

Department: Investigation	Segment: All
Circular No: MSE/ID/18223/2025	Date: December 01, 2025

Subject: SEBI order in respect of Droneacharya Aerial Innovations Limited.

To All Members,

This has reference SEBI order no. QJA/SS/CFID/CFID-SEC5/31818/2025-26 dated November 28, 2025, wherein SEBI has debarred following entities from buying, selling or otherwise dealing in securities directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the period given in table, from the date of this Order.

Sr No	Name	PAN	Restraint Period
1	Droneacharya Aerial Innovations Limited	AAGCD0701L	2 years
2	Mr. Prateek Srivastava	CJCPS9105B	2 years
3	Ms. Nikita Srivastava	BAZPM2614N	2 years
4	Instafin Financial Advisors LLP	AAGFI3779L	2 years
5	Mr. Sandeep Ghatе	AACPG0447M	2 years
9	Micro Infratech Pvt. Ltd.	AAFCM3365A	1 years

Further, SEBI vide above order has directed that, if the Noticees have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier.

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

This order shall come into force with immediate effect.

For and on behalf of
Metropolitan Stock Exchange of India Limited

Shweta Mhatre
Assistant Vice President

Metropolitan Stock Exchange of India Limited



QJA/SS/CFID/CFID-SEC5/31818/2025-26

**SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

UNDER SECTION 11 (1), 11(4), 11B (1) AND 11B (2) READ WITH SECTIONS 15 A(b), 15 HA and 15EB 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:

Noticee No.	Noticee Name	PAN
1.	Droneacharya Aerial Innovations Limited	AAGCD0701L
2.	Mr. Prateek Srivastava	CJCPS9105B
3.	Ms. Nikita Srivastava	BAZPM2614N
4.	Instafin Financial Advisors LLP	AAGFI3779L
5.	Mr. Sandeep Ghatе	AACPG0447M
6.	Mr. Kishan R Verma	ACCPV3587H
7.	Mr. Harshal Kher	DPWPK6444A
8.	Corporate Capital Ventures Private Ltd.	AAECR4815P
9.	Micro Infratech Pvt. Ltd.	AAFCM3365A
10.	Ms. Mukula Joshi	AZHPJ1038K

The abovementioned Noticees are hereinafter individually referred to by their respective names or the respective Noticee number and collectively as the “Noticees”).

In the matter of Droneacharya Aerial Innovations Limited

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BACKGROUND.

1. M/s DroneAcharya Aerial Innovations Limited ('DAIL'/ Noticee 1'/ the 'Company') (CIN: L29308PN2017PLC224312) is a Company having its equity shares listed on the BSE SME platform since December 23, 2022. The main operations of the Company are imparting drone operation training, drone supply and maintenance services and management consultancy and training services. Mr. Prateek Srivastava (Noticee No.2) is promoter/ managing director (MD) and Mrs. Nikita Srivastava (Noticee No.3) is a

Order in respect of Droneacharya Aerial Innovations Limited



promoter/director and Chief Financial Officer (CFO) of DAIL and they were the persons in charge of affairs of DAIL at the relevant times.

2. Instafin Financial Advisors LLP (Instafin / Noticee No.4) was incorporated on April 25, 2017 as a Limited Liability Partnership (LLP) with its registered office at FL2, BLD C, Raksha Lekha, SO Radhanagar, Koregaon Park, Pune. Mr. Sandeep Ghate (Noticee No.5) and Ms. Damini Ghate (daughter of Sandeep Ghate) are the partners of Instafin which is engaged in providing corporate advisory services to the start-up companies.
3. Having reasonable ground to believe that there were possible mis- utilization of IPO proceeds, misrepresentation in financial statements, diversion of funds by management of DAIL to the detriment of investors in the Company in violation of the provisions of the SEBI Act, the Securities Contract (Regulation) Act, 1956 (“SCRA”), SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (“PFUTP Regulations”) and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (“LODR Regulations”) or any other Rules or Regulations made or directions issued by SEBI thereunder, SEBI conducted investigation in the matter. The period of investigation was Financial Years (FY) 2022-23 and 2023-24. However, whenever deemed necessary, references have been made to the events/timeframes outside this period.
4. After concluding the investigation, the Investigating Authority (IA) of the Board submitted the Investigation Report (IR) in accordance with the provisions of section 11C of the SEBI Act making findings, observations and several allegations.
5. The competent authority formed a *prima facie* opinion on April 29, 2025, based on the said IR that the Noticees have violated the provisions of SEBI Act and Regulations made thereunder as given in the following table: -

Table 1: – Provisions of law alleged

Noticee No.	Violation as per the SCN
1	(i) Sections 12A (a), (b), (c) of SEBI Act, Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(f) (k) and (r) read with Regulation 2(1)(b) and 2(1) (c) of PFUTP Regulations for devising the fraudulent scheme.



	(ii) Regulation 3(a), (b), (c), (d) and 4(1),4(2)(a), (e) of SEBI PFUTP Regulations, 2003 for mis- utilization of IPO funds. (iii) Clause 7 (b) of Schedule VI of the SEBI (Issue of Capital and Disclosure Requirement) Regulation, 2018 (“ICDR Regulations”) for non-disclosure of quotation of software and computers in prospectus under objects of issue. (iv) Regulation 31(1) and 32(1), (2) of LODR Regulations for disclosing incorrect shareholding percentages of promoter and public as on December 21, 2022 and for not disclosing Statement of deviation on utilization of IPO funds for half year ended March 2024. (v) Regulation 3(b), (c), (d), Regulation 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations, and Regulation 4(1), 33(1)(a) & (c), and 48 of the LODR Regulations for inflation of revenue and profit and thus misrepresenting financial statements and presenting financial statements which were not true and fair and not depicting true financial position (vi) Regulation 4(1),(c),(d), (e), (g), and (h) of LODR Regulations, read with Regulation 30 (1), 30(3) read with Regulation 30(4) and Schedule III Part A Para B (1),(2),(4) and Schedule III Part A Para C of LODR Regulations, Circular No. CIR/CFD/CMD/4/2015 dated September 9, 2015 and Regulation 30(7),(8) and (10) of LODR Regulations, for misleading corporate announcements
2 & 3	(i) Sections 12A (a), (b), (c) of SEBI Act, Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(f) (k) and (r) read with Regulation 2(1)(b) and 2(1) (c) of PFUTP Regulations for devising the aforementioned fraudulent scheme. (ii) Regulation 3(a), (b), (c), (d) and 4(1),4(2)(a), (e) of PFUTP Regulations read with Section 27 of the SEBI Act for mis- utilization of IPO funds. (iii) Clause 7(b) of Schedule VI of the ICDR Regulations for non-disclosure of quotation of software in prospectus objects of issue. (iv) Regulation 3(b), (c), (d) and Regulation 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations and Regulation 4(1), 33(1)(a) & (c), and 48 of the LODR Regulations, read with Section 27 of the SEBI Act for misrepresentation in financial statements. (v) Regulation 4(1)(a)(b)(c), (h), (i), 4(2)(e)(i), 34(3) read with Para A (1) & (2) of Schedule V, 48 of LODR Regulations for not disclosing related party transactions between DAIL and ASPL



	(vi) Regulation 4(2)(f)(ii)(8) and Regulation 31(1) and 32 (1), (2) of LODR Regulations for disclosing incorrect shareholding percentages of promoter and public as on December 21, 2022 and for not disclosing Statement of deviation on utilization of IPO funds for half year ended March 2024.
4 & 5	Sections 12A (a), (b), (c) of SEBI Act, Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(f), (k) and (r) read with Regulation 2(1)(b) and 2(1) (c) of PFUTP Regulations for aiding and abetting DAIL and its promoter directors in execution of their fraudulent scheme.
6	Sections 12A (a), (b), (c) of SEBI Act, Regulation 3(b), (b), (c) and Regulation 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations by colluding with DAIL's promoters by issuing unqualified audit reports despite significant discrepancies and violations of accounting standards for FY 2023-24, thus, aiding the promoters to implement fraudulent scheme. Further, the auditor has also issued misleading certificate on utilisation of IPO funds.
7	Regulation 6(2) (a) read with Regulation 32 (1), (2) of SEBI LODR for not disclosing Statement on utilization of IPO proceeds for half year ended March 2024.
8	Clause 2, 4 of Schedule III read with Regulation 13 of SEBI (Merchant Bankers) Regulations, 1992 (Merchant Bankers Regulations) read with clause (1)(a)4(K) of Schedule VI of the ICDR Regulations for failure to disclose related party transactions in the prospectus of DAIL.
9	Sections 12A (a), (b), (c) of SEBI Act, Regulation 3(a), (b), (c), (d) and 4(1), 4(2) (a), (e) of PFUTP Regulations for aiding and abetting DAIL and its promoter directors in execution of their fraudulent scheme to mis-utilise Rs. 5.90 Cr by issuing fictitious/ inflated bills
10	Regulation 6(2) (a) read with 31(1) of LODR Regulations for incorrect disclosure of shareholding percentages for promoter and public as on December 21, 2022.

6. The text of the charged provisions in the matter are as follows: -

SEBI Act, 1992

Order in respect of Droneacharya Aerial Innovations Limited



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;

Contravention by companies.

27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the 166[contravention] and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the 167[contravention] was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Explanation: For the purposes of this section, —

- (a) “company” means any body corporate and includes a firm or other association of individuals; and
- (b) “director”, in relation to a firm, means a partner in the firm.

SEBI (PFUTP) Regulations, 2003
Definitions



2. (1) In these regulations, unless the context otherwise requires, —

(b) “*dealing in securities*” includes:

- (i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act 2[, either by themselves or through mule accounts];
- (ii) such acts which may be knowingly designed to influence the decision of investors in securities; and
- (iii) any act of providing assistance to carry out the aforementioned acts.

(c) “*fraud*” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;
- (4) a promise made without any intention of performing it;
- (5) a representation made in a reckless and careless manner whether it be true or false;
- (6) any such act or omission as any other law specifically declares to be fraudulent,
- (7) deceptive behaviour by a person depriving another of informed consent or full participation,
- (8) a false statement made without reasonable ground for believing it to be true.
- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And “*fraudulent*” shall be construed accordingly;

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 manipulative, fraudulent or an unfair trade practice in securities markets.

Explanation. – For the removal of doubts, it is clarified that-

- (i) any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company, or
- (ii) transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been included in sub-regulation (1).
- (2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following: —
- (a) knowingly indulging in an act which creates false or misleading appearance of trading in the securities market;
- (e) any act or omission amounting to manipulation of the price of a security including, influencing or manipulating the reference price or bench mark price of any securities;
- (f) knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 16[relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals,] which is not true or which he does not believe to be true prior to or in the course of dealing in securities;
- (k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;
- (r) knowingly planting false or misleading news which may induce sale or purchase of securities.



SEBI (LODR) Regulations, 2015

Principles governing disclosures and obligations.

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

- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.*
- (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.*
- (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.*
- (d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.*
- (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.*
- (f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.*
- (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.*
- (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.*
- (i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.*
- (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.*

(2) *The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.*

(e) Disclosure and transparency: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:



(i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.

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

(i)...

(ii) Key functions of the board of directors-

(8) Overseeing the process of disclosure and communications.

Compliance Officer and his /her Obligations.

6(1).....

(2) The compliance officer of the listed entity shall be responsible for-

(a) ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.

Disclosure of events or information.

30. (1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.

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

(3) The listed entity shall make disclosure of events specified in Para B of Part A of Schedule III, based on application of the guidelines for materiality, as specified in sub-regulation (4).

(4) (i) The listed entity shall consider the following criteria for determination of materiality of events/ information:

(a) the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or

(b) the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; or

(c) the omission of an event or information, whose value or the expected impact in terms of value, exceeds the lower of the following:

(1) two percent of turnover, as per the last audited consolidated financial statements of the listed entity;

(2) two percent of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;



(3) five percent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity;]

(d) In case where the criteria specified in sub-clauses (a), (b) and (c) is not applicable, an event or information may be treated as being material if in the opinion of the board of directors of the listed entity, the event or information is considered material:

Provided that any continuing event or information which becomes material pursuant to notification of these amendment regulations shall be disclosed by the listed entity within thirty days from the date of coming into effect of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023.

(ii) The listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulation, duly approved by its board of directors, which shall be disclosed on its website:

Provided that such a policy for determination of materiality shall not dilute any requirement specified under the provisions of these regulations:

Provided further that such a policy for determination of materiality shall assist the relevant employees of the listed entity in identifying any potential material event or information and reporting the same to the authorized Key Managerial Personnel, in terms of sub-regulation (5), for determining the materiality of the said event or information and for making the necessary disclosures to the stock exchange(s).

(7) The listed entity shall, with respect to disclosures referred to in this regulation, make disclosures updating material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations.

(8) The listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation, and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

(10) The listed entity shall provide specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information:

Provided that the stock exchange(s) shall disseminate information and clarification as soon as reasonably practicable.

Holding of specified securities and shareholding pattern.



31. (1) *The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines –*

- (a) one day prior to listing of its securities on the stock exchange(s);*
- (b) on a quarterly basis, within twenty-one days from the end of each quarter; and,*
- (c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital:*

Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

Statement of deviation(s) or variation(s).

32. (1) *The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc. , -*

(a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;

(b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.

(2) The statement(s) specified in sub-regulation (1), shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.

Financial results.

33. (1) *While preparing financial results, the listed entity shall comply with the following:*

(a) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.

(c) The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India:

Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.



Annual Report.

34. (3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.

Accounting Standards.

48. The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.

SCHEDULE III

PART A: DISCLOSURES OF EVENTS OR INFORMATION: SPECIFIED SECURITIES

[See Regulation 30]

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

B. Events which shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of regulation (30):

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division.
2. Any of the following events pertaining to the listed entity:
 - (a) arrangements for strategic, technical, manufacturing, or marketing tie-up; or
 - (b) adoption of new line(s) of business; or
 - (c) closure of operation of any unit, division or subsidiary (in entirety or in piecemeal).
4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.

C. Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities.

SCHEDULE V: ANNUAL REPORT

[See Regulation 34(3) and 53(f)]

The annual report shall contain the following additional disclosures:

Order in respect of Droneacharya Aerial Innovations Limited

**A. Related Party Disclosure:**

1. The listed entity which has listed its non-convertible securities] shall make disclosures in compliance with the Accounting Standard on “Related Party Disclosures”.

2. The disclosure requirements shall be as follows:

Sr. no.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.
1	Holding Company	- Loans and advances in the nature of loans to subsidiaries by name and amount. - Loans and advances in the nature of loans to associates by name and amount. - Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

For the purpose of above disclosures directors’ interest shall have the same meaning as given in Section 184 of Companies Act, 2013.

SEBI (Merchant Bankers) Regulations, 1992

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**

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

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

SEBI (ICDR) Regulations, 2018



SCHEDULE VI - DISCLOSURES IN THE OFFER DOCUMENT, ABRIDGED PROSPECTUS AND ABRIDGED LETTER OF OFFER

(a) All information shall be relevant and updated. The source and basis of all statements and claims shall be disclosed. Terms such as “market leader”, “leading player”, etc. shall be used only if these can be substantiated by citing a proper source.

(4) Offer Document summary: This section shall contain summary of the following information, as applicable:

(K) Summary of related party transactions for last 3 years and cross-reference to related party transactions as disclosed in restated financial statements.

(7) Project:

If one of the objects of the issue is to fund a project, details of:

(b) plant and machinery, technology, process, etc.;

i) Details shall be given in a tabular form, which shall include the details of the machines required to be bought by the issuer, cost of the machines, name of the suppliers, date of placement of order and the date or expected date of supply, etc.

ii) In case machines are yet to be delivered, the date of quotations relied upon for the cost estimates given shall also be mentioned.

iii) The percentage and value terms of the plant and machinery for which orders are yet to be placed shall be stated.

7. The case was then referred on May 13, 2025 for quasi- judicial proceedings under Sections 11B (1) and 11(4) read with section 11(1) and also under sections 11(4A) and 11B (2) of the SEBI Act read with rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (Adjudication Rules) as per extant process of SEBI.

Show Cause Notice.

8. After the matter was assigned to me on May 13, 2025, in the above background, a common show cause notice (SCN) dated May 15, 2025 was issued to the Noticees alleging, *inter alia*, certain violations and the role of each of them as per the IR and they were called upon to show cause as to why: -

(a) suitable directions including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period should not be issued to them; and



(b) an inquiry should not be held against them in terms of rule 4 of the Adjudication Rules and suitable monetary penalties under read with Sections 15A (b), 15HA, 15HB, of the SEBI Act should not be imposed on them, for the aforesaid violations.

Replies to the SCN and Hearing.

9. All these Noticees filed their replies; availed of opportunity/ies of hearing/s being represented by their respective authorised representative or self, on different dates during August 5, 2025 till August 18, 2025 and filed additional submissions till August 25, 2025, as detailed in the following table:

Table 2: Replies/Hearings

Noticee	Date of reply	Date of hearing	AR/Advocate	Additional Submissions
1-3	30.06. 2025	05.08. 2025.	Mr. Vedchetan Patil	25.08. 2025
4 & 5	06.06. 2025	05.08. 2025.	Mr. Sandeep Ghate	
6	07.07.2025 13.08. 2025	05.08. 2025 18.08.2025	Mr.Vikas Gupta.	
7	02.06.2025	05.08. 2025	Self.	
8	09.06 2025	18.08. 2025.	Prakash Shah	21.08. 2025
9	13.07. 2025	06.08. 2025	Shailesh Kumar Mishra	25.08. 2025
10	12.06. 2025	06.08.2025	Self	

Inquiry.

