BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER: EAD-9/VKV/GSS/2020-21/9665]

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

In respect of:-

Mr. Arun Panchariya (PAN: AEVPP6125N)

In the matter of Farmax India Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India ("SEBI") had conducted investigation against several Indian companies that had issued Global Depository Receipts ("GDR") in overseas markets. In this regard, on an enquiry with European American Investment Bank ("EURAM Bank") about the loan taken by initial GDR subscribers, it was informed that in respect of GDR issue of Farmax, M/s. Vintage FZE ("Vintage"), now known as Alta Vista International, had availed loan against the GDR proceeds of Farmax. Accordingly, SEBI had investigated the issue of loan taken against the GDR proceeds of Farmax during the issuance of GDR i.e. June 01, 2010 to August 31, 2010 (hereinafter referred to as "Investigation Period ("IP")) to ascertain as to whether:
    a. GDRs were issued with the intention of defrauding Indian investors
    b. Shares underlying GDRs were issued with proper consideration and
    c. Appropriate disclosures with respect to Listing Agreement , if any were made

2. During the investigation, following facts were observed, which was basis the for issuance of SCN;
    a) Farmax issued 4.25 million Global Depository Receipts (hereinafter referred to as "GDRs") amounting to US$59.925 million on June 29, 2010 and further issued 0.85 million GDRs amounting to US$11.985 million on August 14, 2010 under green shoe option. Summary of the GDR issue (in two tranches) as provided by the Noticee is tabulated below:

GDR issue date	No. of GDRs issued (mn.)	Capital raised (USmn.)	Local custodian	No. of equity shares underlying GDRs	Global Depository Bank	Lead Manager	Bank where GDR proceeds were deposited	Stock exchange on which GDRs are listed
29-6-2010	4.25	59.925	DBS Bank, Mumbai	10,62,50,000	The Bank of New York Mellon	Prospect Capital Ltd., London	EURAM Bank, Austria	Luxembourg Stock Exchange
14-8-2010		0.85		11.985			2,12,50,000	
Total		**5.10**		**71.91**			**12,75,00,000**	

b) On perusal of corporate announcements made by Farmax to Bombay Stock - Exchange (hereinafter referred to as "BSE") during the period December, 2009 to August, 2010, it was observed that the company had informed BSE on April 27, 2010 that the Board of Directors of the Company at its meeting held on April 27, 2010 had approved issue of GDRs.

c) Further, on June 29, 2010, Farmax informed BSE that, "… the Company has successfully concluded placement of 4,250,000 Global Depository Receipts at US$ 14.1 per Global Depository Receipt".

d) Prospect Capital Ltd. was the Lead Manager of GDR issue of Farmax.

e) Vintage, an Arun Panchariya owned entity, signed a Loan Agreement dated May 5, 2010, as a borrower, with EURAM Bank for payment of subscription amount of US$71.91 million for GDRs of Farmax. The Loan Agreement was signed by Arun Panchariya as Managing Director of Vintage.

f) From the examination of Loan Agreement, Pledge Agreement and ESCROW account statement, investigation established that all 5.10 million GDRs of Farmax (amounting to USD 71.91 million) were subscribed by only one entity, i.e., Vintage.

g) Investigation also observed that Vintage had availed of loan facility to the extent of USD 71.91 million from EURAM Bank to subscribe to the GDRs of Farmax. The loan amount was same as the GDR size of Farmax.

h) From examination of KYC documents, investigation observed that Arun Panchariya (AP) was the beneficial owner and Managing Director of Vintage as on June 06, 2007. From Vintage's letter dated December 30, 2010, it was further observed that Mr. Mukesh Chauradiya was its

director. Vintage's letter dated April 27, 2011 and February 23, 2012 also show that Mukesh Chauradiya was Authorized Signatory of Vintage.

i) It was further observed that on the same day of the signing of the Loan Agreement, i.e. May 05, 2010, a Pledge Agreement was also signed between Farmax (as Pledgor) and EURAM Bank (as Bank).

j) Vintage had entered into Loan agreement with EURAM Bank as per which Vintage would be provided a loan only for the purpose of subscribing to the GDRs of Farmax. The Loan Agreement mentioned that the loan amount *"… may only be transferred to EURAM account No.580018 Farmax India Ltd…".*

Therefore, investigation observed that subscription of GDRs was done through loan availed by Vintage from EURAM Bank and the security for the Loan Agreement was provided by pledging the proceeds of the GDR issue.

k) It was also observed that Farmax pledged GDR proceeds even before issuance of GDRs to secure the rights of EURAM Bank against the loan given by EURAM Bank to Vintage for subscription to GDR issue (as mentioned in Loan Agreement). Further, on perusal of the Pledge Agreement and Loan Agreement, investigation observed that bank account in which GDR proceeds were held, was in the name of the Farmax but the amount deposited in the account was not at the disposal of the company as same was kept as collateral even prior to issuance of GDRs for the loan availed by Vintage.

l) From examination of Farmax's bank account held with EURAM Bank (where GDR proceeds were deposited) and loan account of Vintage (held with EURAM Bank), investigation observed that only after Vintage repaid loan instalments, equal/ less amount of money was transferred from Farmax's EURAM Bank account to Farmax's India and UAE account on the same day. Thus, investigation concluded that the GDR proceeds were not at the disposal of Farmax.

m) From the above, investigation concluded the Pledge Agreement allowed FIL to effectively finance the purchase of its own GDRs since it deposited the GDR proceeds as collateral for the loan extended by EURAM Bank to Vintage which was the sole subscriber to the GDR issue of FIL. Since the underlying of GDRs i.e., equity shares resulted in an increase of capital of the company without proper consideration, such arrangement was fraudulent in nature. Moreover, the same was not disclosed to the shareholders and investors.

n) GDR proceeds were deposited in Farmax's account no. 580018 held with EURAM Bank. It was observed during investigation that the account no. 580018 was the same where Farmax showed its GDR proceeds had been deposited. Details of receipt of GDR proceeds in the Farmax.'s bank a/c maintained with EURAM Bank in Austria are as given below:-

