. 1,00,000/- (Rs. One lakh only)
18	Comfort Intech Ltd	Section 15HA of the SEBI Act	Rs. 1,00,00,000/- (Rs. One crore only)
19	Radhasoami Securities Pvt Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
20	BLC Trading and Agencies Pvt Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
21	Fact Enterprise Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)

22	Ranisati Dealer Pvt Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
23	Gulistan Vanijya Pvt Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
24	Albright Electricals Pvt Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
25	Vibhuti Muti Trade Pvt Ltd	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
26	Grafton Merchant Pvt Ltd	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
27	Sukusama Trading and Investments Pvt. Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
28	Heranba Finvest Services Private Limited	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
29	Gaungour Suppliers Pvt. Ltd.	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
30	Suvidha Securities Pvt Ltd	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
31	Padma Impex Private Limited	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
32	Ramanand & Associates	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five lakh only)
		Total	**Rs. 22,39,00,000 (Rs. Twenty Two Crore Thirty Nine Lakh only)**

180. I am of the view that the said penalties are commensurate with the lapses/omissions on the part of the noticees. The noticees shall remit / pay the

said amount of penalty within 45 days of receipt of this order either by way of demand draft in favour of “SEBI -Penalties Remittable to Government of India”, payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO> PAYNOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of the penalty, the noticees may contact the support at portalhelp@sebi.gov.in.

181. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

182. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to the Noticees and also to the Securities and Exchange Board of India.

Date: August 21, 2020
Place: Mumbai

Dr. ANITHA ANOOP
ADJUDICATING OFFICER