10. Since, apart from civil directions under Sections 11 and 11B of the SEBI Act, the SCN has also invoked inquiry and adjudication under Sections 11(4A) and 11B (2) read with Section 15 A(b), 15HA and 15HB of the SEBI Act, it is imperative to, also, follow requirements under the Adjudication Rules for inquiry under Rule 4 thereof.



11. Some of these Noticees submitted voluminous submissions and the submissions of many of the Noticees contain common contentions/ arguments. As such, for the sake of brevity and to avoid repetitions, the submissions of such Noticees have been grouped together wherever possible to avoid repetition. All the Noticees have denied/ disputed the allegations and have pleaded their *bona fide*. Also, representing Noticees 1, 2 and 3, Mr.Vedchetan Patil, Advocate vehemently contended that the SCN conflates individual roles and attributes collective liability without assessing the specific responsibilities of each the Noticees. They have contended *inter alia* that IR is vague and unsubstantiated. Its contents are not suggesting any manipulative and fraudulent scheme and it is merely making statements based on statements without any substantiated allegation.
12. I have carefully considered the allegations made in the SCN, the replies and submissions of the Noticees and the documents such as the investigation report relied upon in the matter, as well as the written / oral submissions made on behalf of the Noticees and documents submitted alongwith their replies, etc. IR has made matter complex and obfuscated in several aspects. At first blush, it may appear to be a meaningless verbiage as contended yet, it does not make it impossible to deduce the substance of allegations and make an attempt to find correlation amongst several facts to find out the truth holistically in context and perspectives as cause and effect rather than making the IR as empty substance as contended. In my view, when the facts in IR are seen carefully, arranging the factual matrix in perspective, there is no uncertainty about what the essence of the IR actually is.
13. While presenting the facts *in seriatim* and presenting role of concerned Noticee it is noted that the allegations and basis as per the SCN/IR are as following: -
- I. Fraudulent scheme devised by Noticee No.1, 2 3, 4 and 5 based on the following facts:** - DAIL engaged in deceptive practices orchestrated by its promoter directors, Mr. Prateek Srivastava (Noticee No.2) and Mrs. Nikita Srivastava (Noticee No.3), along with Instafin (Noticee No.4) and its partner Mr. Sandeep Ghate. (Noticee No.5). These entities devised a fraudulent scheme that operated as a fraud on investors trading the scrip. The scheme involved the issuance of Optionally Convertible Preference Shares (OCPS) through private placements prior to the IPO, with a promise of subsequent listing of DAIL on



the stock exchange. Following the listing, DAIL misled the general public through false and misleading corporate announcements, artificially maintaining share prices to allow pre-IPO investors to exit at manipulated prices over a period of time, at the cost of the public investors. The following factual matrices as per SCN/IR are relevant to mention in support of this allegation: -

- a. Noticee No.2 completed his Masters of Engineering in Remote Sensing from Asian Institute of Technology, Bangkok. Upon returning to India in the year 2010, he worked with various companies such as Infinium Solutions, Genesis International Mumbai, Webonise, Terra Drone India Pvt. Ltd. (Terra Drone). His operations at Terra Drone (2017-2020) included raising funds from investors.
- b. While working in Terra Drone, he incorporated DAIL on March 10, 2017. In the fiscal years 2017-18 and 2018-19, DAIL remained dormant and did not conduct any operations.
- c. He approached Notice No.5, partner of Noticee No.4, to invest in Terra Drone. When Noticee No.5 declined to invest in Terra Drone but offered to invest if Noticee No.2 initiated operations for his own company; Noticee No.2 resigned from Terra Drone and decided to initiate operations of DAIL in the year 2020.
- d. In the year 2021, Noticee No.5 arranged funding of approximately Rs. 1.2 Crore for DAIL wherein DAIL issued 6,660 equity shares at Rs. 1,800 per share through two private placements of shares on February 15, 2021 and March 15, 2021 to 11 entities, including one Mr. Ashish Nanda an investor from Dubai and Ms. Damini Ghate (daughter of Noticee No.5), increasing the total number of equity shares of DAIL from 10,000 (issued at incorporation) to 16,660.



- e. Following these private placements, DAIL issued bonus shares in the ratio of 6 shares for every share (1:6)¹ on June 28, 2021, increasing the total number of shares to 1,16,620.
- f. During February 2022 to June 2022, DAIL issued 60,366 Optionally Convertible Preference Shares (OCPS) in four private placements for an amount of Rs. 32.35 Cr (Rs. 5359 per OCPS) to 199 entities (10 common entities) including investors such as Shankar Sharma and certain film personalities including Ranbir Kapoor and Aamir Khan.
- g. Noticee No.2, on December 05, 2024 and Noticee No.5, on December 10, 2024, stated before the IA that pre IPO investors were told at the time of private placements that DAIL was intended to list its shares on the stock exchange. DAIL was interested in listing its shares on the exchange and issued OCPS on private placements to the pre-IPO investors, promising that its shares would be listed on the stock exchange. The pre-IPO investors were informed that DAIL shares would be listed on the stock exchange, leading to private placement of Rs. 32.35 Cr.
- h. These OCPS were converted into equity shares before the IPO. The details of issue and conversion of OCPS into equity shares are as follows: -

Table 3: - details of issue and conversion of OCPS

Issue Date	No. of OCPS issued	No. of Allottees	Consideration (in Rs. in Cr)	Conversion Date
17/02/2022	11,128	63	5.97	09/06/2022
31/03/2022	13,202	60	7.07	05/07/2022
16/05/2022	23,688	48	12.69	05/07/2022
10/06/2022	12,348	28	6.62	05/07/2022
Total	60,366	199	32.35	-

1 IR gives different ratios (1:6 and also 1:10). When verified from the prospectus of DAIL it is noted that the bonus shares were issued in the ratio of 6 shares for every share.



- i. DAIL came out with its initial public offer (IPO) between December 12, 2022 to December 15, 2022 and raised Rs. 33.96 crores from the public. The equity shares issued and subscribed in the said IPO were listed on the BSE SME platform on December 23, 2022.
- j. After the listing of its IPO, Noticee No.1 made corporate announcements of its operational activities as break through events. At the initial stage of investigation, it had submitted an undertaking dated June 25, 2024 that it shall be careful while making corporate announcements. However, it had continued its trend of making reckless corporate announcements.
- k. From the Profit and Loss accounts of DAIL for the period 2021-22 to 2023-24 it was observed, *inter alia*, that: -
 - (i) the Company was dormant and did not have any operations and had negative profit before tax (PBT) till 2020-21.
 - (ii) The revenue from its operations increased from Rs.3.58 crore in 2021-22 (Pre-IPO F.Y.) to Rs.18.56 crore in 2022-23 (IPO F.Y.) and further to Rs.35.19 crore in 2023-24. The expenses also increased in tandem with rise in sales.
 - (iii) The negative cash flows from operating activities in all three years was mainly due to an increase in trade receivables, inter corporate advances. Negative cash flows from investing were due to its investments in fixed deposits and mutual funds.
 - (iv) Positive cash flows from financing activities were mainly due to receipt of proceeds from private placement and IPO. DAIL was not able to generate positive cash flows from its operating activities but utilized the issue proceeds of IPO for working capital and other activities.



- l. No.6, (Auditor) had given unqualified opinions on the financial statements for the F.Ys. 2021-22 to 2023-24.
- m. The pre IPO investors of DAIL were well aware about the listing prior to the issue of shares. The promoter/ directors of DAIL, Noticee No.2 and 3, deceived public investors with announcements of ‘non-binding’ or ‘trivial’ agreements to inflate revenue and profits. They disclosed an invalid revenue figure from Triconix and used misleading orders to induce investors to buy DAIL shares. This scheme, reinforced by frequent operational announcements and use of popular personalities such as Mr. Aamir Khan, Mr. Ranbir Kapoor on their website. These celebrities have not given any permission to DAIL for using their images on website.
- n. This was continued post-listing to maintain investor interest and enable pre-IPO investors to sell their share at profit. The pattern of announcements and trading since April 1, 2024, indicates this manipulative scheme is ongoing to enable the pre-IPO investors to sell their holdings.
- o. Post-listing, *‘in order to benefit pre IPO investors’*, DAIL issued misleading corporate announcements, *‘artificially maintaining share prices to benefit these select group of investors’*. Till November 15, 2024, out of the aforesaid 210 pre-IPO investors 168 had sold 74,42,000 shares for Rs. 114.25 Cr and gained Rs. 89.60 Cr i.e. 78% of the sale price. The daughter of Noticee No.5 earned a profit of Rs. 6.10 Cr (i.e. 5803.33% of investment).
- p. Noticees 1, 2 and 3 devised a fraudulent scheme involving the issuance of OCPS in private placements prior to the IPO. Noticee No.5 aided them to identify the investors and also participated in the scheme by investing in DAIL shares through his daughter Ms. Damini Ghaté.



Noticee No.1engaged in *deceptive practices* orchestrated by Noticee No.2 and 3, along with Noticee No. 4 and Noticee No.5. These entities devised a fraudulent scheme that operated as a fraud on investors trading the scrip. The scheme involved the issuance of OCPS through private placements prior to the IPO, with a promise of subsequent listing of DAIL on the stock exchanges. Following the listing, DAIL misled the general public through false and misleading corporate announcements, artificially maintaining share prices to allow pre-IPO investors to exit at manipulated prices over a period of time, to the detriment of public investors.

q. In view of the above it has been alleged that: -

- (i) DAIL and its promoter directors, Noticees No.2 and 3 violated of Sections 12A (a), (b), (c) of SEBI Act, 1992, Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(f) (k) and (r) read with Regulation 2(1)(b) and 2(1) (c) of PFUTP Regulations, 2003 for devising the aforementioned fraudulent scheme.
- (ii) Noticees No 4 and 5 aided DAIL, its promoters, participated in the scheme, and benefited from the scheme and thus violated of Sections 12A (a), (b), (c) of SEBI Act, 1992, Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(k) and (r) read with Regulation 2(1)(b) and 2(1) (c) of PFUTP Regulations.
- (iii) DAIL also violated the provisions of Regulation 4(1), (c), (d), (e), (g), and (h) of LODR Regulations, 2015, read with Regulation 30 (1), 30(3) read with Regulation 30(4) and Schedule III Part A Para B (1), (2), (4) and Schedule III Part A Para C of LODR Regulations, Circular dated September 9, 2015 and Regulation 30(7), (8) and (10) of LODR Regulations in respect of misleading corporate announcements.

II. Mis-representation of the financial statements:



- (a) As per Para 14 of Ind AS 18, regarding the sale of goods, revenue from the sale of goods is recognized when the entity has transferred the significant risks and rewards of ownership to the buyer, no longer retains managerial involvement or control over the goods, the revenue amount can be measured reliably.
- (b) As per Para 20 of Ind AS 18 regarding revenue from services, revenue from rendering services is recognized by referencing the stage of completion at the end of the reporting period, provided the following conditions are met: the revenue amount can be measured reliably, it is probable that economic benefits will flow to the entity, the stage of completion can be measured reliably, and both the costs incurred and the costs to complete the transaction can be measured reliably.
- (c) DAIL recognized the revenue with respect to orders from Triconix and IRed without performing any services or delivering any goods or services. This is a complete violation of accounting standards, and the revenue accounted for and reflected in the financial statements was untrue and fictitious. The income recognized from Triconix was Rs. 8.02 Cr, accounting for 22.79% of the revenue from operations in FY 2023-24.
- (d) DAIL inflated the revenue from operations in FY 2023-24 by Rs. 12.35 Cr (35.10% of revenue from operations – Triconix: Rs. 8.02 Cr. + IRed: Rs. 4.33 Cr.) and thus, inflated the profit by Rs. 12.35 Cr. As per the financial statements of FY 2023-24, the Profit before tax was Rs. 8.44 Cr. The non-accounting of these two orders would have resulted in a loss of Rs. 3.91 Cr.
- (e) DAIL, its promoter directors and signatories to the financial statement, Noticee No.2 and 3, have engaged in deliberate misrepresentation of financial statements. The manipulation of revenue recognition, particularly with respect to the transactions involving Triconix and IRed Limited, are in violation of accounting standards. In the AR 2023-24, on page 13 the DAIL has following disclosures by using these mis-statements: -



(f) By inflating revenue and profits, DAIL presented a false financial position, thereby misleading investors and failing to provide a true and fair view of the Company's financial health.

(g) Therefore, it has been alleged that: -

- (i) DAIL has violated the provisions of Regulations 3 (b),(c),(d) and Regulation 4(1), 4(2)(f), (k) and (r) of the PFUTP Regulations and Regulation 4(1), 33(1)(a) and (c), and Regulation 48 of the LODR Regulations; and
- (ii) Noticees No.2 and 3, have violated the provisions of Regulations 3(b), (c), (d) and 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations and Regulation 4(1), 33(1)(a) & (c), and 48 of the LODR Regulations read with Section 27 of the SEBI Act.

III. Mis- utilization of IPO proceeds:

- (a) DAIL raised Rs. 33.96 Crores from its IPO, with Rs. 27.98 Crores earmarked for the purchase of drones and related accessories from four vendors. However, the investigation revealed that DAIL spent only Rs. 0.70 Crores on the purchase of drones, while the remaining Rs. 27.28 Crores were utilized for purposes that were not stated in the prospectus. Therefore, it is alleged that DAIL and its promoter directors misappropriated Rs. 27.28 Crores of the IPO proceeds.



(b) Noticee No.2, the Managing Director of DAIL, initially claimed the reason of deviation being a strategy shift to in-house drone development post-IPO but later retracted this statement in submission. DAIL has not taken shareholders' approval for deviation in objects of issue. The Chairman of the Audit Committee of DAIL claimed during investigation that the computer and software were part of 'drone accessories' mentioned in the prospectus. Thus, IPO proceeds were utilized for the same. However, it was noted that the description and quotation of such accessories were not mentioned in prospectus, in terms of clause 7(b) of Schedule VI of the SEBI ICDR Regulations. Regarding the purchases from Noticee No.9, it was observed that it was not engaged in software development or its retailing. This directly contradicts DAIL's claim of purchasing software from the Noticee No.9 and indicates that funds were transferred to Noticee No.9 for purposes not listed in the prospectus. DAIL claimed to have purchased a GIS platform and SQL Server software from issue proceeds. However, there were significant discrepancies in the reported costs when compared with public domain sources. Further, the invoices submitted by DAIL and the vendor were inflated indicating a deliberate attempt to misrepresent financial expenditures and conceal the mis- utilization of IPO proceeds.

(c) Therefore, it has been alleged that: -

- (i) DAIL and its promoter directors, Noticees No.2 and 3 have violated provisions of Regulations 3(a), (b), (c), (d) and 4(1),4(2)(a), (e) of the PFUTP Regulations read with Section 27 of SEBI Act; and
- (ii) Noticee No.9 has violated the provisions of Regulation 3(a), (b), (c), (d) and 4(1),4(2)(a), (e) of the PFUTP Regulations.

IV. Incorrect disclosure about deviation and omission of half -yearly disclosures regarding utilization of IPO funds.

- (a) According to Regulation 32 of the LODR Regulations, SME companies are required to disclose a deviation statement on the utilization of IPO funds on a



half-yearly basis, within 45 days from the end of the half-year. The periodical disclosure about utilization of the IPO proceeds by DAIL was available as follows:

Table 4 - Disclosure about utilization of the IPO proceeds (Amt in Rs.Cr)

Quarter Ended/ Objects of the Issue	Allocation as per prospectus	Dec- 2022	Mar- 2023	Jun- 2023	Sep- 2023	Mar- 2024	Sep- 2024
Purchase of Drones and Other accessories	27.99	0.00	6.62	6.94	9.39	No Disclosure	12.04
General Corporate Expenses	5.97	0.00	5.97	5.97	5.97		5.97
Total	33.96	0	12.59	12.91	15.36		18.01

(b) However, DAIL made corporate disclosures to BSE on the statement of deviation or variation for the quarters ended December 2022 to September 2023, stating there was 'nil' deviation. DAIL has failed to make the disclosure for half-year ended March 2024. In an email dated January 10, 2025, BSE confirmed the non-receipt of the said disclosure under Regulation 32 of SEBI LODR Regulations.

(c) Mr. Prateek Srivastava, MD of DAIL and Mrs. Nikita Srivastava, CFO of DAIL were the persons in charge of DAIL at the relevant time. Therefore, DAIL, its promoter directors, Mr. Prateek Srivastava, Mrs. Nikita Srivastava have violated the provisions of Regulation 32 of LODR Regulations.