Date of credit of funds	**Credit amount (USD)**
June 28, 2010	59,925,000
August 13, 2010	11,985,000
Total	**71,910,000**

o) The details of realization of funds by Farmax out of GDR proceeds of US$ 71.91 million is tabulated below:

Date of receipt of funds	**Amount of funds received by Farmax in India (USD)**
Aug 25, 2010	225,000
Sept 15, 2010	250,000

Date of receipt of funds	**Amount of funds received by Farmax in India (USD)**
Total	**475,000**

Date of receipt of funds	**Amount of funds received by Farmax in its UAE subsidiary's a/c {Abu Dhabi Commercial Bank (ADCB) and Emirates NBD Bank} (USD)**
Sep 01, 2010	1,000,000
Sep 09, 2010	500,000
Sep 09, 2010	1,000,000
Sep 15, 2010	750,000
Sep 21, 2010	1,000,000
Sep 22, 2010	2,000,000
Sep 30, 2010	1,250,000
Oct 05, 2010	3,000,000
Oct 05, 2010	2,500,000
Oct 08, 2010	2,000,000
Sep30, 2011	600,000
Total	**15,600,000**

p) Funds were transferred to various entities from Farmax's UAE subsidiary's i.e. Farmax International FZE, account. In this regard, Farmax, vide e-mail dated July 09, 2015, submitted that funds were transferred from its EURAM Bank a/c (where GDR proceeds were deposited) to Farmax International FZE without its knowledge. Farmax further submitted that it was not aware of funds transferred from its Sharjah based subsidiary Farmax International FZE to some other entities.

q) On examination of the transfer request form for payment of money from FIL's a/c (maintained with EURAM Bank, where GDR proceeds were deposited), investigation observed that fax no. (+9713553047) on the transfer orders was same as the fax no. from which Vintage sent its request for redemption of loan amount to EURAM Bank. Further, investigation observed that on the top of both documents name "Vintage" appeared. Investigation further observed that USD 2,50,000 which were transferred on September 15, 2010 from Farmax's EURAM Bank a/c to it's Indian account, also originated from Vintage's fax no. (+9713553047).

r) Investigation therefore concluded that Farmax, in connivance with its associates transferred USD 15.60 million from its EURAM bank account to the account of Farmax International FZE and Vintage colluded with Farmax to divert the funds which caused loss to the Farmax as well as its shareholders to the extent of USD 15.60 million and the claim of Farmax that it was not aware of such transfers was false.

s) Cancellation of GDRs (conversion into equity shares):

- On perusal of the details of GDR transactions provided by EURAM Bank, it was observed that Vintage had transferred 12,58,000 GDRs to India Focus Cardinal Fund and 3,85,865 GDRs to Clariden Leu AG.
- All GDRs were subscribed by Vintage. GDRs were converted into equity shares and these shares were sold in the Indian Capital Market. Cancellation of GDRs started from August 09, 2010 and continued till December 04, 2012. During the period a total 12,56,000 GDRs (24.63% of total 5.10 million GDRs issued) were converted.
- India Focus Cardinal Fund was registered as sub account of FII-EURAM Bank from December 12, 2008 to July 19, 2011 and India Focus Cardinal Fund was granted transfer from EURAM Bank to another FII (FPI) Cardinal Capital Partners on July 20, 2011 and was registered as sub account of FII- Cardinal Capital Partners for the period July 20, 2011 to June 19, 2017.

- Highblue Sky Emerging Market Fund was registered as sub account under FII-KBC Aldini Capital Ltd. (June 18, 2010 to October 21, 2012) and thereafter sub account was transferred to FII-Golden Cliff (previously known as Vaibhav Investments Ltd.) for the period October 22, 2012 to February 28, 2017.
- India Focus Cardinal Fund and Highblue Sky Emerging Market Fund sold the equity shares (which they received post cancellation of GDRs) in Indian securities market. By October 31, 2012, India Focus Cardinal Fund sold all the shares which it had received post conversion of GDRs, i.e., 3,10,25,000 equity shares.
- Highblue Sky Emerging Market Fund received 3,75,000 equity shares post conversion of 15,000 GDRs. By January 24, 2013 it sold all the shares which it had received post conversion of GDRs.

t) Sale of equity shares by entities in India: Investigation observed that underlying shares of GDRs were sold to Indian investors (during the period August 12, 2010 to January 23, 2013) by Vintage through sub accounts IFCF and Highblue Sky Emerging Market Fund.

u) Termination of GDR issue by Global Depository:

- The Depository i.e. The Bank of New York Mellon ('hereinafter referred to as "BNY"), issued Termination Notice to holders of GDRs of Farmax on March 16, 2015. The GDR facility was terminated with effect from June 16, 2015. Out of total 12,75,00,000 underlying shares of GDRs, India Focus Cardinal Fund and Highblue Sky Emerging Market Fund sold 3,14,00,000 shares before termination of the GDR facility. After termination of the GDR facility, remaining 9,61,00,000 shares (12,75,00,000 – 3,14,00,000) were sold by BNY in India during the period from June 24, 2015 to September 11, 2015. Total 9,61,00,000 shares aggregating to INR 1,71,53,923.49 were sold on BSE and NSE. Shares were sold on BSE and NSE in the name of The Bank of New York Mellon (depository).
- Total 12,75,00,000 shares of Farmax worth INR 53.48 crore were sold (pre and post termination of GDR scheme) in Indian securities market.

v) With regard to repayment of loan by Vintage, investigation observed the following:

- Vintage repaid loan amount to EURAM Bank in several instalments aggregating to USD 15,480,200 till October 08, 2010 and thereafter defaulted on the loan payment.

Vide letter dated August 14, 2012, EURAM Bank intimated Vintage (now known as Alta Vista International FZE) that Alta Vista International FZE had not settled outstanding loan amount of USD 56.66 million (principal amount USD 56.43 million and interest amount USD 0.23 million), EURAM Bank realized part of the pledged security to cover amount of USD 56.57 million.

- From Farmax's EURAM Bank statement, investigation observed that on August 13, 2012, EURAM Bank adjusted USD 56.57 million from Farmax's bank account (where GDR proceeds were deposited) towards loan taken by Vintage.
- It was observed from examination of the annual report of Farmax for FYs 2011-13 that FIL had written off USD 72.20 million (USD 56.60 million in 2011-12 and USD 15.60 million in 2012-13). USD 56.60 million were written off by Farmax on account of loan default by Vintage for which security was provided by Farmax.

w) Investigation observed that loan default by Vintage to the extent of USD 56.60 million was paid from the proceeds of GDR issue of Farmax. Therefore, investigation concluded that shares sold by India Focus Cardinal Fund and Highblue Sky Emerging Market Fund are the shares which were issued without proper consideration.

x) **Connection between Arun Panchariya and other related entities**

i. According to an Administrative Fine Statement available on Dubai Financial Services Authority (DFSA) website, AP held positions with Pan Asia Advisors Ltd. (now known as Global Finance and Capital Ltd.), Vintage (now known as Alta Vista International FZE) and India Focus Cardinal Fund (Mauritius).

ii. During the period January 2009 to May 31, 2010, Cardinal Capital Partners (CCP) held 100% shares of India Focus Cardinal Fund. AP held 100% shares of Cardinal Capital Partners. Thus AP was 100% shareholder of India Focus Cardinal Fund. AP also served as Chief Investment Officer of CCP in 2010.

iii. Pan Asia Advisors Ltd. had a joint venture with the EURAM bank namely "Euram Bank Asia Ltd." (EBAL) (incorporated on August 23, 2009, dissolved in December 30, 2013) in which AP was director and president. AP resigned as president and member of board of the EBAL on September 22, 2011.

iv. EURAM Bank was also registered as Foreign Institutional Investor (FII) in India (during the period November 21, 2008 to November 20, 2011). India Focus Cardinal Fund was the only sub–account (during the period December 12, 2008 to July 19, 2011) of EURAM Bank.

v. KYC documents of Highblue Sky Emerging Market Fund were obtained and it was observed that it is having registered address at – C/o AURISS INTERNATIONAL LTD, 2ND FLOOR, WING A, CYBERTOWER 1, EBENE, CYBERCITY EBENE, MAURITIUS. E-mail address is mentioned as fundadmin@aurisse.com and contact no. is mentioned as +2304640077. In SEBI's records, company has mentioned e-mail id as saleem@aurisse.com. Google search reveals that Aurisse International Limited is based out of Mauritius and it was earlier known as Al Jabha (Mauritius) Limited wherein Mr. Mukesh Chauradiya was director and CFO in 2011. Examination of website of Aurisse International Limited reveals that it shares common address and contact number with Highblue Sky Emerging Market Fund.

vi. Vide emails dated March 02, 2016 and April 29, 2016 Highblue Sky Emerging Market Fund provided shareholders and directors details of Highblue Sky Emerging Market Fund and Golden Cliff. Golden Cliff is 100% shareholder of Highblue Sky Emerging Market Fund since April 21, 2014. Summary of connection of Mr. Anant Kailash Chandra Sharma with Golden Cliff and Highblue Sky Emerging Market Fund is tabulated below:

Connection with Highblue Sky Emerging Market Fund		**Connection with Golden Cliff**	
1.	Director since August 11, 2014 till date	1.	Director since July 16, 2014
2.	Beneficial owner (100% shareholder) since September 09, 2014 (by virtue of being beneficial owner of Golden Cliff since September 09, 2014 which in turn is beneficial owner of Highblue Sky Emerging Market Fund since April 21, 2014) till date	2.	Beneficial owner (100% shareholder) since September 09, 2014 till date

vii. Mr. Anant Kailash Chandra Sharma and AP are connected to each other as both were director in Sai Sant Advisory (India) Private Limited during a common period. Mr. Anant

Kailash Chadra Sharma was director from December 01, 2009 to March 18, 2016 and AP was director from August 31, 2007 to October 20, 2010.

viii. Mr. Anant Kailash Chandra Sharma and Mr. Mukesh Chauradiya are also connected to each other. Mr. Anant Kailash Chandra Sharma served as Additional Director of Alka India Limited (from December 01, 2009 till date) and Mr. Mukesh Chauradiya served as director of Alka India Limited from January 31, 2006 till June 01, 2010. Further, in Ramsai Investment Holdings Private Limited, Mr. Mukesh Chauradiya and Mr. Anant Kailash Chandra Sharma served as director from

ix. August 17, 2010 to March 17, 2016 and from September 01, 2015 to March 18, 2016 respectively. AP was 99.98% shareholder in Ramsai Investment Holdings Private Limited (for the period 2009-2013) and director from February 04, 2008 to August 18, 2010.

x. Summary of connection of Reema Narayan Shetty with Highblue Sky Emerging Market Fund and Golden Cliff is tabulated below:

Connection with Golden Cliff		Connection with Highblue Sky Emerging Market Fund	
1.	Director from May 16, 2013 to August 01, 2014	1.	Beneficial owner (100% shareholder) from April 21, 2014 to September 09, 2014 (by virtue of being beneficial owner of Golden Cliff from September 12, 2013 till September 09, 2014 which in turn is beneficial owner of Highblue Sky Emerging Market Fund since April 21, 2014)
2.	Beneficial owner (100% shareholder) from September 12, 2013 to September 09, 2014		

xi. Account Opening Form of India Focus Cardinal Fund available with EURAM Bank was examined. It was observed that Reema Narayan Shetty was authorized signatory of India Focus Cardinal Fund for the bank account held with EURAM Bank Austria as on June 02, 2011.

xii. Mr. Anant Kailash Chandra Sharma who worked with AP, and Reema Narayan Shetty who worked with AP connected entity (India Focus Cardinal Fund), are associated with Highblue Sky Emerging Market Ltd. as beneficial owner. From the above examination and analysis of sale of converted shares of Farmax on BSE/ NSE by Highblue Sky Emerging Market Fund, it is observed that Highblue Sky Emerging Market Fund acted as conduit to AP for sale of shares of Farmax.