V. Non- disclosure of related party transactions of DAIL with Awyam Synergies Private Limited (ASPL)

(a) From bank account of DAIL (A/c No. 920020042909193) to ASPL (A/c No. 922020030133106), following transactions were observed between them: -



Table 5 - Funds transfer from DAIL to ASPL

Date	Particulars	Amount (in Rs.)
16/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	50,00,000
16/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	50,00,000
16/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	12,50,000
16/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	12,50,000
16/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	12,50,000
16/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	12,50,000
20/06/2022	IFT/0120062212600/8	1,00,00,000
28/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	30,00,000
30/06/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	25,00,000
01/07/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	50,00,000
01/07/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	50,00,000
29/08/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	30,00,000
02/09/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	25,00,000
09/09/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	1,00,00,000
30/09/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	5,00,00,000
28/12/2022	INB/IFT/AWYAM SYNERGIES PRIVATE L/TPARTY TRANSFER	20,00,000
Total		10,80,00,000

(b) Transfer of funds from ASPL (A/c No. 922020030133106) to DAIL (A/c No. 920020042909193) was noted as follows:

Order in respect of Droneacharya Aerial Innovations Limited

**Table 6- Funds transfer from ASPL to DAIL**

Date	Particulars	Amount (in Rs.)
30/09/2022	TRF/AWYAM SYNERGIES PRIVATE LIMITED/	5,00,00,000
27/01/2023	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	25,00,000
01/02/2023	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	50,00,000
30/03/2024	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	80,00,000
30/03/2024	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	41,00,000
15/07/2024	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	10,00,000
23/07/2024	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	10,00,000
22/08/2024	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	50,00,000
22/08/2024	INB/IFT/AWYAM SYNERGIES PRIVATE LIMITED/TPARTY TR	50,00,000
Total		8,16,00,000

(c) The Regulation 2(1) (zb) and 2(1) (zc) of the LODR Regulations defined the related party and related party transactions as follows:

(zb) “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

(zc) “related party transaction” means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

As per section 2(76) of Companies Act, 2013 the *related party transaction*, with reference to a company, means—

(i) a director or his relative;

(ii) a key managerial personnel or his relative;

(iii) a firm, in which a director, manager or his relative is a partner;

(iv) a private company in which a director or manager or his relative is a member or director;



- (d) Noticees No. 2 and 3 held 100% shareholding in ASPL. Hence, DAIL and ASPL were related parties. From the proceeds of the private placement, DAIL gave a loan of Rs. 10.60 Cr to ASPL, related party of DAIL, during June 16, 2022 to September 30, 2022.
- (e) As per clause (1)(a)4(K) of Schedule VI of ICDR Regulations it was required to disclose in the prospectus the summary of related party transactions for the last 3 years and cross reference to related party transactions as disclosed in restated financial statements. However, no such disclosures were made in the prospectus.
- (f) Para 3 of Ind AS 24 – Related Party disclosures requires the disclosures of the related party relationships, transactions and outstanding balances in the financial statements. As per Regulation 53(1)(f) of LODR Regulations, the company was required to disclose the related party transactions in the Annual Report. However, DAIL neither disclosed ASPL as a related party nor the above mentioned transactions under related party transactions in its Annual Reports for the FY 2022-23 and 2023-24 as per LODR Regulations.
- (g) In light of the above, Noticee Nos. 2 and 3 have violated the provisions of Regulation 4(1)(a), (b), (c), (h), (i), 4(2)(e)(i), 34(3) read with Para A (1) & (2) of Schedule V and Regulation 48 of the LODR Regulations.

VI. Wrong disclosure of shareholding pattern:

- (a) Following the IPO, the promoters' holding decreased to 28.21%. At the time of listing, DAIL made a corporate announcement on December 21, 2022, in accordance with Regulation 31(1) (b) of the LODR Regulations.
- (b) The above disclosure stated the correct number of shares held by the promoters and public shareholders (having more than 1% shareholding). However, the shareholding percentages were incorrectly stated as 38.23% for promoters and 61.77% for public shareholders, instead of correct shareholding percentage of 28.21% and 71.79% respectively.



(c) Therefore, it has been alleged that DAIL, its promoter directors, Noticee No.2 and 3 have violated Regulation 31 of the LODR Regulations.

14. Apart from the above broadly deduced common allegations *qua* Noticees No. 1, 2, 3, 4, 5 and 9 following independent and separate allegations have been made in the IR against Noticees No. 6, 7, 8 and 10: -

Noticee No.6, Statutory Auditor

(a) It has been alleged that the Statutory Auditor, Noticee No..6, colluded with DAIL's promoters and directors by issuing unqualified audit reports despite significant discrepancies and violations of accounting standards in recognition of revenue from the orders in which goods or services were not delivered. Thus, he aided Noticee No.2 and 3 to implement their fraudulent scheme.

(b) As an auditor of DAIL, Noticee No.6 was well aware that funds of the IPO were not utilized as per the objects of the Issue. Despite this, in collusion with promoter directors of DAIL, he certified that DAIL had utilized Rs. 17.82 Cr of the IPO proceeds by March 31, 2024, for the purchase of drones and other ancillary hardware and software, which was misleading and did not contain appropriate details.

(c) In light of above, Noticee 6 has violated the provisions of Sections 12A (a), (b), (c) of SEBI Act, Regulation 3(b), (c), (d) and Regulation 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations by colluding with DAIL's promoters by issuing unqualified audit reports despite significant discrepancies and violations of accounting standards for FY 2023-24, thus, aiding the promoters to implement fraudulent scheme.

Ms. Mukula Joshi (Noticee No.10) and Harshal Kher (Noticee No.7), then Compliance Officers of DAIL:



- (a) In terms of Regulation 6(2) (a) of LODR Regulations, Compliance Officer of the company was responsible for ensuring the conformity with the regulatory provisions applicable on the listed company.
- (b) Noticee No.10 was the compliance officer of DAIL during June 27, 2022 to October 10, 2023. During her tenure, the shareholding percentages disclosed to BSE on December 21, 2022 was incorrect. Therefore, she has violated the provisions of Regulation 6(2)(a) read with 31(1) of the LODR Regulations.
- (c) Noticee No.7 was the compliance officer of DAIL from December 12, 2023. DAIL failed to make the disclosure of the utilization of the IPO funds for the half-year ended March 2024. Therefore, he violated the provisions of Regulation 32 of the LODR Regulations.

Corporate Capital Ventures (Noticee No.8).

- (a) As per clause (1)(a), 4(K) of Schedule VI of SEBI ICDR Regulations it was required to disclose summary of related party transactions for the last 3 years and cross reference to related party transactions as disclosed in restated financial statements. However, no disclosures relating to the abovementioned transactions between DAIL and ASPL were disclosed in the prospectus.
 - (b) It has been alleged that Noticee No.8, being the merchant banker, in respect of IPO of DAIL, failed to exercise due skill, care and diligence in the conduct of its business and failed to maintain transparency, fairness and professionalism while acting as a registered merchant banker. Therefore, it violated Clause 2, 4 of Schedule III read with Regulation 13 of SEBI (Merchant Bankers) Regulations, 1992.
15. Thus, the SCN has carefully arranged the facts in the above order and it is not obscure as contended much less very hard to decipher. I, therefore, reject the contentions in this regard. Considering the above facts and circumstances, I note that the case is *prima facie* made out in the SCN and also that the proceedings are also under Section



11 and 11B (1). I, therefore, deem it fit to proceed with the matter for determination of the merits of the allegations.

Consideration of technical objections and findings.

16. Some of the Noticees have, *inter alia* raised technical objections regarding the issuance of the SCN, cross-examination; etc. Capturing the factual matrix as above, I deem it appropriate to first deal with the technical objections raised by these Noticees issue -wise before dwelling into the merits of the case.

Lack of Jurisdiction of IA/SEBI.

17. The Noticees have raised objection contending *inter alia* that: -

- (a) the IA, by holding the Noticee “*in violation*” at the investigation stage, has acted beyond his jurisdiction, rendering this observation without legal sanctity and in clear breach of principles of natural justice.
- (b) the SCN is entirely silent on any cogent evidence demonstrating *mens rea* or even meeting the threshold of “*preponderance of probabilities*” required in quasi-judicial proceedings.
- (c) In absence of such foundational evidence, the allegations rest purely on conjecture and surmise, which cannot sustain penal consequences under the SEBI Act or PFUTP Regulations.

18. As regards this technical objection, it is pertinent to mention that the IA, while conducting investigation, does not act as quasi- judicial authority. As per Regulation 6 and 9 of the PFUTP Regulations, the IA is vested with specific powers of fact findings and strictly limited to the scope defined therein. In the instant case, the IA has followed the specified procedure and no prejudice has been caused to the Noticee no. 6 as contended by him. Based on fact finding by IA and observation made by him in the IR, the competent authority in SEBI formed a *prima facie* opinion to proceed as per SEBI Act/Rules/Regulations and thereafter, the SCN is issued making a *prima facie* charge. Then the final determination takes place after following due process and principles of natural justice. I, therefore, reject this objection. It is pertinent to mention here that in *DLF Ltd. v. SEBI (2012)*, Hon’ble Delhi High Court while upholding this scheme under Section 11C of the SEBI Act also held that



an IA is extensively empowered to unearth facts and cause a detailed investigation into the matter; and once the investigation has been ordered under Section 11C and an investigation report is made, SEBI, while examining said report and acting on it, functions in its quasi-judicial capacity. The relevant extract is as following:

“58. Similarly, SEBI has also been invested with powers and responsibilities to function in a dual capacity. It functions in an inquisitorial capacity while examining the issue, whether reasonable grounds exist to believe that the transactions in securities market are being dealt with in a manner detrimental to the investors or the securities market, or whether any intermediary or any person associated with the securities market has violated any of the provisions of the SEBI Act or the rules & regulations made thereunder, or directions issued by the Board. If it finds that reasonable grounds exist to believe the existence of the aforesaid state of affairs, it can direct an investigation by an investigating authority under Section 11-C of the Act. Once the investigation has been ordered under Section 11-C and an investigation report made, the SEBI while examining the said report and acting upon it, functions in its quasi-judicial capacity.”

Cross- examination

19. Noticee Nos. 1 to 5 had made vague and open request of cross examination without specifying whom do they seek to cross examine and why. Further, during hearings they did not press this request when query was raised in this regard and they made submissions on merits of allegations. I note that in this case, the allegations have been made based on documents which the Noticees are privy to or those documents are in public domain or statements of the Noticees. In my view the request made in the replies of these Noticees is fanciful and roving. Hence rejected.

Consideration of Issues on Merits and findings:

20. I note that the IR has disintegrated and fractured several connected facts. It is obfuscated situation inasmuch as the alleged mis-representation of the financial statements has been made as basis of first charge of orchestrating a fraudulent scheme and then it is also made an independent allegation to find violations of same provisions. Similarly, the charge regarding non- disclosures of quotation of software in prospectus and incorrect disclosures



about deviation and omission of half- yearly disclosures in utilization of IPO proceeds are interconnected and are on the same basis. In this case, though the acts, omissions and conduct of several entities have been alleged in the IR, the case does not speak as to whether they all were acting in concert, connivance or collusion in the alleged fraudulent scheme allegedly devised by Noticee No. 1,2,3 with aid of Noticees 4 , 5 and 9. It is clearly deduced that the allegations on all Noticees are not common in few respects at the same time one or the other Noticee has role in respect of allegations against the other/s. Further, the allegations are broken and made independent and specific *qua* Noticees 6 to 8 and 10. Accordingly, I proceed to deal with charges and allegation against the Noticees as per SCN in following parts; viz;-

- A. Common/connected charges against Noticees No. 1- 5 and 9; and
- B. Independent charges against Noticees No. 6- 8 and 10.

A. Common charge against Noticees No. 1-3 and 4 & 5 and 9

21. In this case, contravention of provisions of Sections 12A of SEBI Act and Regulations 3 and 4 read with Regulation 2(1)(b) and 2(1) (c) of the PFUTP Regulations has been alleged in following aspects: -
- (a) *Fraudulent scheme*
 - (b) *Mis-representation of the financial statements*
 - (c) *Mis- utilization of IPO proceeds*
 - (d) *Non-disclosure of quotation of software in prospectus*

Fraudulent scheme.

22. The first allegation is against the Noticee No. 1,2,3, 4 and 5. The scope of the charge with regard to Noticees no. 1, 2 and 3 is that they devised, a '*fraudulent scheme*', '*engaged in deceptive practices orchestrated by its promoter directors Mr. Prateek Srivastava and Mrs. Nikita Srivastava, along with Instafin Advisors LLP (Instafin) and Mr. Sandeep Ghate*' The scope of charge, however, against Noticees No. 4 and 5 is that they '*aided DAIL, its promoters, participated in the scheme, and benefited from the scheme.*' This is a case where serious charge has been levelled with regard pre- IPO placements, IPO, post listing sale of



pre- IPO shareholding to make profit. All these facts have been interwoven and intertwined and cumulatively alleged as fraudulent scheme. It is pertinent to mention here the cardinal principles of standard of proof and veracity of basis of charges/allegations. These principles, *inter alia*, are: -

- (a) there must be convincing preponderance of probability to support the allegation. In the absence of reasonably strong evidence, even in a civil proceeding, a person cannot be held guilty and awarded punishment.
- (b) Mere surmise, conjuncture or suspicion cannot sustain the finding of fault. Merely, probablising to prove the fact on the basis of preponderance of probability and incomplete circumstantial evidence is not sufficient to establish a serious charge of fraud and fraudulent act².
- (c) Having regard to the gravity of the wrong doing higher must be the preponderance of probabilities in establishing such charges.
- (d) Fraud, even in civil proceedings, must be established beyond reasonable doubt³.
- (e) *"...a serious charge like fraud has to be established on preponderance of probabilities and since this charge is serious, higher has to be the degree of probability to establish the same."*⁴
- (f) *"..... violation of PFUTP regulations involves commission of fraud which is indeed a serious market offence and a high degree of probability is required to establish such a charge."*⁵

² *Sterlite Industries Vs. SEBI (2001) 34 SCN 485 (SAT)*].

³ *Union of India vs. Chaturbhai M. Patel (AIR 1976 SC 712)*

⁴ *SAT in Parsoli Corporation vs. SEBI (Appeal No. 146/2011 order dated 12th August 2011)*

⁵ *Networth Stock braking Ltd vs. SEBI (SAT Appeal No 5 of 2012), SAT order dated June 19, 2012*



23. Apart from the above cardinal principles, for such serious allegation, it is also pertinent to take into account the following observations of Hon'ble SAT in the matter of *Narendra Ganatra vs SEBI* (Appeal No. 47 of 2011 decided on July 29, 2022): -

"We should not lose sight of the fact that the charge against the appellant is of conniving with the group entities in creating false and misleading appearance of trading in the market and artificially raising the price of the scrip and for such a serious charge, higher degree of probability is required. Such a charge cannot stand on surmises and conjectures."

24. Considering the factual ramifications in the manner as is brought out in the IR, the allegations in this particular case, needs to be looked with utmost care and caution taking into consideration the guiding principles discussed hereinabove.
25. Referring to many paras in the IR, learned advocate for Noticee No. 1,2 and 3, valiantly and pithily contended that no evidence, direct or circumstantial, has been placed on record to substantiate the allegation that DAIL or its promoters made any express or implied promise of listing or price support to any of the pre-IPO investors. In my view, absence of direct evidence does not preclude the establishment of the allegations, however, any inference as sought to be drawn in the IR can only be based on reasonable inferences drawn from foundational facts as held by Hon'ble Supreme Court in the matter of *SEBI v. Kishore R. Ajmera*, (2016) 6 SCC 368 at 383, as following:

"26. It is a fundamental principle of law that proof of an allegation leveled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and leveled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the



*Court to be a reasonable conclusion therefrom. **The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.***

26. Noticees No. 1,2 and 3 have strongly contended that making such a serious allegation to make all their acts as part of fraudulent scheme as alleged in the IR, will tantamount to labelling the entire process of IPO and listing of the DAIL itself as a part of the fraudulent scheme, which by itself deserves to be rejected at threshold.
27. Noticees 1 to 5 have, *inter alia*, submitted that: -
- (a) All their actives were as per law. Mere fact that the Noticee No. 2 initiated steps for operation of DAIL based on his expertise and that he got investors with help of Noticee No. 5 and DAIL made private placement of shares to the investors cannot be stated to be foundational facts from which an inference of fraudulent or deceptive act can be formed.
 - (b) Making private placement of shares, bonus issue and private placement of OCPS before making IPO cannot be frowned upon merely because allotments were made to an investor from Dubai, Ms. Damini Ghate (daughter of Noticee No.5), Shankar Sharma Ranbir Kapoor, Aamir Khan amongst many others.
 - (c) There was no promise to list the pre IPO shares with any design as sought to be alleged and investors were aware about ensuing IPO of DAIL and listing of its shares on BSE. The information in this regard is material disclosure with *bona fide* purpose as DAIL was already in process of making the IPO shortly.
 - (d) The investors were informed and were aware about planned IPO of DAIL while making their investments. There was never any promise made by DAIL or them to those investors for listing of their shares as alleged. According to them the statement of Noticees No.2 and 5 recorded on December 05, 2024 and December 10, 2024 which has been relied upon to make the allegation have been wrongly interpreted to allege that



promises were made to list shares of these investors much less to indicate exit by them at profit.

- (e) The investors who subscribed to the OCPS were well-informed, educated individuals or entities, acting based on their independent evaluation and risk appetite. It is a commercial reality that every investor, whether in a listed or unlisted company, enters a transaction with the underlying expectation of returns. Such expectations cannot, by themselves, be construed to constitute a “*fraudulent scheme*” unless backed by conclusive evidence of collusion, deception, and misrepresentation— which is conspicuously absent in the present case.
- (f) Out of the total 34 corporate announcements, SEBI has raised observations only on 7 announcements and accordingly and have provided their comments *vis-à-vis* these 7 announcements.
- (g) If the announcements were designed to maintain or inflate share price, the expected market outcome would be a price increase following the announcement. However, in reality, prices fell in almost every case (except one) indicating no manipulative effect, no market perception of the announcements as ‘price supportive’ actions. The data instead supports that the announcements were routine, factual disclosures without market moving intent.
- (h) The single exception of price increase could be due to multiple market factors unrelated to the announcement and no evidence links the announcement’s content to the price change.
- (i) The overarching charge of ‘*misleading corporate announcements to influence share price*’ is unsupported both in fact and by the market data.
- (j) Even with respect to 34 corporate announcements the announcement dated January 16, 2023 i.e. first announcement, the price closed exactly at the opening level, indicating no upward or downward impact. Hence, assuming that DAIL had plans to enter into the affair of making false announcements, even then the first announcement and price was



maintained and, hence, there was no reason even for DAIL to assume that the prices will be manipulated by making such announcements. In many cases the prices were maintained or decreased post announcement. No comparative chart or quantified analysis has been provided by SEBI and the shares were traded in a general range of Rs.150 to Rs.200.

(k) The price movements in the scrip were driven by prevailing market conditions, not by any alleged misleading corporate disclosures.

(l) Noticee No. 4 and Noticee No.5 have contended that they have neither traded nor have aided or abetted any fraudulent scheme as alleged. Noticee No.5 helped Noticee No.2 for arranging investors in DAIL for the benefit of the Company as Noticee No. 2 had *bona fide* intent to revive DAIL. Noticee No.5 in his submissions has stated that Noticee No. 2 a promising entrepreneur and professional met him during December 2020 and expressed his interest to revive DAIL in the national interest and for its growth. Therefore, investments before the IPO was arranged for the benefit of the DAIL. The allotments were never with any design to defraud investors in DAIL as alleged.

(m) Ms. Damini Ghate (daughter of Noticee No.5) was allotted pre – IPO shares on private placement amongst many other investors and she sold her shares in DAIL as per law and not due to any fraudulent or manipulative trading by her or by Noticee No.5.

28. While dealing with these arguments of Noticees, I am also mindful of the fact that, the IR makes such serious allegations on pre IPO allotment, IPO and listing of shares without being clear as to how the pre- IPO issuance could be declared so now:

(a) The Noticee 2 being well qualified and experience in Remote Sensing was also in the activity of raising funds for companies where he worked. He incorporated DAIL on March 10, 2017.

(b) Initially, DAIL remained dormant and did not conduct any operations, later in 2020 he decided to start operations of DAIL and with the help of Notice No.5 managed to get investors in DAIL in 2021. The IPO of DAIL was also in contemplation during 2022.



(c) Prior to its IPO in December 2022, DAIL utilized most of the proceeds of the private placements.

29. The allegation that pre- IPO private placements, bonus issue, IPO, listing of shares and further dealings all are to be treated as fraudulent so as to attract prohibitions under Section 12A of the SEBI Act and Regulations 3 and 4 read with Regulation 2(1)(c) of the PFUTP Regulations if accepted, would be against all tenets of law and would hold pre IPO allotment, the IPO of DAIL and subsequent sales and purchase in its shares illegal and consequently have impact on collaterals such as investment by public shareholder, business of DAIL and its other stakeholders such as its employees and creditors, if any. In view of these peculiar facts and circumstance, I find that pre- IPO private placement and IPO can not be alleged to be fraudulent as submitted by the Noticees and also intended in IR. I hold this for the following other reasons also: -

- (a) IR does not allege any wrongful gain by 168 pre- IPO investors who sold shares and the proposed action does not contemplate disgorgement of wrongful profit, if any, by virtue of any wrongful act/s. It is noted from the IR that among the other pre-IPO allottees, Mr Ashish Pannalal Nanda has also sold his holdings between December 22, 2023 to November 12, 2024 and has also made substantial profit (i.e.Rs.28.60 crores) but has not been arrayed as a Noticee in these proceedings.
- (b) While Noticee No.5 has been arrayed as party for a factor that his daughter Ms. Damini Ghate was one of the said 168 pre- IPO investors and a partner in Noticee No.4 she is not made party in the proceedings, even if the alleged device was orchestrated to enable profit to pre- IPO investors including Ms. Damini Ghate as alleged.
- (c) It cannot be said, with reasonable certainty, that only these 168 pre- IPO investors earned profit after listing of shares of DAIL and trading in its shares two years thereafter.
- (d) IR makes such serious allegation of fraudulent and deceptive scheme, but no interim measures were taken to insulate entry of public shareholders in DAIL as was done in



other cases such as Add-Shop E Retail Limited and White Organics Agro Limited (Order dated May 6, 2024) and Varanium Cloud Ltd. (Interim Order dated May 10, 2024 which has also been confirmed on October 21, 2024) wherein the promoters have also offloaded their shares which is not an allegation in the instant matter.

(e) If pre-IPO private placements, IPO, its listing and subsequent sale were all to be declared fraudulent and deceptive it may entail cancellation of allotments and refund to investors who have later become shareholders of DAIL after purchasing in the market. Such a drastic proposition, in the facts and circumstances of this case, would be impossible at this stage when public shareholders have come in DAIL and it has started operations.

30. However, the other factors as brought out in IR and alleged in the SCN are to be seen so as to find the truth. The facts alleged in the SCN are not disputed rather are admitted except where specifically controverted and dealt with in later part of this order. It is also noted that prior to making its IPO in December 2022, DAIL allotted 99,960 bonus shares in the ratio of 1:6 on June 28, 2021 to its shareholders including the 11 allottees in the first private placement. Further, by way of 4 private placements OCPS were issued to 199 allottees (on February 17, 2022, March 31, 2022, May 16, 2022 and June 10, 2022). On August 6, 2022, 1,75,21,614 bonus shares were issued in the ratio 1:99 shares to the shareholders including all allottees in previous private placements. It is observed from the Annual Report of DAIL for the year ended March 31, 2022 and March 2023, that the bonus shares were issued by it out of the securities premium which were received on account of the preference shares and the security premium received as part of the proceeds of the IPO.
31. IR has not looked into terms of the allotment which normally as per practice reduced in writing between companies and investors so as to gauge the true nature of arrangements between Noticee 1- 3 and pre- IPO investors. Be that as it may, I note that in his statement before the IA on December 05, 2024, Noticee No.2 had stated that: – *“In March 2022, DAIL received DGCA licence to train the pilots to fly drones. To expand the business and increase training centres, DAIL raised Rs.32.35 cr in four private placements. All the investors during pre-IPO were aware that DAIL was planning to list its shares on the stock*



exchange.” In her statement before IA on December 05, 2024, Noticee 3 has also reiterated the above statement of Noticee 2. The Noticee No.5 in his statement before the IA on December 10, 2024 had stated “After second round of private placement, few subscribers suggested for IPO. After consideration, DAIL Board approved to list its shares on the stock exchange. After second round of private placement, subscribers were aware that DAIL is planning to list on the stock exchange.” Apparently, although these statements do not indicate any promise but they do confirm knowledge, awareness and the firm belief of allottees; based on the ostensible assurance by Noticees 2 and 5 about IPO listing; as one of the important factor for their investment with expectation of exit at profit.

32. From the data available on BSE website, the shareholding pattern of DAIL during the Investigation Period was as follows:

Table 7 - Shareholding pattern of DAIL during the Investigation Period

Particulars	As of Dec 21, 2022			2022-23		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Promoters	2	67,66,800	38.23	2	67,66,800	28.21
Public	201	1,09,31,800	61.77	1452	1,72,21,800	71.79
Total	203	1,76,98,600	100.00	1454	2,39,88,600	100.00

Particulars	2023-24			2024-25 (as on Sep 2024)		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Promoters	2	67,66,800	28.21	2	67,66,800	28.21
Public	4812	1,72,21,800	71.79	6474	1,72,21,800	71.79
Total	4814	2,39,88,600	100.00	6476	2,39,88,600	100.00

33. When seen in facts and circumstances sequentially, the case becomes a lemonading one. The attendant acts may though be legal and valid, if they are used as tool to execute a fraudulent scheme, the case cannot be seen in isolation and all surrounding and attendant facts and circumstances need to be looked into carefully and holistically. When seen holistically the case shows strong probability that the pre- IPO private placements were made with clear understanding amongst Noticees 1-3 and 5 that the pre- IPO investors would be facilitated profitable exit after listing of IPO which was in contemplation at that



time. The following facts do suggest strong probability of a planned fraudulent scheme and device: -

- (a) after discussions about planning of IPO during February 2022, issuance of OCPS to 199 allottees including celebrity personalities like Mr. Aamir Khan and Mr. Ranbir Kapoor at a price of Rs. 53.59 per share (post bonus after conversion of OCPS into shares prior to the IPO);
- (b) the pre- IPO private placements of OCPS were made with knowledge, awareness, rather firm belief based on assurance about listing of pre- IPO shares alongwith IPO;
- (c) allotment of 99,960 bonus shares in the ratio of 1:6 on June 28, 2021 to shareholders including the 11 allottees in the first private placement and on August 6, 2022, 1,75,21,614 bonus shares in the ratio 1:99 shares to the shareholder including all allottees in previous private placements, thereby increasing the number of shareholdings in the hands of these allottees to enable them to make more profit and sell shares sequentially in applicable lots;
- (d) DAIL making regular corporate announcements of its operational activities as break through events despite undertaking to SEBI that it shall be careful while making corporate announcements;
- (e) frequent and continued operational disclosures using images/pictures of popular personalities such as Mr. Aamir Khan, Mr. Ranbir Kapoor on DAIL's website despite not having their consent;
- (f) mis-representing financial statements and presenting financial statements which were not true and fair;



(g) manipulating the revenue recognition, particularly regarding transactions with related parties to present an unrealistic picture of operations;

34. It is admitted position that: -

- (a) DAIL did not have any operations and had negative profit before tax (PBT) till 2020-21. The revenue from its operations increased from Rs.3.58 crore in 2021-22 (Pre-IPO F.Y.) to Rs.18.56 crore in 2022-23 (IPO F.Y.) and further to Rs.35.19 crore in 2023-24. The expenses also increased in tandem with rise in sales.
- (b) Negative cash flows from operating activities of DAIL in all three years was mainly due to an increase in trade receivables, inter corporate advances. Negative cash flows were from investing were due to its investments in fixed deposits and mutual funds.
- (c) DAIL was not able to generate positive cash flows from its operating activities. Positive cash flows were from financing activities mainly due to receipt of proceeds from private placement and IPO.

35. The share price of DAIL was not supported based on any internal factors as above. Shortly after the listing of IPO on December 23, 2022, DAIL started making corporate announcements of its operational activities as break through events, starting from January 16, 2023. As per the SCN, these corporate announcements were made only to increase the interests of investors in the shares and increase/maintain the share price “*in order to benefit pre IPO investors*”. Following the IPO listing, DAIL misled the general public through false and misleading corporate announcements, artificially maintaining share prices to allow pre-IPO investors to exit at manipulated prices over a period of time, at the cost of the public investors. Based on the above, it has been alleged that: – “several *announcements were only to increase the interest of investors in the shares and increase/maintain the share price.*”

36. Admittedly, prior to the IPO, the alleged 201 pre-IPO shareholders held 1,09,31,800 shares in DAIL. During December 23, 2022 to November 14, 2024, out of the 201 pre-IPO investors, 168 sold total 74,42,000 shares for



a sale value of Rs.114.25 crore and cumulatively gained Rs.89.60 crore (approx. 224.66%). Noticee No.4/5 provided services related to four private placements, searching for investors, and charged a fee of 3% of the subscribed amount. For their IPO services, Noticee 4 charged Rs. 80 Lakhs plus GST. DAIL transferred Rs. 1.87 Cr during the pre-IPO period and Rs. 1.67 Cr post-IPO to Noticee No.4, totaling Rs. 3.54 Cr. Ms. Damini Ghate, daughter of Noticee No5, had invested Rs. 12 Lakhs in DAIL. From the prospectus, BENPOS, and trade log, it was observed that as of December 22, 2022, Damini Sandeep Ghate subscribed to 666 shares of DAIL in the allotment dated March 15, 2021. Further, Noticee No.2 transferred 58,300 shares of DAIL to Ms. Damini Ghate on August 22, 2022. After the bonus issue and as on the date of IPO listing, Ms. Damini Ghate held 4,66,200 shares (2.63% of the total shareholding). Between January 10, 2024, and September 05, 2024, she sold all her holdings in DAIL on the stock exchange for a total value of Rs. 6.22 Cr receiving a profit of Rs. 6.10 Cr (5803.33% of her investment).

37. It is noted that shares were allotted in the IPO of DAIL at the rate of Rs.54/- per share and conversion price of OCPS was Rs. 53.94 per share. On the date of listing of IPO on December 23, 2022, the opening price was Rs. 102 per share. The price trend in shares of DAIL during December 23 2022 to December 20, 2024 is shown in following graph: -



38. It is matter of fact that the shares in IPO were issued and listed and started a bullish trend from the date of listing itself. Such bullish trend in the share price of DAIL continued for



longer period during December 23, 2022 to January 2023 and reached to high of Rs.231.80 as on January 11, 2023 as stated in IR itself. Undisputedly, rather admittedly, this increase in share price of DAIL was due to demand and supply forces in market and not based on any corporate announcement by the Company. Assuming the date of first sale of shares by pre- IPO shareholders to be on December 23, 2022 i.e. the date of listing at a price of Rs. 102 per share, the shares sold during December 23, 2022 to January 16, 2023 i.e. the date of first corporate announcement cannot be questioned by alleging manipulation of price. The price during this period was unquestionably genuine price, as per the IR itself.

39. I note that the basis of allegation in the IR are 34 corporate announcements in F.Y. 2022-23 and F.Y.2023-24 and 7 other corporate announcements during April 2024 to October 2024. The details of these corporate announcements, impact on the price of shares as alleged in the IR are tabulated as follows: -

Table 8- Details of 34 Corporate announcements- price impact

S. No.	Date & Time of Announcement	Corporate Announcement	Price (Rs.)								
1	Jan 16, 2023, 17:22:52	Tie up with AIT Entrepreneurship Centre, a centre of Asian Institute of Technology, situated in Pithumthani Thailand for undertaking Drone and GIS development projects *The announcement was made after market hours i.e., 15:30 hours. Hence, price details of next day have been given.	January 17, 2023 (next day): <table border="1"> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>188.9</td><td>202.5</td><td>188.9</td><td>188.9</td></tr> </table> Price maintained.	Open	High	Low	Close	188.9	202.5	188.9	188.9
Open	High	Low	Close								
188.9	202.5	188.9	188.9								
2	Feb 23, 2023, 12:50:03	Business partnership with Studio Trika, a proprietary firm situated in Bangalore Karnataka for expanding its offerings by venturing into a new vertical of drone light shows	<table border="1"> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>151.25</td><td>154.9</td><td>148.8</td><td>152.1</td></tr> </table> Price Increased.	Open	High	Low	Close	151.25	154.9	148.8	152.1
Open	High	Low	Close								
151.25	154.9	148.8	152.1								
3	Feb 27, 2023, 12:52:06	Business partnership with Gridbots Technologies Private Limited, Ahmedabad Gujarat.	<table border="1"> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>152.35</td><td>154.5</td><td>148</td><td>148.4</td></tr> </table> Price Decreased.	Open	High	Low	Close	152.35	154.5	148	148.4
Open	High	Low	Close								
152.35	154.5	148	148.4								
4	Mar 15 2023 12:14:29	MoU with Manipal Institute of Technology (MIT), Bangalore, Karnataka to offer the courses of DroneAcharya to the engineering students of MIT.	<table border="1"> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>135</td><td>136.9</td><td>129.35</td><td>136</td></tr> </table> Price Increased.	Open	High	Low	Close	135	136.9	129.35	136
Open	High	Low	Close								
135	136.9	129.35	136								
5	Jun 16 2023 15:06:00	MoU with King Mongkut's Institute of Technology Ladkrabang, KMITL university in Bangkok, Thailand for establishment of drone school, drone centre of excellence and drone and GIS related courses in addition to Drone Pilot Training Course	<table border="1"> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>150</td><td>155.7</td><td>148</td><td>150.5</td></tr> </table> Price maintained.	Open	High	Low	Close	150	155.7	148	150.5
Open	High	Low	Close								
150	155.7	148	150.5								
6	Aug 11 2023 15:34:03	Winning of tender from the Karnataka State Remote Sensing Applications Centre (KSRSAC)	August 14, 2023: <table border="1"> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>148.7</td><td>152.75</td><td>146.85</td><td>151.1</td></tr> </table> Price Increased.	Open	High	Low	Close	148.7	152.75	146.85	151.1
Open	High	Low	Close								
148.7	152.75	146.85	151.1								