xiii. Vide, e-mail dated November 25, 2010, EURAM Bank asked Farmax to contact AP for bank related queries.

xiv. From the above, investigation concluded that India Focus Cardinal Fund, Highblue Sky Emerging Market Fund, EURAM Bank, Vintage, Mr. Mukesh Chauradiya, Mr. Sanjay Aggarwal, Prospect Capital Ltd., Mr. John Behar, Mr. Anant Kailash Chandra Sharma and Reema Narayan Shetty are connected to AP. In collusion with these entities and FIL, AP devised the fraudulent GDR issue of FIL.

y. **Role of Mr. Arun Panchariya:**

i. Vintage obtained loan from EURAM Bank for subscription of GDR issue for which security was provided by Farmax by pledging its GDR proceeds. Further, Vintage defaulted on repayment of loan to EURAM to the extent of USD 56.60 million, thereby GDR proceeds to that extent were adjusted by EURAM bank and subsequently written off by Farmax. USD 15.60 million were also written off by Farmax alleging the transfer of GDR proceeds to the tune of USD 15.60 million from its EURAM Bank account to UAE based subsidiary Farmax International FZE and further onwards to certain entities. AP connected FII-subaccount India Focus Cardinal Fund and Highblue Sky Emerging Market Fund converted the GDRs and off loaded the converted equity shares in the India securities market. Thereby according to the fraudulent scheme perpetrated, AP arranged loan for the subscription to GDRs, subscribed to GDRs, and sold the GDRs to FII-Sub accounts which, in turn, dumped the converted equity shares in the Indian securities market. Thereby, the issuance of GDR is a fraudulent scheme wherein Farmax misled the Indian investors by concealing the information of entering into pledge agreement and informing GDR related news in a distorted manner to stock exchange which made investors believe that GDRs were genuinely subscribed and caused loss to the shareholders by writing off USD 72.20 million.

ii. AP in connivance with Farmax devised and structured fraudulent scheme through his connected entities like Vintage FZE, EURAM Bank, Prospect Capital Ltd., Mr. Mukesh Chauradiya, Mr. Sanjay Aggarwal, Mr. Nithish Bangera M/s India Focus Cardinal Fund, M/s High Blue sky emerging market fund and M/s Cardinal Capital Partners etc.

3. In light of the above facts, Adjudication proceedings were initiated against Arun Panchariya (Noticee) for violations as alleged in the SCN.

APPOINTMENT OF ADJUDICATING OFFICER

4. The Adjudicating Officer("AO") was appointed vide order dated May 23, 2017, under section 19 read with Section 15-1 of Securities and Exchange Board of India Act, 1992 ("the Act") and Rule 3 of SEBI AO Rules and SCRA AO Rules to inquire and adjudge under Section 15HA of the SEBI Act to inquire and adjudge the alleged violations of Section 12A(a),(b) and (c) of the Act read with Regulations 3(a),(b),(c) and (d) and 4(1) of SEBI Prohibition of Fraudulent and Unfair Trade Practices Regulations 2003 ("PFUTP Regulations") by Arun Panchariya ("AP"/ "Noticee"). Consequent to transfer of current proceedings, the undersigned has been appointed as AO vide order dated August 13, 2019, to inquire and adjudge the aforementioned alleged violations under Section 15HA of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Based on the aforesaid facts, SCN dated January 12, 2018, was issued to the Noticee, wherein following was alleged;
    - Farmax issued 5.10 million GDRs amounting to USD 71.91 million in June and August, 2010. The entire GDR issue were subscribed by only one entity, i.e., Vintage.
    - Vintage took a loan from EURAM Bank through a Loan Agreement dated May 05, 2010 to subscribe to the GDRs of Farmax. Farmax provided security towards the loan obtained by Vintage for subscribing to the GDRs of Farmax, through Pledge Agreement signed between Farmax and EURAM Bank, wherein Farmax pledged GDR proceeds against the loan availed by Vintage for subscription of GDRs of Farmax. The information of Pledge Agreement to the extent of USD 71.91 million was not disclosed by Farmax to its shareholders/investors.
    - The aforesaid Pledge Agreement was an integral part of Loan Agreement entered into between Vintage and EURAM Bank. These agreements enabled Vintage to avail the loan from EURAM for subscribing GDRs of Farmax. The GDR issue would not have subscribed had Farmax not given any such security towards the loan taken by Vintage.
    - Farmax made announcement on June 29, 2010 and August 14, 2010 on BSE that it had successfully concluded placement of GDRs and raised money. However, Farmax

had signed pledge agreement with EURAM Bank on May 05, 2010 and pledged GDR proceeds as security against loan extended by EURAM Bank to Vintage before issuance of GDRs.

- The arrangement of Pledge Agreement and Loan Agreement resulted in subscription of GDR issues of Farmax which was not disclosed but reported misleading news to the stock exchange which contained information in a distorted manner and might have influenced decision of investors.
- Farmax wrote off USD 72.20 million (USD 56.60 million in 2011-12 and USD 15.60 million in 2012-13). USD 56.60 were written off by Farmax on account of loan default by Vintage. Farmax gave misleading information regarding loan amounting to USD 15.60 million which was never extended to its UAE subsidiary and later written off it. The information of write off was deliberately concealed from the investors of Farmax. Farmax gave misleading, distorted information to its shareholders and caused loss to its shareholders to the tune of USD 72.20 million.
- The loan default by Vintage to the extent of USD 56.60 million was paid from the proceeds of GDR issue of Farmax. Therefore, shares sold by IFCF and Highblue Sky Emerging Market Fund (hereinafter also referred to as "Highblue") (who were allotted shares subsequent to conversion of GDRs of Farmax) were the shares which were issued without proper consideration. Since the underlying of GDRs i.e., equity shares, resulted in an increase of capital of Farmax without proper consideration, such arrangement was fraudulent in nature.
- AP was prime person in structuring the GDR issues. It was observed that AP controlled every stage of GDRs from issuance of GDRs to the sale of converted shares thereby committed fraud on Indian shareholders of Farmax. AP devised and structured the GDR issue in connivance with Farmax. AP connected entities were involved at all stages of GDR issue since AP controlled Vintage subscribed to GDR issues by entering into fraudulent loan agreement, AP connected EURAM Bank extended loan to Vintage and made AP controlled IFCF its sub account to facilitate off-loading of converted equity shares. IFCF and Highblue cancelled GDRs and off loaded converted shares, in the Indian securities market. AP controlled Vintage defaulted on