Order in respect of Droneacharya Aerial Innovations Limited



7	Aug 14 2023 16:39:12	MoU with Mariano Marcos State University, Philippines with the mission of development of virtuous human capital and sustainable innovations in a knowledge driven global economy	August 14, 2023: <table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>148.7</td><td>152.75</td><td>146.85</td><td>151.1</td></tr> </table> August 16, 2023: <table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>153.5</td><td>165</td><td>153</td><td>162</td></tr> </table> Price Increased.	Open	High	Low	Close	148.7	152.75	146.85	151.1	Open	High	Low	Close	153.5	165	153	162
Open	High	Low	Close																
148.7	152.75	146.85	151.1																
Open	High	Low	Close																
153.5	165	153	162																
8	Sep 20 2023 11:48:15	Signing up of UDS 2.7 Mn (Rs. 23 Crore) 30 Franchise Deal with Wollstone Capital SA, Switzerland to Boost Drone Sales, Services And Certified Training In India to open 30 Remote Pilot Training Centers (RPTO) across India.	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>174.3</td><td>190.25</td><td>174</td><td>185.55</td></tr> </table> Price Increased.	Open	High	Low	Close	174.3	190.25	174	185.55								
Open	High	Low	Close																
174.3	190.25	174	185.55																
9	Sep 27 2023 13:52:22	Winning of US\$ 1.26 Million (Rs. 10.5 Crore) Contract in Qatar for Drone Sales, Service And Software Development for Oil & Gas Sector.	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>175</td><td>182</td><td>171.7</td><td>180.85</td></tr> </table> Price Increased.	Open	High	Low	Close	175	182	171.7	180.85								
Open	High	Low	Close																
175	182	171.7	180.85																
10	Nov 03 2023 13:22:33	MoU with Yashwantrao Chavan Maharashtra Open University	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>184</td><td>189</td><td></td><td>181.3</td></tr> </table> Price Increased.	Open	High	Low	Close	184	189		181.3								
Open	High	Low	Close																
184	189		181.3																
11	Nov 03 2023 12:58:19	Collaboration with the esteemed Whistling Woods International to unveil a dazzling array of drone centric courses in Mumbai																	
13	Nov 16 2023 15:17:28	Droneacharya Aerial Innovations Limited Wins Tender Worth Rs. 96,00,000.00 For Training 240 Officials From The Karnataka Forest Department	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>180</td><td>183.6</td><td>178.3</td><td>179.3</td></tr> </table> Price Decreased.	Open	High	Low	Close	180	183.6	178.3	179.3								
Open	High	Low	Close																
180	183.6	178.3	179.3																
14	Nov 29 2023 12:25:15	Strategic collaboration with IIT Ropar	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>180</td><td>193.4</td><td>178.15</td><td>184.4</td></tr> </table> Price Increased.	Open	High	Low	Close	180	193.4	178.15	184.4								
Open	High	Low	Close																
180	193.4	178.15	184.4																
15	Dec 15 2023 11:11:35	Droneacharya Won contract From Ministry Of Defense, Department Of Military Affairs, For Supply Of Drone Simulators To NCPITS (CBS), Bhalra	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>196.7</td><td>217.95</td><td>196.7</td><td>206.15</td></tr> </table> Price Increased.	Open	High	Low	Close	196.7	217.95	196.7	206.15								
Open	High	Low	Close																
196.7	217.95	196.7	206.15																
16	Dec 18 2023 10:37:21	DroneAacharya Aerial Innovations Limited has secured a contract from the Ministry of Defense Department of Military Affairs Bhalra Jammu Kashmir for the supply of Drone Lab Equipments aimed at facilitating Drone Simulator training	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>210.4</td><td>214.5</td><td>205.7</td><td>206.45</td></tr> </table>	Open	High	Low	Close	210.4	214.5	205.7	206.45								
Open	High	Low	Close																
210.4	214.5	205.7	206.45																
17	Dec 18 2023 15:46:10	DroneAacharya Aerial Innovations Ltd launches pioneering DGCA certified drone pilot training for Maharashtra Police a groundbreaking leap in law enforcement technology Senior officials commence training today equipped to utilize drones for surveillance reconnaissance and swift response	December 19, 2023: <table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>209.85</td><td>209.85</td><td>203.1</td><td>204.5</td></tr> </table> Price Decreased.	Open	High	Low	Close	209.85	209.85	203.1	204.5								
Open	High	Low	Close																
209.85	209.85	203.1	204.5																
18	Dec 28 2023 12:04:03	DroneAacharya Aerial Innovations Limited announces that the company has secured a groundbreaking contract worth Rs 15 78 840 00 from Tata Consultancy Services TCS	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>192</td><td>195</td><td>186</td><td>189.75</td></tr> </table> Price Decreased.	Open	High	Low	Close	192	195	186	189.75								
Open	High	Low	Close																
192	195	186	189.75																
19	Dec 28 2023 11:00:13	Droneacharya Wins Prestigious Tender Worth INR 1,41,00,000.00 From DRIISHYA, Govt Of Haryana To Supply High End Surveying Drones																	
20	Dec 28 2023 12:14:24	Dronaacharya Bags A Contract Worth Rs. 15,78,840.00 From Tata Consultancy Services (TCS) To Provide Drone Based 5G Solutions																	
21	Dec 29 2023 12:28:52	DroneAacharya Aerial Innovations Limited announces that the company has secured a groundbreaking contract worth Rs 15 78 840 00 from Tata Consultancy Services TCS	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>190.95</td><td>193.6</td><td>189</td><td>191.65</td></tr> </table> Price Increased.	Open	High	Low	Close	190.95	193.6	189	191.65								
Open	High	Low	Close																
190.95	193.6	189	191.65																
22	Jan 02 2024 10:58:54	Savitribai Phule Pune University SPPU integrates DroneAacharya s courses in its credit based academic schedule marking a groundbreaking milestone	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>192.9</td><td>192.9</td><td>185</td><td>188.5</td></tr> </table> Price Decreased.	Open	High	Low	Close	192.9	192.9	185	188.5								
Open	High	Low	Close																
192.9	192.9	185	188.5																
23	Jan 03 2024 11:17:43	DroneAacharya Aerial Innovations Limited the Company has entered into Share Purchase Agreement dated January 02 2024 to acquire 51 stake in M/s PYI Technologies Private Limited CIN U72502PN2022PTC210852 In continuation of the disclosure made to the stock exchange on December 22 2023 regarding the signing of a	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>189</td><td>192.9</td><td>187.4</td><td>192</td></tr> </table> Price Increased.	Open	High	Low	Close	189	192.9	187.4	192								
Open	High	Low	Close																
189	192.9	187.4	192																

Order in respect of Droneacharya Aerial Innovations Limited



		Term Sheet by M s DroneAcharya Aerial Innovations Limited with M s PYI Technologies Private Limited									
24	Jan 15 2024 11:14:20	DroneAcharya Aerial Innovations Limited is pleased to inform its shareholders and the investing public that the company has secured a prestigious contract from the Indian Army Ministry of Defence The contract entails providing Capacity Building and Advanced Drone Training at the Mechanised Army Courses Group Ahmednagar	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>190</td><td>201</td><td>188</td><td>194.6</td></tr> </table> Price Increased.	Open	High	Low	Close	190	201	188	194.6
Open	High	Low	Close								
190	201	188	194.6								
25	Jan 29 2024 12:19:44	Drone And GIS Training At Bengaluru, Karnataka DroneAcharya Aerial Innovations Limited secures a pivotal order from Tata Community Initiatives Trust for GIS training in in drones, underscoring the rising awareness of skill development in GIS and UAVs.	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>192.05</td><td>197.95</td><td>188.6</td><td>191.35</td></tr> </table> Price Increased.	Open	High	Low	Close	192.05	197.95	188.6	191.35
Open	High	Low	Close								
192.05	197.95	188.6	191.35								
26	Jan 31 2024 15:26:25	DroneAcharya Aerial Innovations Limited is pleased to announce a significant milestone with the acquisition of a notable order from Tata Community Initiatives Trust The order entails providing cutting edge Geographic Information System GIS training for Drones or Unmanned Aerial Vehicles UAV to 15 individuals in Bengaluru spanning a comprehensive 35 effective hours	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>187.2</td><td>192.3</td><td>187.2</td><td>190</td></tr> </table> Price Increased.	Open	High	Low	Close	187.2	192.3	187.2	190
Open	High	Low	Close								
187.2	192.3	187.2	190								
27	Feb 06 2024 10:41:46	DroneAcharya Aerial Innovations Limited has officially entered into a Memorandum of Understanding MOU with Vimaan Aerospace Pvt Ltd to collaborate on the provision of drones and drone related training and services	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>179.15</td><td>185.8</td><td>178.5</td><td>182.6</td></tr> </table> Price Increased.	Open	High	Low	Close	179.15	185.8	178.5	182.6
Open	High	Low	Close								
179.15	185.8	178.5	182.6								
28	Feb 07 2024 13:30:12	DroneAcharya Aerial Innovations Limited a pioneering developer of unmanned aerial systems in collaboration with its associate company Drone Entry Thailand Co Ltd is pleased to announce the successful acquisition of a significant export order for the provision of Defense FPV First Person View Drones This strategic contract underscores the advanced technological capabilities of DroneAcharya and the operational expertise of DroneEntry Thailand in the domain of unmanned aerial systems Defense FPV Drones Enabling Versatile Defense Applications	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>185.6</td><td>193</td><td>183</td><td>185.1</td></tr> </table> Price maintained.	Open	High	Low	Close	185.6	193	183	185.1
Open	High	Low	Close								
185.6	193	183	185.1								
29	Feb 08 2024 09:59:18	DroneAcharya Aerial Innovations Limited Indias first listed integrated Drone solution provider proudly announces its inaugural order of supply of Agricultural Spraying Drones from Vimaan Aerospace	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>187.9</td><td>189.6</td><td>185.2</td><td>188.35</td></tr> </table> Price Increased.	Open	High	Low	Close	187.9	189.6	185.2	188.35
Open	High	Low	Close								
187.9	189.6	185.2	188.35								
30	Feb 16 2024 12:13:55	DroneAcharya Aerial Innovations Limited has officially entered into a Memorandum of Understanding MOU with JAIN Deemed to be University Bangalore aimed at advancing aviation and aerospace education	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>178</td><td>178.5</td><td>175</td><td>175.35</td></tr> </table> Price Decreased.	Open	High	Low	Close	178	178.5	175	175.35
Open	High	Low	Close								
178	178.5	175	175.35								
31	Feb 20 2024 10:19:31	Droneacharya Aerial Innovations Limited Signs Term Sheet To Acquire 76% Shares In Aerophile Academy Private Limited, Bengaluru	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>179.9</td><td>183.9</td><td>177.7</td><td>182.7</td></tr> </table> Price Increased.	Open	High	Low	Close	179.9	183.9	177.7	182.7
Open	High	Low	Close								
179.9	183.9	177.7	182.7								
32	Mar 13 2024 16:57:15	DroneAcharya Aerial Innovations Limited is thrilled to announce that it has been awarded a significant service order from Adani to provide DGCA certified drone pilot training	March 14, 2024: <table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>131.5</td><td>146</td><td>129.95</td><td>142.9</td></tr> </table> Price Increased.	Open	High	Low	Close	131.5	146	129.95	142.9
Open	High	Low	Close								
131.5	146	129.95	142.9								
33	Mar 21 2024 10:22:55	DroneAcharya and Hadron Aviation Pvt Ltd hereinafter referred to as Hadron have entered into a Memorandum of Understanding MoU to jointly develop diploma and certificate courses in the field of drones	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>142</td><td>146.95</td><td>141.2</td><td>143.2</td></tr> </table> Price Increased.	Open	High	Low	Close	142	146.95	141.2	143.2
Open	High	Low	Close								
142	146.95	141.2	143.2								
34	Mar 27 2024 12:58:23	DroneAcharya Aerial Innovations Limited is delighted to announce its recent triumph in securing a significant drone supply order from the Eastern Command of the Indian Army Ministry of Defence valued at INR 1,83,750,00. This accomplishment adds to our track record of successfully completing projects worth INR 50 00 000 for the Ministry of Defence in the Current Financial Year	<table> <tr> <th>Open</th><th>High</th><th>Low</th><th>Close</th></tr> <tr> <td>135</td><td>136.65</td><td>130</td><td>130.45</td></tr> </table> Price Decreased.	Open	High	Low	Close	135	136.65	130	130.45
Open	High	Low	Close								
135	136.65	130	130.45								

Order in respect of Droneacharya Aerial Innovations Limited



Table 9-Details of 7 Corporate announcements- price impact

S.No	Date	Particulars of announcement	Price & Volume			
1	02/04/2024 21:00	DroneAcharya Aerial Innovations Limited secures a prestigious work order valued at INR 4,67,11,224.00 (Rupees Four Crore Sixty Seven Lakh Eleven Thousand Two Hundred and Twenty Four) for Drone and GIS Data processing from the United Kingdom, making a significant milestone in the company's leading position within the drone technology and data analytics sphere. With a surge in demand for drone-based data collection solutions, DroneAcharya's expertise in processing multi-sensor drone data including Visual RGB Thermal LiDAR, and Multispectral data, coupled with its seasoned GIS team, position it as premier provider across diverse industries. This latest achievement underscores Droneacharya's commitment to innovation and delivering tailored solutions to meet client needs on a global scale	April 03, 2024:			
			Open	High	Low	Close
			156.3	157	152.05	153.05
			Price Decreased.			
2	03/06/2024 13:36	DroneAcharya Aerial Innovations Limited has secured India's largest FPV drone supply export order, worth INR 15.01 Crores, for 5000 drone kits and components, in partnership with Drone Entry (Thailand) Co. Ltd. This order follows their stellar FY 2023-24 results and emphasizes drone sales and manufacturing. Developed for various applications, including surveillance and security, these rugged cost-effective drones have undergone successful trials with Indian Defence. This order, and more to follow, will be instrumental in Company's vision of making India as Global Drone Hub. DroneAcharya is also on course of signing similar contracts with International clients for supply of Defence, Industrial and Enterprise Drones and Solutions. This will be reflected in FY2024-25 revenue of the Company.	Open	High	Low	Close
			144.7	149.5	137	143.3
			Price Decreased.			
3	18/06/2024 14:30	DroneAcharya Aerial Innovations Limited has secured a significant service order from Reliance Industries Limited's security associates "Maani Care System (India) Pvt. Ltd. valued at INR 2,59,600. As a part of this service contract, DroneAcharya will provide a specialized Drone Pilot Training to the candidates recommended by their Air Surveillance team, ensuring that every candidate gain essential skills and regulatory compliance for drone operations.	Open	High	Low	Close
			158.5	159.6	151.05	155.6
			Price Decreased.			
4	12/09/2024 18:54	The Management of DroneAcharya Aerial Innovations is pleased to provide the business update: DroneAcharya's Growth from Past to Future Goals. This report provides an in-depth analysis of the Company's growth trajectory, outlining past achievements and future expansion plans. It also highlights the key developments within our organization.	September 13, 2024:			
			Open	High	Low	Close
			121	142	119	142
			Price Decreased.			
5	16/09/2024 18:57	DroneAcharya Aerial Innovations Limited is pleased to announce that it has secured an export order for the supply for heavy payload logistic drone components, valued at USD 2,40,000. This order entails supplying drone components to M/s MB Darvilis, Lithuania.	September 17, 2024:			
			Open	High	Low	Close
			159.9	161	146	151.05
			Price Decreased.			
6	03/10/2024 18:58	DroneAcharya Aerial Innovations has signed a Memorandum of Understanding with American Blast Systems (ABS) Inc. to co-design, certify and locally manufacture drones for the North and South American and European Markets. The partnership targets sectors like retail, law enforcement, military, agriculture, and logistics, aiming to tap into growing drone market, especially with the ban on Chinese products. The collaboration is expected to expand revenue streams and strengthen DroneAcharya's global footprint.	October 04, 2024:			
			Open	High	Low	Close
			141.5	142.25	138	138.25
			Price Decreased.			

Order in respect of Droneacharya Aerial Innovations Limited



7	23-10-2024 11:29	DroneAcharya Aerial Innovations has announced an exclusive partnership with Estonia-based Krattworks Ltd. This collaboration focuses on the manufacturing and distribution of advanced anti-jamming defence drones in India under the "Make in India" initiative. This partnership aims to enhance India's defence sector with ISR (Intelligence, Surveillance and Reconnaissance) capabilities and support global clients. Krattworks, a leader in defence technology, specialises in drones designed for high-threat environments, while DroneAcharya brings extensive experience in providing drone solutions for Indian Defence organizations.	Open	High	Low	Close
			132.8	144.9	130.15	139.95
			Price Increased.			

40. As per IR, during this long period of two years i.e. December 23, 2022 to December 20, 2024, the price of the scrip had increased from Rs.107.10 to high of Rs.231.80 as on January 11, 2023 and recorded a low of Rs. 112.25 as on November 14, 2024 and closed at Rs.121.30 as on December 20, 2024. As per IR, in 26 out of the 41 days, the price has increased and closed above the opening price i.e. 63.41% of the days ($26/41 \times 100$) on which corporate announcements were made. I note that in the IR, whole period during December 23, 2022 to December 20, 2024 has been considered without being specific as to how a specific corporate announcement impacted the price of shares of DAIL on a specific date. In fact, the IR has attempted to compare intraday opening and closing price on the date of announcement and most of the days there is no price increase from the last traded price (LTP) or that the corporate announcements established a new high price(NHP). The IR has taken high price intraday on certain dates during the day to allege positive impact and increase in price. The IR lists some details of sale of shares by 12 pre- IPO allottees (including Ms. Damini Ghate) giving range of period of their sales. However, it is noted that three of these pre- IPO allottees had started selling their shares (i.e. December 23, 2022, January 02, 2023 and January 12, 2023) even before the first of the impugned corporate announcement was made on January 16, 2023.
41. In order to find out the truth, I deem it necessary to examine the price of the shares of DAIL on specific dates from information in public domain (BSE website). It is noted from BSE website that the price of the shares of DAIL was at a high of Rs. 243.35 on January 12, 2023 (though the IR takes highest price Rs.231.80 as on January 11, 2023) when the pre-IPO investors who were eligible to sell shares on January 12, 2023 had far better opportunity to make profit by selling shareholding.



42. I observe that the market price was not increasing based on almost all of the corporate announcement as alleged and similar pattern of impact of most of the corporate announcement that it was maintaining and supporting the sudden fall in share price of the DAIL (which was inevitable considering its operations and other parameters) as given below by way of example: -

- (a) On January 13, 2023 i.e. the trading day just before the corporate announcement was made on January 16, 2023 at 17:22:52, the price of shares of DAIL on BSE was Rs.209.25 per share i.e. higher than (Rs.198.80) on January 16, 2023 when this corporate announcement was made. On the next day, the price further went down to Rs.188.90. Such down trend in the price of shares of DAIL continued for longer time till January 27, 2023 and never reached near to the price on January 12, 13 and 16 or 17, 2023. Thus, it cannot be said that this corporate announcement made any positive impact to increase the price of shares of DAIL. The data (Annexure 28 to the IR) show that three of the pre- IPO investors had started selling their shares on January 17/18, 2023 after this corporate announcement and continued for about a year till December 2023/ April 2024.
- (b) Similarly, when the second impugned corporate announcement was made on Feb 23, 2023, 12:50:03, the price of shares of DAIL was Rs. 151.25. On February 22, 2023 the opening price was Rs. 160.05 and closing price was Rs. 156.60. Further, on February 24, 2023, the opening price was Rs.148.15 and closing price was Rs. 155.20. Thus, this announcement has also not positively impacted the increase of price of the shares of DAIL.
- (c) When the third impugned corporate announcement was made on Mar 15, 2023 12:14:29, the price opened at Rs.135 and closed at Rs.136 i.e there was a nominal intraday increase in price. However, it is seen that on March 13, 2023 (i.e. 2 days prior to corporate announcement) the opening price was Rs. 148.8 and closing price was Rs. 143.3 i.e. much higher than on the day of the announcement. Further, on next day of the corporate announcement i.e. March 16, 2023 the price of the scrip had fallen to Rs.129.35. Hence it cannot be concluded that the price had risen due to the impugned corporate announcement.



- (d) It is noted that the scrip price opened at Rs.148.95 i.e. when the corporate announcement was made on August 11 2023 at 15:34:03. On August 10, 2023 the high price was Rs.149. Further, there was a corporate announcement also made on Aug 14, 2023 at 16:39:12 when the scrip opened at Rs.148.7 and closed at Rs.151.1. It is however, observed that the price has increased on the next trading day i.e. Aug 16, 2025 and on August 17, 2025. Hence, it can be inferred that the corporate announcements were not the only reason for the price rise.
- (e) When the corporate announcement was made on September 20 2023 at 11:48:15, the scrip opened at Rs. 174.3 and closed at Rs.185.55 with an intraday high of Rs. 190.25. It is, however, also seen that on September12, 2023 when no corporate announcement was made, the opening price of the scrip was Rs.199 and the intraday high was Rs.199 i.e. much higher than the day when the impugned announcement was made. Similarly, when the corporate announcement was made on September 27 2023 at 13:52:22 the scrip opened at Rs.175, reached a high of Rs.182 and closed at Rs.180.85. The scrip has opened higher than the previous day's close and a similar trend is observed for a couple of days thereafter as well. Hence it cannot be deduced that the impugned corporate announcement was the main reason for the price rise.
- (f) On November 03, 2023, two corporate announcements were made at 13:22:33 and 12:58:19 hours. The scrip opened at Rs.184 and reached an intraday high of Rs.189 and closed at Rs.184.9. It is observed that before these announcements i.e. between October 12 2023 to November 2 2023 the price of the scrip was much higher than the day the announcements were made. Further a similar price movement was observed in the scrip on most of these days i.e. the price of the scrip opened at a price higher than the closing price of the previous day and reached an intraday high which was much more than the closing price of the scrip. A similar pattern was also observed post the date of announcements. Hence, it cannot be concluded that the corporate announcement was the only reason for the increase in the price.
- (g) With respect to the corporate announcement made on November 29 2023 12:25:15 it is observed that the price opened at Rs.180 and closed at Rs.184.4. There is a similar



pattern of price rise thereafter between Nov 30, 2023 to December 22, 2023 and hence it cannot be inferred that the announcement on Nov 29, 2023 was the only cause for the rise in the price of the scrip.

(h) When the corporate announcement was made on Jan 03 2024 11:17:43 the scrip price opened at Rs.189 and closed at Rs.192. It is also seen that thereafter the price of the scrip has risen in the subsequent days, with a high of Rs.203 on January 8, 2024 i.e without any corporate announcement.

(i) When the impugned corporate announcements were made on February 27, 2023, Nov 16, 2023, Dec 18, 2023, Dec 28, 2023, Jan 2, 2024, February 16, 2024 and March 27, 2024 the price of the scrip has fallen on these days.

43. It is, thus, noted that it is not all the corporate announcement had impact of increasing the price of shares of the DAIL on respective dates. Further, on few days the price had fallen and on a few days it had marginally increased. Thus, there is no commonality to allege that all the corporate announcements were made as so as to increase the price of the scrip. I also note that in para 23.2 of IR specific narrations have been made with respect to 7 corporate announcements made during FY 2024-25. I have examined the submissions of Noticees 1 to 3 w.r.t these 7 corporate announcements *vis –a- vis* the observation in para 23.2 of the IR and my observations are in last column of the following table:-

Table 10-Analysis of submission w.r.t. above 7 Corporate announcements

Date of announcement	Brief details SEBI's finding during investigation	Reply of the Noticees in brief	Observations
02.04.2024	DAIL had announced of securing work in April 2024, however, income was recognised in 2023-24, inflating the revenue and profit by Rs.4.67 crore.	Work order secured in mid-March 2024. Income was recognised in F.Y.2023-24 under Ind AS 115 as contract was in place before year end, work order secured on 13.3.2024 and agreement dated 25.03.2024. Payment received 1st tranche on 19.3.2024 and 2nd tranche – 27.03.2024	As per the announcement, the time period by which order/contract was to be executed was 2 weeks. Although the payment was received in March, the performance obligation was not satisfied. Hence, the amount received was an advance and not revenue. By including these payments in the revenue for FY 2023-24, DAIL has inflated the revenues. Thereafter in April DAIL made a corporate announcement regarding the order so as to reinforce and mislead the investors through the corporate announcement as well. Hence, I find this announcement to be misleading

Order in respect of Droneacharya Aerial Innovations Limited



03.06.2024	Securing order from MB Darvillis for FPV drones. MB Darvillis has no employees based on SCORIS website. Company formed in January 2023 by one natural person. MBD confirms order placed on May 31,2024 HDFC bank rejection of MTT on June 10, 2024.	SCORIS website is not a statutory or government mandated repository of employee data. Whether MBD has employees or not is immaterial. Under company law, an incorporated entity irrespective of employee count is capable of entering into binding commercial contracts. There is no regulation that a purchaser must have a minimum workforce to be valid counterparty. There is no bar on early operations. The incorporation date of the customer has no bearing on whether DAIL disclosure was factually correct. MBD's email confirms DAIL's disclosure before the June 3,2024 announcement. Rejection of MTT by HDFC Bank occurred after order was placed and disclosed. HDFC Bank expressed their inability to complete the MTT transaction on account of their internal control systems which required a longer banking relationship with the Bank to complete MTT transaction.	The contention of the Noticees that whether MBD has employees or not is immaterial cannot be accepted. It is to be noted that the so called order secured from MBD was for the purchase of 5000 drones kits and components which was not feasible to be done without sufficient and compatible manpower. The entity in question has only one person. The submission that law does not mandate minimum number of employees does not substantiate the claim considering the magnitude of work involved. The Noticees have also stated that HDFC Bank has rejected the MTT on June 10, 2024 i.e.after the order was placed and disclosed. . While the Noticee has made announcement of securing the order, it has not made announcement thereafter if the transaction could not be completed because of the bank's rejection of the MTT. I, therefore, find this corporate announcement as misleading.
18.06.2024	DAIL has conveniently used the name of Reliance Industries Ltd. while making the corporate announcement. DAIL announced that it secured a significant service order from Reliance Industries Ltd's security associates "Maani Care System (I) Pvt Ltdd. Valued at Rs.2.59 lacs.	DAIL did not claim a direct contractual arrangement with the corporate parent (RIL) but clearly named the security associate entity as the contracting party. The announcement was factually correct, accurately named the contracting party and did not misrepresent a direct contractual relationship with the parent company.	The amount of the contract and name was clearly mentioned in the corporate announcement. Hence I agree with the submissions of the Noticees.
12.09.2024	DAIL has provided the business update from past to future goals.	SEBI did not find any factual inaccuracy in the contents of the report.	No adverse inference drawn by SEBI.
16.09.2024	Securing export order for supply of heavy payload logistic drone components for USD 2,40,000 to MBD	As the SEBI's comments for this corporate announcement stated "Refer to comments at Serial No.3 above" ie the comments w.r.t the corporate announcement dated 18.06.2024 the noticees have given similar rebuttal i.e w.r.t the announcement at Sr.No.3	The IR has erroneously referred to comments at Sr.No.3 (w.r.t Maani Care) instead of referring to the comments at Sr. No. 2 (which deals clearly with MBD). In this case the rebuttal is incorrect as there is no parent company w.r.t MBD. Further, inspite of the bank's earlier refusal w.r.t MTT on June 10, 2024, the noticees have made another corporate announcement pertaining to MBD. There is no evidence provided if the funds were received for this order by DAIL. Hence, this is a misleading announcement.
03.10.2024	MOU signed with American Blast Systems to co-design, certify and locally	SEBI's own record acknowledges receiving confirmation from ABS that a relationship did exist between	DAIL has not subsequently provided update that the agreement was



	manufacture drones for the North and South American and European markets. ABS vide email dated 26.12.2024 have replied to SEBI during the investigation stating that they have terminated relationship with DAIL due to their involvement in fraudulent activities.	ABS and DAIL—this was evidenced by the MOU/understanding. Under Regulation 30(6) of SEBI LODR, the test for validity is whether the announcement was accurate at the time it was made, not whether the relationship continued indefinitely.	terminated. Hence, the corporate announcement is misleading.
23.10.2024	Collaboration with Krattworks under “Make in India” initiative. However, the agreement involved import and distributorship of drones from Krattworks, making the announcement misleading. According to LinkedIn, Krattworks Ltd.’s workforce was 11–15 employees.	Reference to Krattworks’ employee count is irrelevant to accuracy of announcement. The import and distributorship agreement was the first phase of a broader strategic plan to establish manufacturing capability in India. It is common in industry for technology transfer or market entry to begin with import/distribution arrangements before scaling to domestic manufacturing.	Noticee has not denied that it was importing and distributing the products rather than manufacturing the drones in India. The “Make in India” as the name suggests is an initiative aimed to encourage manufacturing in India and promote domestic production. The contention of the noticee that it is common in industry for technology transfer or market entry with import / distribution arrangements before scaling domestic manufacturing would have not be treated as misleading had it not been labelled as “Make in India”. It is further seen that the announcement had also been taken positively with the price rise after the announcement.

44. The above analysis shows that there was no intention to fulfill the promise made in those announcements in reality. Hence, there is no doubt to conclude that the corporate announcements were misleading and were made to generate gullible public investors’ interests so as to influence their investment decisions in shares of DAIL facilitating easy exit of pre- IPO investors and profit them by maintaining falling price of its shares impacted by these corporate announcements. Thus, these corporate announcements did have impact on price sustainability despite weak fundamentals of DAIL and had potential of inducing public investors’ interests in the shares of DAIL so as to influence their decision to buy its shares. The fact that the public shareholding in DAIL by end of March 2023 increased to 72% strongly suggest positive sentiment of public to buy the shares of DAIL when pre-IPO investors were gradually selling their shareholding. Such interest of public in shares of DAIL was enticed by such announcements. The public shareholding has been increased from 201 (at the time of listing) to 6474 as on September 2024 indicating that pre-IPO investors were selling their holdings to the public investors.



45. The consolidated cash flow statement of DAIL during F.Y. 2021-22 to 2023-24 from the annual report of DAIL is given below: -

Table: 11- Details from consolidated cash flow statement of DAIL

(Amount Rs.Cr)

Cash flow from	2021-22	2022-23	2023-24
Operating Activities	(2)	(25.05)	(0.47)
Investing Activities	(0.43)	(32.61)	(1.60)
Financing Activities	13.48	47.89	3.37
Net Change	11.04	(9.76)	1.29

From the above table it can be seen that:-

- (a) DAIL had negative cash flows from operating activities in all three financial years mainly due to an increase in trade receivables, inter-corporate advances. Similar trend was also observed in FY 2019-20 and 2020-21 from the financials available in prospectus.
- (b) The positive cash flows from financing activities were mainly due to receipt of proceeds from private placement, and the IPO. The negative cash flows from investing activities were due to its investments in fixed deposits, and mutual funds.
- (c) Therefore, it was observed that DAIL was not able to generate positive cash flow from its operating activities but utilized the issue proceeds of IPO for its working capital and other activities.

46. The IR clearly brings out weak fundamentals of DAIL. Thus, it is established that the corporate announcements were made, as planned effort, to maintain the price which was otherwise on downward trends. SME stocks often have lower trading volumes and large lot sizes, making it difficult for investors to buy or sell quickly. This can lead to sharp price swings and the risk of being stuck with illiquid shares. In the instant case, the price of shares of DAIL were not corrected based on any solid fundamentals. The pre- IPO investors had substantial stake to divest after listing of IPO. They could not sell such large chunk of shares in a short span of time and had to avoid loss on account of sudden decline in scrip



due to such huge amount of selling of shares. The share price was showing downward trend consistently and the corporate announcements were being made to maintain and support the price to a specific level. This trend is conspicuously seen from the above graph of price movement.

47. The above findings are further supported by the fact that DAIL was making 2-3 such corporate announcements every month when it had no concrete operation of its activities. It had entered into non-binding MOUs with various entities and made luring corporate announcements. As per the IR, out of the above 34 corporate announcements during 2022-23 and 2023-24, DAIL claimed to have earned revenue only from 14 tie-ups. The remaining 20 announcements did not result into any actual work for DAIL. Out of the 14 corporate announcements, DAIL received revenue in 13 work assignments for the values starting from Rs.26,000/-to Rs. 13,97,500/- which were less than 1% of the total revenue (i.e. Rs. 35 Lakhs). Further, Noticees 1-3 deceived public investors with announcements of non-binding or trivial agreements to inflate revenue and profits. They disclosed an invalid revenue figure from Triconix and IRed and used misleading orders to induce investors to buy DAIL shares.

Mis-representation of financial statements

48. The other factor for charging fraudulent and deceptive act is that DAIL mis-represented its financial statements and presented financial statements which were not true and fair. Vide email dated August 23, 2024, DAIL had submitted the revenue from its operations for the F.Y. 2022-23 and 2023-24 as follows: -

Table: 12- revenue from of DAIL

(Amounts Rs.Cr.)

Particulars	FY 2022-23	FY 2023-24
Sale of Drones	0.50	2.33
Franchisee Fees	0.0	4.78
Training	9.23	1.70
Sales export	2.31	13.56
other/ sales service	6.52	12.82
Total Income	18.56	35.19

49. DAIL vide email dated August 13, 2024 had also submitted the details of its top 10 customers / vendors during F.Y. 2022-23 and F.Y.2023-24 which is as follows:

**Table No.13: Details of its top 10 customers / vendors** (Amounts Rs.Cr)

2022-23		2023-24	
Name of the Entity	Sales	Name of the Entity	Sales
PRM Soft Solution Pvt Ltd	5.12	Triconix Industrials Solutions Qfz LLC	8.02
Esynergy Technologies Private Limited	2.48	IRed Limited	4.33
M/S Droneacharya Inc	2.31	Ojas Aerospace Pvt Ltd	2.97
Technit Space And Aero Works Private Limited.	1.48	PRM Soft Solution Pvt Ltd	2.91
Varaha It Solutions Pvt Ltd	1.07	Zencraft Synergies	2.19
Prianna Synergies	0.82	Gayatri Infotech Pvt Ltd	1.47
Mindmap Learning LLP	0.73	Drone Imaging & Information Services Of Haryana Limited	1.41
Mindmap Digital Pvt Ltd	0.73	Alter Dynamics & AI	1.25
Sun Crypto Systems Corp	0.67	Project Director Department: Personnel And Administrative Reforms	0.55
Deccan Music Private Limited	0.41	Earthtree Enviro Private Limited	0.31
Total	15.82	Total	25.42

50. From the above table it is observed that:-

- (a) In the financial year 2022-23, DAIL's sales to the top 10 customers amounted to Rs. 15.82 Cr, accounting for 85.23% of the total revenue from operations. DAIL reported receiving Rs. 12.01 Cr from these top 10 customers, leaving pending receivables at Rs. 3.81 Cr (20.52% of Revenue from Operations).
- (b) In the financial year 2023-24, sales to the top 10 customers amounted to Rs. 25.42 Cr, accounting for 70.01% of the total revenue from operations. DAIL reported receiving Rs. 10.59 Cr from these top 10 customers, leaving pending receivables at Rs. 14.83 Cr (42.06% of Revenue from Operations).