loan payment of USD 56.57 million which was written off by Farmax as Farmax had pledged GDR proceeds against this loan. Thus, AP devised GDR scheme along with Farmax wherein Farmax misled the Indian investors by concealing the information of entering into pledge agreement and informing GDR related news in a distorted manner to stock exchange which made investors believe that GDRs were genuinely subscribed and caused loss to the shareholders by writing off USD 72.20 million.

- Mr. Mukesh Chauradiya held key position in Vintage (was Managing Director during period when Vintage defaulted on loan), facilitated GDR issue of Farmax in connivance with AP and Farmax in a fraudulent manner. He was AP's close associate and was authorized signatory of Vintage and facilitated the GDR issue of Farmax. Vintage defaulted on loan of USD 56.57 million when he was the Managing Director and authorized signatory of Vintage. He collaborated with AP, Farmax and Vintage and performed the role assigned to him and thus acted as party to fraudulent scheme
- Farmax furnished wrong information to SEBI by providing false list of GDR subscribers.
- The corporate announcements dated June 29, 2010 and August 14, 2010 made by Farmax to BSE reported misleading news which contained information in a distorted manner and might have influenced decision of investors.
- Vintage was the sole subscriber of GDR issue of Farmax and Vintage subscribed to the GDR issue by taking a loan from EURAM Bank to the extent of USD 71.91 million and the security for the said loan was the GDR proceeds of FIL. AP is beneficial owner of Vintage. Vintage repaid loan to the tune of USD 15.48 million and defaulted on the loan thereafter. Outstanding loan amount of USD 56.57 million was adjusted by EURAM Bank from Farmax's EURAM Bank Account. On account of default by Vintage, USD 56.60 were written off by Farmax. Highblue and IFCF, received GDRs, converted them and sold converted shares worth INR 51.77 crore pre termination of the GDR program, on Indian stock exchanges. Post termination of GDR facility shares worth INR 1.71 crore were sold.
- Therefore, it was concluded that shares sold by IFCF and Highblue and shares sold by BNY, the Depository Bank, post termination of GDR facility were the shares which

were issued without proper consideration as Vintage defaulted on loan repayment. Hence, Vintage along with AP, IFCF and Highblue, was responsible for the loss of INR 53.48 crore inflicted on the shareholders of Farmax jointly and severally.

- Prospect was Lead Manager which facilitated (documentation, listing, sourcing etc.) the GDR issue of Farmax.
- AP is beneficial owner of Cardinal Capital Partners. EURAM Bank is also connected to AP. As FIIs, Cardinal Capital Partners and EURAM Bank did not make investment and were registered as FII only to facilitate the AP connected IFCF in off-loading the converted equity shares of Farmax. Thus, by performing the role assigned to them in connivance with AP connected entities, Cardinal Capital Partners and EURAM Bank acted as parties to fraudulent scheme of GDR issue of Farmax.

6. The aforesaid SCN was issued to the Noticee on January 12, 2018 and same was also served upon the Noticee on January 24, 2018. Subsequently, a Hearing Notice (HN) was digitally sent to the Noticee on July 17, 2020 at arun.panchariya@me.com, from which the Noticee subsequently responded under current proceedings, giving opportunity of virtual hearing on August 05, 2020. However, the Noticee vide email dated July 18, 2020, requested to provide scanned copy of the SCN and also sought for adjournment of the scheduled hearing. Scanned copy of the SCN was provided to the Noticee vide e-mail dated July 29, 2020.

7. The Noticee vide e-mail dated August 11, 2020, requested to provide annexures to the SCN and also sought for cross-examination of other related entities, in response to which the Noticee vide e-mail dated August 14, 2020, was responded that all the relevant documents relied upon in the matter were already provided to the Noticee at the time of issuance of SCN along with Annexures and that the same cannot be provided over e-mail due to heavy volume of Annexures. However, Noticee was advised to collect the SCN along with Annexures on August 28, 2020 physically, if desire.

8. Vide aforesaid e-mail, the Noticee was once again given opportunity of virtual hearing on August 28, 2020 at 2:30PM through webex (in view of ongoing covid situation) in the interest of principles of natural justice.

9. Thereafter, the Noticee vide e-mail dated August 17, 2020, confirmed to collect the SCN along with annexures through his Authorized Representative (AR) on August 28, 2020 and the same was subsequently, collected by AR of the Noticee on August 28, 2020.

10. The Noticee vide e-mail dated September 07, 2020, was advised to submit his response to the SCN before September 11, 2020 (as sufficient time had already elapsed from the date of service of the SCN to the Noticee), advising Noticee that if he failed to submit his response as advised above, the matter shall be proceeded further based on the material available on record. However, Noticee neither submitted his response to the SCN on the advised date i.e. September 11, 2020 nor availed opportunity of virtual hearing on the scheduled date i.e. August 28, 2020.

11. The Noticee vide e-mail dated September 16, 2020, sent a common reply in response to all the matters pending against him under various proceedings, making baseless and vague submissions. The Noticee, without making any substantial submission or providing any documents or evidence under current proceedings, sought for inspection of documents and cross-examination of other related entities under various proceedings pending against him.

12. In my opinion, the opportunity for inspection of documents and cross-examination of other related entities, as sought by the Noticee, was not required as the Noticee was already provided with all the documents relied upon in the matter in the form of Annexures to the SCN. Here, I find it pertinent to refer to the case law Shruti Vora vs. SEBI decided on 12 February, 2020, wherein it was observed by Hon'ble SAT that;

"the request of the appellant for supply of the documents in possession of the authority is misconceived and cannot be accepted. Prima facie, the only object in making such demand is to obstruct the proceedings. We accordingly do not find any merit in the appeal and is dismissed with no order as to costs"

13. Further, I note that the findings of the investigation against the Noticee are mainly based on the evidences other than any statement recordings of the related entities. Hence, cross-examination of the entities was not required to be given to the Noticee. Also, I do not find this to have any bearing on the allegation mentioned in the SCN. As refereed above in para 6 & 9 above, The SCN along with Annexures were duly served upon the Noticee in 2018. The Noticee neither replied to the SCN nor raised any request for inspection of documents and cross-examination and raising such request now at this stage of the proceedings by the Noticee, is made solely to delay the current proceedings.

14. At this juncture, it relevant to refer to the observation of the Hon'ble SAT in the matter of *Dave Harihar Kiritbhai v. Securities and Exchange Board of India (Appeal No. 181 of 2014 dated December 19, 2014), wherein, it was observed that, "…further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim nonreceipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal…"*

Keeping the aforesaid in mind, the adjudication proceedings against the Noticee are undertaken ex-parte on the basis of material available on record.

ISSUES UNDER CONSIDERATION

15. I have carefully perused the charges levelled against the Noticee in the SCN and the material / documents available on record. In the instant matter, the following issues arise for consideration and determination:

I. Whether the Noticee has violated Section 12A(a),(b) and (c) of the Act read with Regulations 3(a),(b),(c) and (d) and 4(1) of SEBI PFUTP Regulations?

II. Do the violations, if any, on the part of the Noticee attract monetary penalty under section 15HA of the SEBI Act?

III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

FINDINGS

16. Before Proceeding further, the provisions as applicable, are reproduced as under:

SEBI ACT, 1992

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

Section 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 recognised 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;

(d) ……..."

Relevant extract of provisions of PFUTP Regulations, 2003

*"**Regulation 3 - Prohibition of certain dealings in securities***

No person shall directly or indirectly:

(a) buy, sell or otherwise deal in the 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.

Regulation 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.

Issue no. I: Whether the Noticee has violated Section 12A(a),(b) and (c) of the Act read with Regulations 3(a),(b),(c) and (d) and 4(1) of SEBI PFUTP Regulations?

17. I note that the SCN under current proceedings alleges that the sole subscriber to the GDRs of FIL i.e. Vintage FZE, whose beneficial owner was Mr. Arun Panchariya (AP) i.e. the Noticee, obtained loan from EURAM Bank, an entity connected with Mr. Arun Panchariya, for subscription of GDR issue for which security was provided by FIL by pledging its GDR proceeds. Further, the SCN observes that Vintage FZE defaulted on repayment of loan to EURAM Bank to the extent of USD 56.60 million, thereby GDR proceeds to that extent were adjusted by EURAM Bank and subsequently written off by FIL. USD 15.60 million were also written off by FIL which were transferred by FIL from its EURAM Bank account to the account of its subsidiary based in UAE, i.e. Farmax International, FZE, and further from Farmax International, FZE's bank account to certain other related entities.

18. The charge against the Noticee as alleged in the SCN was that it devised and structured fraudulent scheme with the GDR issuer company i.e. FIL and through his connected entities involving Vintage, Pan Asia Advisors Ltd, Mukesh Chauradiya, Cardinal Capital Partners and Golden Cliff. Noticee controlled Vintage subscribed to GDR issue by entering into Loan Agreement with EURAM Bank for which FIL pledged its GDR proceeds as security. Vintage subsequently defaulted on repayment of balance loan amount of USD 56.60 million. Therefore, GDRs to the extent of USD 56.60 million were issued at free of cost to Vintage. Noticee connected FII sub-accounts namely Cardinal Capital Partners received and converted GDRs and sold converted equity shares of FIL in Indian securities market. Noticee connected FII namely Golden Cliff facilitated Cardinal Capital Partners in conversion of GDRs and sale of converted equity shares. Thus, Noticee devised GDR scheme along with FIL wherein FIL misled the Indian investors by concealing the information of entering into Pledge

Agreement and informing GDR related news in a distorted manner to stock exchanges which made investors believe that GDRs were genuinely subscribed.

19. It is observed that the connections between the Noticee and different entities were as under:

1	Pan Asia Advisors Ltd. (now known as Global Finance and Capital Ltd.)	AP/ Noticee was director (April 24, 2006 to September 29, 2011) and 100% shareholder (July 01, 2008 to January 20, 2012)
2	Vintage FZE (now known as Alta Vista International FZE)	Noticee was Managing Director as on May 05, 2010 as well as beneficial owner
3	India Focus Cardinal Fund (IFCF)	Noticee was director from August 22, 2008 to October 28, 2010, Investment Officer (100% shareholder) and beneficial owner
4	Cardinal Capital Partners Limited	Noticee was beneficial owner and 100% shareholder
5	EURAM Bank, Austria	Noticee connected Pan Asia Advisors Ltd. had joint venture with EURAM Bank Asia Limited.
6	Euram Bank Asia Limited	Noticee was director and President (resigned on September 22, 2011)
7	Mr. Mukesh Chauradiya	Noticee was beneficial owner of Vintage FZE in which Mr. Mukesh Chauradiya served as Managing Director and director. In Ramsai Investment Holdings Private Limited, where Noticee was holding 99.98% shares (for the period 2009-2013) and was director for the period from February 04, 2008 to August 18, 2010 wherein Mr. Mukesh Chauradiya was director in the same company (first appointment from February 04, 2008 and second appointment from August 17, 2010 till March 17, 2016).
8	Mr. John Behar	Noticee and Mr. John Behar were director in Pan Asia Advisors Ltd. wherein Noticee was promoter/ director (April 24, 2006 to September 29, 2011)- Mr. John Behar was director (April 24, 2006 to September 29, 2011) of Pan Asia Advisors Ltd. Mr. John Behar provided professional advice to the Noticee regarding Pan Asia Advisors Ltd.
9	Prospect Capital Limited	Prospect Capital Limited is wholly owned and managed by Mr. John Behar who is connected to Noticee.