51. The IR has alleged that that DAIL received 'nil' consideration from two entities: (i) Technit Space And Aero Works Private Limited (Technit) and (ii) Triconix Industrial Solutions QFZ LLC (Triconix) which accounted for 7.97% and 22.79% of the revenue from Operations in FY 2022-23 and 2023-24, respectively. Further, vide email dated October 04, 2024, DAIL submitted that it had not initiated any legal proceedings but had conducted meetings for settlement. The IR has further alleged that there was non-provisioning of amount receivable from Technit (2022-23), false submission of sales made to Triconix (2023-24) and premature revenue recognition of sales to IRed (2023-24). Further, the IR has also alleged



that the bills provided by Micro Infratech (2022-23) are inflated. Accordingly, these transactions of DAIL have led to the mis-representation of financial statements. The same have been examined in detail below:-

Technit

52. DAIL has failed to give any plausible explanation during investigation or in these proceedings about transactions with Technit. DAIL had invested in the preference shares of Technit. As of March 31, 2023, DAIL held 500 preference shares (3.87% of the preference shares) and accordingly, it had become group company of DAIL. Technit, vide email December 19, 2024, confirmed the purchase in FY 2022-23 from DAIL for Rs. 1.48 Cr. Further, the payment was not made by Technit due to financial constraints. Therefore, DAIL should have made a provision in the P&L statement. Due to this non-provisioning the profits of DAIL were inflated by Rs.1.48 Cr in FY 2022-23. During the current proceedings, except for providing the invoices and ledger statement, the Noticees 1, 2 and 3 have not provided any further submission with respect to Technit and hence it can be inferred that they have accepted the allegation with respect to Technit of inflating the profits in F.Y.2022-23.

Triconix

53. Regarding Triconix it has been alleged that DAIL recognized the revenue without performing any services or delivering the goods in violation of the accounting standards which also led to the inflated revenue and profit figures in the financial statements for F.Y.2023-24. The Noticees 1-3 have denied the allegation and have stated that: -

- (a) All revenues recognized from Triconix were based on actual delivery of goods and services, duly documented by invoices, delivery records, and customer correspondence. The representative of Triconix had physically visited the office of the Company on various occasions and series of online and offline meetings took place between the parties and accordingly entire software solution was formally handed over, along with documentation, user credentials, and access keys. The delivery and acceptance were acknowledged, and an invoice was accordingly raised in the ordinary course of business.



- (b) The Noticees have provided a copy of the Delivery Certificate dated September 27, 2023 along with the Purchase Order and Invoice in support. They have further stated that the revenue in question was recognized only after the performance obligations were satisfied as per Ind AS 115 (Revenue from Contracts with Customers) which replaced Ind AS 18 effective from FY 2018-19.
- (c) The Noticees have also categorically denied the assertions made by Mr. K.P. Sharma, CEO of Triconix made vide his email dated October 28, 2024. The allegation that no goods or services were received by Triconix is false, malicious, and contrary to record. It was further submitted that Mr. Sharma's current stance appears to be either arising out of some misunderstanding between the parties or between Mr. Sharma and his office.
- (d) The IR fails to give due consideration to the materials produced by the Company demonstrating that negotiation did take place, a purchase order was duly issued, deliverables were accepted and the revenue recognized was based on actual performance and transfer of software.
54. I have perused these documents and note that a 'quotation' was sent to Triconix by DAIL vide email dated September 27, 2023 at 10:44 a.m. Triconix had replied to the email at 09:15 p.m. on the same day. However, DAIL made a corporate announcement on BSE on September 27, 2023 at 13:52:22 hrs. wherein it announced that it had won a contract of USD 1.26 million (Rs. 10.05 crore) from Triconix, Qatar for drone sale, service and software development for oil and gas sector. It is noted that even before getting the confirmation from Triconix, DAIL had announced that it had secured the USD 1.26 million order from Triconix. From the 'Purchase Order', Delivery Order and Invoice submitted by Noticees 1, 2 and 3 it is noted that:-
- All these documents viz purchase order, delivery order and invoice are dated September 27, 2023.
 - The "Work Order/Purchase Order" Ref.No.DA/TISQFZ/2023/SUPPLY/L001 for USD 12,60,000 purportedly from Triconix is stated as "Quotation For Drone Supply, IT Hardware, Drone Services and Software



Supply”. Thus, the said “Work Order/Purchase Order” was a ‘quotation’ (and not a work order as claimed).

- The Delivery Certificate states the delivery date of the software as September 27, 2023 for delivery of only project management /DSS (Decision Support System) Software –Pilot & Enterprise Module i.e. software has been made (i.e. USD 6,00,000) and not for other hardware (drones) as per the so called “Work Order/Purchase Order”.
- Tax Invoice No.DA/23-24/247 dated September 27, 2023 has been raised for supplying both hardware and software i.e. all the resources quoted in the “Work Order / Purchase Order” for an amount of INR 8,01,62,400/- (although Delivery Certificate was only for delivery of software).
- I also note the same tax invoice provided by the Noticees 1 to 3 and the statutory auditor i.e Kishan Verma are different. The auditor had in his reply stated that the Purchase Order (PO) issued by Triconix was duly signed and reflecting clear terms of engagement for supply of software. However, from the document on record there is neither the signature nor the name of the Triconix official who has signed the so called purchase order issued by Triconix.

55. Thus, it is observed that the so called work order was received by DAIL on September 27, 2023, and the generation of the invoice on the same day indicates that DAIL's invoices were generated based on the work order rather than upon the completion of services or delivery of goods. Further, DAIL has also not provided any evidence for having received the amount from Triconix for the said order. Further, vide its letter dated October 28, 2024, Triconix has categorically denied having purchased any goods or services from DAIL during F.Y 2022-23 and F.Y.2023-24. During the investigation, the email from Triconix enclosing the so called purchase order received by DAIL was also shared with Triconix for their comments. Triconix vide reply dated December 13, 2024, *inter alia*, agreed to having sent the mail because the DAIL had promised that they have order and would be executed through Triconix. Further, the same quote what was transmitted to them was the same quote which DAIL sent back to Triconix. They have further stated that there was zero action on this pay order/quote. Further, the purported invoice was also shared with Triconix and



they have vide email dated December 13, 2024 categorically denied to having received the invoice. Further, w.r.t the payment for this order from Triconix, DAIL vide its email dated August 23, 2024 had stated that *“The client is experiencing financial difficulties. However, the officials have assured the company that the outstanding dues will be settled before March 2025.”* Further, DAIL, vide email dated October 4, 2024 has also admitted that it had not initiated any legal proceedings but had conducted meetings for settlement. It is noted that even during the current proceedings the same has not been settled to date. It, hence, establishes the allegation that there was no delivery of goods and hence no revenue and DAIL has mis-represented its revenue.

56. Further, the Noticees 1-3 have also stated that the revenue was recognized as per Ind AS 115 (Revenue from Contracts with Customers). It is noted that even as per the Ind AS 115, revenue recognition can be recognized, *inter alia*, when the performance obligations are satisfied. Although the delivery certificate is now provided by the Noticees 1-3 during this current proceeding with only respect to a certain delivery (i.e. software), they have not demonstrated as to how the performance obligation was satisfied regarding the other hardware/software deliveries as per the so called purchase order i.e. they have not provided any other cogent evidence to demonstrate that they have provided the remaining goods/services. Further, they have stated that a *“customized software solution”* was handed over to the representatives of Triconix i.e. on the same date as the impugned purchase order.
57. From the above it is seen that the delivery of goods and services to Triconix was sham and there was no receipt of funds from Triconix. Hence, I concur with the findings in the IR that by considering the entire amount of Rs.8.02 crore as revenue received from Triconix in 2023-24, DAIL has inflated its revenue from operations and the profits in FY 2023-24.

IRed

58. The other allegation is that DAIL has prematurely recognized the revenue of sales to IRed Ltd. in the F.Y. 2023-24. It has been alleged that DAIL made a corporate announcement about securing an order for about Rs.4.67 crores from IRed on April 02, 2024 wherein it was stated that the order needs to be executed within two weeks. However, DAIL raised an



invoice for the said order dated March 28, 2024, and accounted it as revenue in the books even before completing the order/services. DAIL also provided a receipt of advance remittance of USD 3,20,000 (approx. 2.72 crore) from IRed on March 19, 2024.

59. The Noticees 1 to 3 while refuting the allegation have contended, *inter alia*, that the entire revenue is recognized based upon the payments received by DAIL and in accordance with the applicable Accounting Standards. The revenue in question was recognized only after the performance obligations were satisfied as per Ind AS 115 which replaced Ind AS 18 effective from FY 2018–2019. The SCN has erroneously placed reliance on Ind AS 18, which is no longer applicable for the relevant financial year. The correct and applicable standard is Ind AS 115, which recognizes revenue when there is an enforceable contract with the customer, performance obligations are satisfied, control of goods / services is transferred and the amount of consideration is measurable and collectible. ICAI and Ind AS 115 both permit revenue recognition when consideration is received and performance obligations are met – even if public disclosures happens later.
60. It is noted that the corporate announcement was made on April 2, 2024 stating that the work order has to be executed within 2 weeks. Hence, the amount received from IRed before the execution of the order / contract is to be accounted as advance and not as revenue in the books of account. Further, as per Ind AS 115 the performance obligation was also required to be satisfied by DAIL. By prematurely recognizing the amount received from IRed before the performance obligation is completed (as per the corporate announcement) DAIL has inflated the revenue for F.Y.2023-24.
61. Hence these orders of Triconix and IRed for which DAIL recognized the revenue with respect to orders without performing any services or delivering any goods or services is a complete violation of accounting standards, and the revenue accounted for and reflected in the financial statements is untrue and fictitious. DAIL inflated the revenue from operations in FY 2023-24 by Rs. 12.35 Cr (35.10% of revenue from operations – Triconix: Rs. 8.02 Cr. + IRed: Rs. 4.33 Cr.) and thus, inflated the profit by Rs. 12.35 Cr. As per the financial statements of FY 2023-24, the Profit before tax was Rs. 8.44 Cr. The non-accounting of these two orders would have resulted in a loss of Rs. 3.91 Cr.



62. Further, it is also noted in its annual report for FY 2023-24, DAIL has made a statement that there is 90% YOY Growth in Revenue as compared to previous year and a Rs.35.19 crore achievement as well which is also misleading as described in the SCN. The Notices have not given any plausible explanation and charge is this established.

Role of Noticee No.9 -Micro Infratech

63. DAIL transferred a sum of Rs.5.90 crores to Micro Infratech towards purchase of GIS software, SQL server software and website designing. Micro submitted three invoices generated on January 23, 2023, for Rs. 2.36 Cr (SQL Server Development), January 07, 2023, for Rs. 1.77 Cr (GIS Base Software Development) and January 14, 2023 for Rs.1.77 crore (website development). These invoices were inflated and fictitious (detailed in following paragraphs) and were a deliberate attempt to misrepresent financial expenditures. By accounting of these purchases by DAIL by Rs.5.90 crore in F.Y.2022-23 (40.71% of total expenses of DAIL i.e Rs.5.90 crore/Rs.14.49 crore*100), DAIL has mis-represented its financials.
64. Hence from the above it can be seen that as a part of pre mediated device Noticees 1-3 maintained the price of shares of DAIL by issuing misleading and false corporate announcements, by inflating the revenues and profits w.r.t Technit, Triconix and IRed and by inflating their revenue and profits by providing inflated purchases through bills of Micro Infratech. By these acts Noticee No.1, 2 and 3 presented a false financial position of DAIL thereby misleading investors and failing to provide a true and fair view of the company's financial health which is in violation of Regulations 3 (b),(c),(d) and 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations and Regulation 4(1), 33(1)(a) and (c), and regulation 48 of the LODR Regulations read with Section 27 of the SEBI Act.

Mis- utilization of IPO proceeds

65. The second part of the charge in the IR is mis utilization of IPO proceeds by Noticees No. 1, 2 and 3. When seen in context it is noted that the allegation against other Noticee viz, Noticee No. 9 are also on the same basis as is for Noticees No. 1, 2 and 3. From the prospectus of DAIL dated December 19, 2022, it is noted that the Objects of the issue were disclosed as follows: -

**Table 14: Objects of the Issue as per DAIL's Prospectus**

Particulars	Amounts (Rs.Cr)
Purchase of Drone and other accessories	27.98
General Corporate Expenses	5.97
Total	33.96

66. Further, the prospectus also stated that drones and related accessories was to be made from the following four vendors:

Table 15: Details of purchase of drones and related accessories as per the prospectus
(Amt.in Rs.Cr.)

Sr No	Item No	Drone Name/Item Description	Vendor Name	Quote Date	Qty	Rate	Amt
I	1	Tether Drone	Dronix Technologies Private Limited	10-12-2022	4	0.80	3.78
	2	Astro Micro Drone			18	0.10	2.02
	3	Astra Small			10	0.32	3.78
	4	Vajra			5	0.19	1.12
	5	Bhima Heavy Lift			5	0.42	2.48
	6	Indoor Drone			6	0.19	1.31
	7	Agriculture Drone			2	0.10	0.24
II	1	Model V Drone	CBAI Tech Private Limited	10-08-2022	18	0.05	0.90
III	1	Trinity F90+	Roter Precision Instruments Pvt Ltd	10-10-2022	10	0.20	2.10
	2	Qube 240 Lidar Payload			10	0.80	8.40
IV	1	Fighter Vtol	Sarus Aerospace	13-10-2022	15	0.12	1.87
Total Expenditure for Drone Purchase							27.98

67. The prospectus also stated that to sustain the high demand for skilled talent, DAIL was looking to expand in locations such as Mumbai, Chandigarh, Nagpur, Dehradun, Kolkata, Bangalore and Kolhapur and need to buy different varieties of drones. IR has alleged that out of the 4 proposed suppliers, as disclosed in the prospectus of DAIL, Dronix Technologies, lacked the financial capacity to fulfill DAIL's orders. Further, DAIL made purchases of only Rs. 0.70 Cr from CBAI Tech Private Limited. Thus, it was inferred that no purchases were made from other three vendors as per prospectus and Noticees No. 2 in his statement before the IA on December 5, 2024, accepted the same.



68. Noticees No. 1, 2 and 3 have claimed that of the four entities, training drones were purchased from CBAI Tech Pvt. Ltd. The other drones proposed to be purchased were to be used in other trainings. After the IPO, the Company changed the plan to have its own product to reduce dependency. DAIL started in house development of drones. To change the objective, DAIL has taken approval of the shareholders and its board. These Noticees while denying the allegation of misutilisation of the IPO proceeds have stated, *inter alia*, that the entire funds were utilised either in accordance with Prospectus or the subsequent resolutions passed in the EGM and the allegation that Noticee 2 has retracted his earlier explanation is unsupported by record, no documentary or transactional evidence has been cited to demonstrate that any part of the IPO proceeds has been misused for unauthorized or illegitimate purposes, the prospectus and subsequent disclosures clearly permitted deployment of funds in a phased and commercially viable manner. The Company convened an EGM on March 23, 2023 wherein a resolution was passed by the members of the company authorizing the utilization of the IPO proceeds in accordance with business exigencies and object clause including reallocation or modification of heads of expenditure within overall framework.
69. In order to determine the veracity of this claim of Noticees No. 1, 2 and 3, I note that the DAIL had disclosed at page 84 of its prospectus under head '*Variations in Objects*' that: "*In accordance with Section 13(8) and Section 27 of the Companies Act, 2013, our Company shall not vary the objects of the Initial Public Issue without our Company being authorized to do so by the Shareholders by way of a special resolution through a postal ballot. Further, pursuant to Regulation 32 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, our Company shall on half- yearly basis disclose to the Audit Committee the applications of the proceeds of the Issue. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("Postal Ballot Notice") shall specify the prescribed details as required under the Companies Act. The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Hindi, the vernacular language of the jurisdiction where our Registered Office is situated. Our Promoters will be required to provide an exit opportunity to such shareholders who do not agree to the above stated*



proposal, at a price as may be prescribed by SEBI, in this regard.”

(Emphasis added)

70. However, from the corporate announcement made by DAIL on February 27, 2023 on the BSE website, it is noted that in the Extraordinary General Meeting (EGM) of shareholders of DAIL to be held on March 23, 2023 shareholders’ approval was to be sought for two resolutions viz; (i) To shift the registered office of the company from the state of Karnataka to the state of Maharashtra; and (ii) To note the utilization of IPO Proceeds. The Noticees 1-3 have denied that there was a variation in the Object Clause of the IPO. It is, however, noted that as per the prospectus the funds were raised for “Purchase of Drone and other accessories” while the shareholders approval as per the resolution was, *inter alia*, “*for purchase of drone equipments and development of drone eco system through the development of drone related software*”, which is change in the object clause. From the certified copy of the resolution passed in the EGM of shareholders of DAIL held on March 23, 2023, it is noted that its shareholders were informed that board of directors of DAIL were in process of entering into agreement with two companies viz; Micro Infratech Private Limited and Ved Computech Private Limited for purchase of drone equipment and development of drone eco system through development of drone related software. Also, the Company shall be entering into a separate agreement with both the above mentioned companies and shall be utilizing approx. 15,00,00,000/ (Rupees fifteen crores only) out of the proceeds received from its IPO and undertake all such relevant activities as are necessary for the execution of the said agreements. Further, the executive directors had been authorized to sign and execute the agreements with the aforementioned companies and undertake all such relevant activities as are necessary for the execution of the said agreements.
71. From the above documents it is clear that there was no agenda in the EGM for voting and approval of any change or variation in the objects of the IPO from that as disclosed in the prospectus of the DAIL. I further note that the shareholders were not even informed that there was a change in the objects of the issue as stated in the prospectus i.e “*purchase of drones and other accessories*” from the 4 disclosed vendors to “in-house drone development” post IPO. The shareholders were merely informed about utilisation of the



IPO proceeds and not the change in the objects of the IPO. Thus, the members of DAIL have not approved, in the said EGM, any change in terms of the prospectus of the DAIL.