		Mr. Sanjay Aggarwal represented himself as director of Prospect Capital Limited before BNY and held email id with a domain name prospectcapital in the name of sa@prospectcapital.com
10	Mr. Anant Kailash Chandra Sharma	Noticee and Mr. Anant Kailash Chandra Sharma were directors in Sai Sant Advisory (India) Private Limited: Noticee was director from August 31, 2007 to October 20, 2010 Anant Kailash Chandra Sharma was director from December 01, 2009 till March 18, 2016. Noticee's brother Mr. Satish Ramswaroop Panchariya is promoter of Alka India Limited. Anant Kailash Chandra Sharma was also additional director in Alka India Limited since December 01, 2009. Noticee's brother Mr. Satish Ramswaroop Panchariya and Mr. Ashosk Ramswaroop Panchariya are directors in Alka India Limited since October 05, 2011 and April 29, 2005 respectively, till date.
11	Highblue Sky Emerging Market Fund	Mr. Anant Kailash Chandra Sharma is director (since August 11, 2014 till date) and beneficial owner (since September 09, 2014 till date) of Highblue Sky Emerging Market Fund Mr. Anant Kailash Chandra Sharma is connected to the Noticee.
12	Golden Cliff (previously known as Vaibhav Investments Limited)	Mr. Anant Kailash Chandra Sharma is director (since July 16, 2014 till date) and 100% beneficial owner (since September 09, 2014 till date) of Golden Cliff. Anant Kailash Chandra Sharma is connected to AP. Reema Narayan Shetty was director and 100% beneficial owner (from September 12, 2013 till September 09, 2014)) of Golden Cliff. She was authorized signatory for the bank account of Noticee is connected to the entity India Focus Cardinal Fund which was maintained with EURAM Bank, Austria

20. From the above, Noticee appears to be the common thread which runs through all the connected entities in the GDR issue of Farmax India Limited and each stage of the fraudulent transactions which ultimately resulted in the loss of USD 72.20 million to FIL. I note that there was an increase in the capital of FIL through issue of GDRs for which FIL did not receive commensurate consideration. The GDRs were subscribed by Vintage FZE which was a wholly owned entity of the Noticee and the funds for the same was obtained, as a loan from EURAM Bank based on a pledge of the GDR proceeds by FIL to EURAM Bank. In the Jindal Cotex case the Hon'ble SAT has held that this arrangement itself vitiates the entire issue of GDR as it is through an artificial arrangement supported by the company itself which enables the subscription to the GDR.

21. It is also observed that Pan Asia was the lead manager for the GDR issue of FIL and the Noticee was the director and beneficial owner of Pan Asia Advisors Ltd. (now known as Global Finance and Capital Ltd), a UK based entity from April 24, 2006 to September 29, 2011. It is further observed that Vintage, the sole subscriber of GDR issue of FIL, which was 100% controlled by the Noticee as seen from the KYC documents of Vintage. It is also noted that the Noticee was the beneficial owner and Managing Director of Vintage as on May 05, 2010. Vintage was controlled fully by Noticee through a 99.99% shareholding control.

22. It is further noted that India Focus Cardinal Fund (Mauritius) was registered as sub account of FII- EURAM Bank from December 12, 2008 to July 19, 2011 and India Focus Cardinal Fund was granted transfer from EURAM Bank to another FII (FPI) Cardinal Capital Partners on July 20, 2011 and was registered as sub account of FII- Cardinal Capital Partners for the period July 20, 2011 to June 19, 2017.

23. It is further observed that during the period January 2009 to May 31, 2010, Cardinal Capital Partners (CCP) held 100% shares of India Focus Cardinal Fund. Noticee held 100% shares of Cardinal Capital Partners. Thus, Noticee was 100% shareholder of India Focus Cardinal Fund. Noticee also served as Chief Investment Officer of CCP in 2010. It is also noted that Noticee was director in India Focus Cardinal Fund from August 22, 2008 to October 28, 2010 and was also an investment Officer.

24. Euram Bank Asia through which loan was taken to subscribe to GDRs was a joint venture between Euram Bank Austria and Noticee controlled Pan Asia. Noticee controlled entity Vintage subscribed to the GDR issue by entering into Loan Agreement with EURAM Bank Asia for which FIL pledged its GDR proceeds as security. On perusal of the details of GDR transactions provided by EURAM Bank, it was observed that Vintage had transferred 12,58,000 GDRs to India Focus Cardinal Fund, which was again connected to the Noticee. Hence, the entire scheme of GDR funding and subscription was controlled by the Noticee. FIL was a willing participant in the scheme to issue GDRs in this manner.

25. I note that entire GDR proceeds did not reach the Indian bank account of the company (FIL) against those GDRs issued. In this case, the beneficiary of this scheme appears to be, in the first stage, Vintage FZE who received allotment of 5.10 million GDRs of FIL but defaulted on the loan taken from EURAM Bank to the extent of USD 56.60 million and based on the Loan Agreement and Pledge Agreement dated May 05, 2010 the outstanding loan amount was realized from GDR proceeds. Therefore, Vintage FZE, a Noticee controlled entity, did not have to pay full consideration for the GDRs and received GDRs of FIL worth USD 56.60 million for free.

26. I note that the Noticee was the beneficial owner of Vintage FZE. Thereafter, Vintage FZE transferred the GDRs to certain connected entities which were in turn connected to the Noticee, who sold the converted equity shares in the Indian market and made money. I note that in the matter of the Pan Asia (supra) the Hon'ble SAT has discussed the role of the Noticee in six GDR matters wherein the modus operandi adopted was similar. In the said matter the Hon'ble Tribunal has observed as follows:

"Even though all GDRs were not converted and sold, it is apparent that the modus operandi adopted by the appellants was not only to create an artificial impression that the GDRs have been subscribed by foreign investors, but also to create an impression that after the GDR issue, investors in India have started subscribing to the shares of issuer companies when in fact the shares were sold and acquired by the entities controlled by AP. In these circumstances inference drawn by SEBI that at every stage of the GDR issue, the acts committed by the appellants constituted fraud on the investors in India cannot be faulted."

27. I find that said scheme of issue of GDRs of FIL constitutes 'fraud' and I find that the Noticee connived with FIL and other connected entities in the GDR issue of FIL to structure the fraudulent issue of GDRs wherein the shareholder of FIL suffered a loss to the tune of USD 72.20 million. I note that Vintage FZE was also a wholly owned entity of the Noticee and was part of the fraudulent scheme wherein without paying consideration/subscription money, it received allotment of GDRs in violation of law. Some of such GDRs were transferred by Vintage FZE to other connected entities, who after converting them into underlying shares of FIL, sold the shares in the Indian securities market and thus made the profit.

28. From the scheme as brought out above, it is evident that the scheme was designed to create an impression of receiving funds through GDR subscription. The total GDR issue size was around 0.51 crore GDRs, through which capital amounting to Rs. 323.6 crore was raised. This wrong impression was aided by FIL when it gave misleading disclosures about the subscribers to the issue and suppressed information regarding the Pledge conditions of the GDR proceeds pledged with Euram Bank.

29. The GDR subscription was structured in a manner whereby the Noticee controlled subscriber, Vintage, acquired the GDRs without spending a penny, through pledge of the GDRs and GDR proceeds against the loan used for subscription. Thus, no funds actually flowed to the Company i.e.FIL, until Vintage repaid the loans. While Vintage repaid part of the loan, and funds to that extent did flow to FIL, an amount of USD 56.60 million was defaulted by Vintage. Hence, FIL did not get equivalent funds against the equity it had issued, leading to a loss of USD 56.60 million to FIL shareholders, whose valuations were diluted by the expanded equity capital, without any funds flowing to the Company. In INR, this amount works out to approximately Rs.255 crores at an exchange rate of Rs.45.

30. Thus, it is established that Noticee devised GDR scheme along with FIL wherein FIL misled the Indian investors by concealing the information of entering into Pledge Agreement and informing GDR related news in a distorted manner to stock exchanges which made investors believe that GDRs were genuinely subscribed. Through this scheme, Noticee obtained GDRs worth USD 56.60 million free of cost.

31. Therefore, in view of the foregoing, I conclude that the Noticee has violated Sections 12A(a), (b), (c) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c) 3(d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

32. I also note that parallel proceedings under section 11B of the SEBI act were initiated against the Noticee for similar violations and the same has been concluded vide order dated July 14, 2020, wherein the Noticee has been restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities including units of mutual funds, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of five years from the date of order.

Issue no. II: Do the violations, if any, on the part of the Noticee attract monetary penalty under section 15HA of the SEBI Act?

33. Since it is established that Noticee was responsible for the fraudulent scheme and arrangement for subscription of GDRs in violation of section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003. I am of the view that it warrants imposition of monetary penalty under Section 15HA of the SEBI Act on the Noticee, text of which is reproduced as under:

SEBI Act, 1992

Penalty for fraudulent and unfair trade practices.

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

Issue No. III: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

34. In this regard, while determining the quantum of penalty, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which reads as under:

"15J - Factors to be taken into account by the adjudicating officer

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.

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

35. It is noted that out of the GDR proceeds of USD 71.91 million, Vintage obtained loan from EURAM Bank for subscription of GDR issue for which security was provided by Farmax by pledging its GDR proceeds. Further, Vintage defaulted on repayment of loan to EURAM to the extent of USD 56.60 million, thereby GDR proceeds to that extent were adjusted by EURAM bank and subsequently written off by Farmax. USD 15.60 million were also written off by Farmax alleging the transfer of GDR proceeds to the tune of USD 15.60 million from its EURAM Bank account to UAE based subsidiary Farmax International FZE and further onwards to certain entities.

36. AP was connected to FII-subaccount India Focus Cardinal Fund and Highblue Sky Emerging Market Fund converted the GDRs and off loaded the converted equity shares in the India securities market. Thereby according to the fraudulent scheme perpetrated, AP arranged loan for the subscription to GDRs, subscribed to GDRs, and sold the GDRs to FII-Sub accounts which, in turn, dumped the converted equity shares in the Indian securities market. Thereby, the issuance of GDR is a fraudulent scheme wherein Farmax misled the Indian investors by concealing the information of entering into pledge agreement and informing GDR related news in a distorted manner to stock exchange which made investors believe that GDRs were genuinely subscribed and caused loss to the shareholders by writing off USD 72.20 million. Therefore, it is concluded that AP in connivance with Farmax devised and structured fraudulent scheme through his other connected entities. The magnitude of the fraud committed by the Noticee is enormous as is evident from the loss caused to the investors as mentioned above.

37. In view of the above, I am of the opinion that the case in hand deserves an appropriate penalty as stipulated under section 15HA of the SEBI Act, 1992.

ORDER

38. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15I(2) of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the penalty of `25,00,00,000/- (Rupees Twenty Five Crore only) upon the Noticee i.e. Arun Panchariya, under section 15HA of SEBI Act for the violation of section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003.

39. Noticees shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai and 1) the said DD should be forwarded to the Division Chief, Enforcement Department 1(EFD), Division of Regulatory Action – I [EFD 1-DRA-1] SEBI Bhavan, Plot No.C4-A,' G' Block, Bandra Kurla Complex (BKC), Bandra (East), Mumbai – 400 051 and also send an email to tad@sebi.gov.in with the following details:

1.	Case Name	
2.	Name of the Payee	
3.	Date of payment	
4.	Amount Paid	
5.	Transaction No.	
6.	Bank Details in which payment is made	
7.	Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

40. Payment can also be made online by following the below path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html

41. 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.

42. In terms of Rule 6 of the Rules, copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: November 25, 2020
PLACE: MUMBAI

VIJAYANT KUMAR VERMA
ADJUDICATING OFFICER