72. The shareholders were informed that DAIL shall be entering into separate agreements with Micro Infratech Private Limited and Ved Computech Private Limited for purchase of drone equipment and development of drone eco system through development of drone related software and shall be utilizing approx. Rs. 15,00,00,000/ (Rupees fifteen crores only) out of the proceeds received from its IPO. Thus, the members have only noted utilization of approx. rupees fifteen crores only out of the IPO proceeds for the objects disclosed in the prospectus by purchase of drone equipment and development of drone eco system from above mentioned two companies. Hence, I do not agree with claim of these Noticees that the shareholders of DAIL had approved any change or variation in the objects/terms of the objects of the IPO.
73. Even if one were to agree with the claim that the shareholders in aforesaid EGM allowed purchase of drone equipment and development of drone eco system from the above mentioned two companies, it is noted that the Scrutinizer's Report dated March 24, 2023 addressed to the board of DAIL stated, *inter alia*, that there were 1418 members of the company as on the cut-of date for dispatch of notice of EGM. However, it is noted that the only 14 members (895400 votes accounting for 100%) had taken note of the aforesaid statement and voted in its favor. Section 103 (a) (ii) of the Companies Act, 2013 which deals with the quorum for meetings in case of public company states that: "*(ii) fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand;*".
74. Further, Rule 22(5) the Companies (Management & Administration) Rules, 2014 states that the Board of directors shall appoint one scrutinizer, who is not in employment of the company and who, in the opinion of the Board can conduct the postal ballot voting process in a fair and transparent manner. I note that in their statements dated December 05, 2024, Mr. Prateek Srivastava and Mrs. Nikita Srivastava claimed that DAIL purchased the GIS platform containing maps and algorithms for measuring distance and space covered by drones from Micro Infratech, the lead for Micro Infratech was obtained through Mr. Mangesh More, the finance and compliance advisor of DAIL. I further note from the



corporate filings / EGM details provided by the Company that Mr. Mangesh More, is a Partner with More Daliya & Associates, Companies Secretaries. However, he was a Scrutinizer for the e-voting for the aforesaid EGM of DAIL as appointed by its board of directors.

75. He was also the finance and compliance advisor of DAIL and has provided the lead of Micro Infratech to DAIL as stated by Noticee No.2 before the IA. In February 2022, Mr. Mangesh More was also a part of the discussion in respect of the IPO of DAIL. It is also noted that from the private placement and IPO proceeds DAIL has paid More, Daliya & Associates (CS Firm) a sum of Rs.1.82 crore for providing services to DAIL during the private placement and for secretarial services and payment of government challans. A further payment of Rs.0.48 crore was also made to Mr. Mangesh More for providing corporate services to DAIL. Thus, Mr. Mangesh More has apparent conflict of interest and it can be inferred that his decisions as Scrutinizer in the postal ballot voting process could adversely impact the fairness and transparency envisaged in aforesaid Rule 22(5).
76. Another allegation w.r.t mis-utilisation of the IPO proceeds as per the IR is w.r.t the software purchases made by DAIL from Micro Infratech (Noticee No 9). The IR had stated, *inter alia*, that Micro Infratech was not engaged in software development or retailing and therefore DAIL's claim of purchasing the software from it were for purpose not listed in the prospectus. Noticee 9 has contended that it was into software and hardware development since its inception in 1992 and one of the objects clause of the company as per its memorandum of association is about software development and its retailing. Dr. Sekhar Padmanabhan who was the Chairman of the Noticee No. 9 and its group companies, passed away on January 29, 2022. He and representative of DAIL finalized the deal for GIS Base Software Development with DAIL. It has submitted three invoices dated January 23, 2023, for Rs. 2.36 Cr (SQL Server Development), January 07, 2023, for Rs. 1.77 Cr (GIS Base Software Development), and January 14, 2023, for Rs. 1.77 Cr (website development), totalling to Rs. 5.90 Cr. These invoices were generated by Noticee No. 9 even prior to March 23, 2023 i.e. date of the aforesaid EGM of DAIL. It is further noted that except for the copies of the invoices, there is no other cogent evidence on record viz; any contract or agreement between Noticee No.1 and Noticee No.9 for aforesaid purchases as claimed.



77. The members of DAIL had taken note of the statements made based on the representation made before them about purchase of drone equipment and development of drone eco system, etc. However, in view of the above facts, it is seen that the disclosures made to shareholders about proposed signing of agreements with Micro Infratech Private Limited and Ved Computech Private Limited for purchase of drone equipment and development of drone eco system through development of drone related software and shall be utilizing approx. Rs. 15,00,00,000/ (Rupees fifteen crores only) out of the proceeds received from its IPO were untrue. There was no approval given by shareholders in the said EGM for change in the object of the IPO and there was neither any tacit consent of shareholders of DAIL to ratify past payments made to Micro Infratech. The agreements that were to be executed by board of directors of DAIL as informed to shareholders were never executed. I, therefore, reject the contentions of Noticees No. 1, 2 and 3.
78. Further during the investigation, DAIL vide email dated October 4, 2024 has stated that the funds allocated to 'General Corporate Purpose' (Rs. 5.97 Cr) were spent on IPO-related expenses and other operating costs. Regarding the funds allocated to the 'Purchase of Drones and Other Accessories' were utilized as follows:-

Table : 16 Utilisation of IPO Proceeds

FY	Category	Service/Goods	Procured from	Amount (in Rs. in Cr)
2022-23	Computers and Peripherals	Assembled Desktop	Deltatech Systems	0.08
	Purchase of Drones and Accessories	Drone Simulators	M/s Macfos Pvt Ltd	0.001
	Intangible assets	Drone Entry Software	Drone Entry Corp	0.41
		GIS Base Software	Micro Infratech Private Limited	5.90
2023-24	Research & Development	-	Mahalasa Tool Craft Pvt Ltd (Rs. 0.29 Cr) Research & Development (Rs. 0.36 Cr)	0.65
	Computers and Peripherals	Laptop, Refurbished Desktops, 3D printer, Multi touch Screen	SAR Infotech (Rs. 0.08Cr) SY Enterprises (Rs. 0.03 Cr) Deltatech Systems (Rs. 0.03 Cr) M/s Macfos Pvt Ltd (Rs. 0.004 Cr) SmartSchool Education Pvt Ltd. (Rs. 0.007 Cr)	0.14
	Purchase of Drones and Accessories	Drones, Drone Simulator & Drone Components	Marut Dronetech Pvt Ltd (Rs. 0.11 Cr) Paras Aerospace Private Limited (Rs. 0.10 Cr) Hind Innovations (Rs. 0.06 Cr) Atlantis Erudition and Travel Services Pvt Ltd (Rs. 0.02 Cr) CBAI Technologies Private Limited (Rs. 0.48 Cr) Drone Entry (Rs. 0.85 Cr)	1.64
	Intangible assets	Software	Passenger Drone Research Private Limited (Rs. 0.04 Cr) Alphaneon IT Media Pvt Ltd (Rs. 1 Cr)	3.62

Order in respect of Droneacharya Aerial Innovations Limited



FY	Category	Service/Goods	Procured from	Amount (in Rs. in Cr)
			Data Setu Technologies Pvt Ltd (Rs. 2.36 Cr) Digitalbar Consulting Corp (Rs. 0.21 Cr)	
Total				12.45

79. The Noticees 1 to 3 have contended that they have utilized the entire funds in accordance with the prospectus and subsequent resolutions passed by Shareholders of DAIL in the EGM. However, from the above table, it was observed that DAIL has utilized only Rs. 1.64 Cr (Rs. 0.001 Cr in FY 2022-23 and Rs. 1.64 Cr in FY 2023-24) towards the purchase of drones and accessories, which were part of the objects of the issue. Other expenditures were not in accordance with the objects of the issue. Further, during the investigation, out of 11 entities only 5 entities viz (i) Macfos Pvt. Ltd., (ii) Micro Infratech Pvt. Ltd., (iii) CBAI Technologies Pvt. Ltd., (iv) Passenger Drone Research Pvt. Ltd. and (v) Paras Aerospace Pvt. Ltd., confirmed the purchases of DAIL (which accounts for 27.61% of the IPO proceeds). The other entities have not provided their reply and hence it cannot be confirmed whether the funds were utilized as stated.
80. The Audit Committee Chairman of DAIL had claimed that the computer and software were part of 'drone accessories' mentioned in the prospectus. Thus, IPO proceeds were utilized for the same. In case the objects of an issue involve purchase of any equipment or technology the order for which order has not been placed, then the company has to disclose the details of the quotation relied upon for the estimates in the prospectus. In the instant case, no such quotation of computers/software was disclosed in prospectus. Noticees 1 2 and 3 have claimed that the Company had appropriately classified the procurement of hardware, software, and allied components under the heading of "*Drone And Other Accessories*". In the drone ecosystem apart from the drone hardware, components such as data processing units, database server, GIS software and applications, command-and-control software, communication modules, simulation hardware, etc., are indispensable operational accessories, and their procurement is consistent with the stated objectives of the IPO/Prospectus. All purchases made using the IPO proceeds were supported by vendor quotations, board approvals, EGM Approvals and payment trails, and have been conducted in full compliance with applicable accounting standards, corporate governance norms, and the SEBI ICDR Regulations. I note that as per the prospectus, DAIL was to procure the



drone and other accessories from 4 vendors as given in Table 15 above. However, it noted that they have utilized Rs.12.45 crores to make purchases from vendors who are not part of the prospectus nor has any evidence been brought on record to show that these were approved by the board of DAIL / shareholders.

81. Even for argument sake, if I were to accept that the assembled desktops, drone entry software, GIS base software, laptops, refurbished desktops, 3D printer, multi touch screen are part of 'accessories' of the drone system, the quotation for these have not been provided in the prospectus. As the IPO funds were utilized for the purchase of these 'accessories', it was mandated as per the ICDR Regulations to provide the quotation received from these entities which has not been brought on record. Further, subsequent approval of the shareholders was also not taken for the utilization of the funds for such accessories.
82. It is further also observed that DAIL had raised Rs. 32.35 Cr through private placements and Rs. 33.96 Cr through the IPO, thus, totaling Rs. 66.31 Cr. However, during the investigation, DAIL held only Rs. 10 Cr in fixed deposits. From the submissions vide email dated January 9, 2025 DAIL submitted the following entity wise payments details for an amount of Rs.48.37 crore which is as follows:-

Table : 17 Utilisation of funds raised from private placement and IPO

Entity Names	Payments (Rs. in Cr.)	Reason for payment	IR Observations
ASPL.	11.30	Advance	DAIL provided an advance of Rs. 10.60 Crores to ASPL between June 16, 2022, and September 30, 2022, for the development of software. An investigation revealed that ASPL is owned by Mr. Prateek Srivastava and Ms. Nikita Srivastava. On December 26, 2022, DAIL received Rs. 5 Crores as repayment. As ASPL did not deliver the software, a termination agreement was signed between ASPL and DAIL on January 15, 2023, stipulating that ASPL will pay an interest of 12% per annum on the remaining balance.



Data Setu Technologies Pvt. Ltd.	8.12	Software	The payment was made for the purchase of software. The investigation revealed that the invoices provided by Data Setu were fictitious and inflated.
EFC Limited	6.11	Advance	DAIL provided advances totalling Rs. 6.10 Crores to EFC Limited, an office space rental agency. An analysis of EFC Limited's bank statement indicates that the funds were utilized for its real estate projects. EFC Limited subsequently returned Rs. 6.10 Crores to DAIL during June 13, 2022 to July 07, 2023.
Micro Infratech Pvt. Ltd.	5.80	Software	DAIL paid Rs. 5.92 Crores towards the development of software. However, the investigation revealed that the invoices provided by Micro Infratech Pvt. Ltd. were fictitious and inflated.
MOS Utility Limited	3.61	Distribution & Marketing	DAIL submitted that the payments were made towards the distribution and marketing expenditure.
Instafin Financial Advisors LLP	3.20	Being the amount payable towards Advisory Fee & Advance	Instafin provided corporate services to DAIL, including liaising with investors for four private placements. DAIL paid Rs. 1.11 Crores as professional fees to Instafin, while the remaining amount was disbursed as a loan. Upon verifying Instafin's bank account, no immediate transfer of a similar amount of funds was noted.
Prateek Srivastava	2.64	Salary (From 2021 Till Dec 2024)	Mr. Prateek Srivastava is the DAIL CEO.
Aspire Accounting & Tax Consultant	1.97	Technical Services	Consulting services
More Daliya & Associates (CS Firm)	1.82	Being Paid for GST Challan & TDS	More Daliya Associates, a Company Secretarial firm, provided services to DAIL during the private placement process. DAIL transferred funds to More Daliya Associates for secretarial services and the payment of government challans.



Endure Air Systems Pvt. Ltd.	1.51	Advance	Advance was given as part of agreement to provide drones.
Ojas Aero Space Pvt. Ltd.	1.03	Advance	Advance given to execute the contract
Nikita Srivastava	0.81	Salary (From 2021 Till Dec 2024)	Ms. Nikita Srivastava is the CFO of DAIL.
Mangesh More (Practicing CS)	0.48	Professional service & Reimbursement – Corporate Advisory Services	Mr. Mangesh More is the practicing company secretary who provided corporate services to DAIL.
Total	48.37	-	-

83. Hence, from the above table, it can be observed that out of Rs. 66.31 Crores raised both through private placement and IPO, DAIL has utilised Rs. 48.37 Crores i.e. almost 73% of the total funds which were raised. However, none of the expenditure amounting to Rs. 48.37 Crores can be related to the main object listed in the prospectus which further establishes the allegation that the funds raised through the IPO were not utilised as per the stated Objects of the Issue.
84. The charge against Noticee No. 9 Micro Infratech is that it provided fictitious / inflated bills to DAIL of above mentioned Rs. 5.90 Cr and had aided and abetted DAIL and its promoters and directors in execution of their fraudulent scheme of mis-utilisation of IPO proceeds. According to Noticee No. 9, it is nowhere linked to the IPO proceeds of DAIL. It provided GIS based software which included web portal, and database server to DAIL. Since the passing of its chairman, it could not sustain in the technology market, and hence the operations of the company were closed in March 2023 and currently there are no business activities in the company and hence no office. All the Software and Web Development Activities were handed over to the technical team of DAIL along with the Source Code, so that it could be maintained and developed further. It has also stated that all the information related to the said project execution are not available as its office which



was leased from Ms. AEGIS Infra solutions Private Limited was sealed by the Lenders of Ms. Aegis Infr solutions Private Limited on July 16, 2024.

85. It is noted that surprisingly Noticee No.9 was able to provide the copies of invoices, sales register, copy of its MoA etc. but has not been able to provide other cogent evidence to prove the association of its Chairman with DAIL such as contracts / agreements entered with DAIL in order to prove that the transactions were genuine. Neither has DAIL provided such evidences nor did it provide any documentary evidence to show the association of its erstwhile Chairman with DAIL such as agreements, emails, etc. Noticee No. 9 is not a sole proprietorship company but rather a private limited company where the documents and other information is not with one single person. Besides, the analysis of the bank account statement of Noticee No.9 during the investigations have revealed that upon receipt of funds from DAIL, it transferred those funds to six entities on the same day in the range of Rs. 0.07 Cr to Rs. 2.39 Cr. i.e. Ambaashree Creation Pvt. Ltd. (Rs. 2.39 Cr), Balaji Traders (Rs. 1.33 Cr), Vigneswar Advisory Services LLP (Rs. 0.24 Cr), Amrut Builders and Colonizers Pvt. Ltd. (Rs. 0.30 Cr), Devote Services (Rs. 0.84 Cr) and Deva Deva (Rs. 0.07 Cr.). Ambaashree Creation Pvt. Ltd. further transferred Rs. 2.87 Cr to entities (i) Swarit Properties Pvt. Ltd., (Rs. 1.67 Cr), Mallikarjun Electronics (Rs. 0.55 Cr) and Tribhuvan Pharmaceuticals (Rs. 0.65 Cr). None of these entities appear to be dealing with business related to software.
86. Further, the cost for GIS Software and SQL Server from publicly verifiable costs is found to be much lower than the amounts paid by DAIL to Noticee No.9. Noticee No.2, the MD of Noticee No.1 has admitted that software of Noticee No.9, was preferred for its one-time cost (perpetual license) and lower expense. It is noted that according to the Government e-portal (https://mkp.gem.gov.in/geographic-information-system-gis-software-v2/upgrade-into-arcgis-desktop-extensions-10-8-2/p-5116877-1346412788-cat.html#variant_id=5116877-1346412788), the MRP of ESRI GIS Software with a perpetual license was Rs. 1,93,889/-, but it was available for Rs. 1,16,333/- as of December 18, 2024. The screenshot is provided as following:



Home > Information Technology Broadcasting and Telecommunications > Software > educational or reference software > Geographic Information System (GIS) Software (V2) (Q2 Category)

Indo
ArcGIS



esri India

ArcGIS

Indo ArcGIS—ESRI INDIA TECHNOLOGIES PRIVATE LIMITED Desktop GIS Perpetual Desktop based Indo ArcGIS^{UR} Unregistered Brand Manufactured by: ESRI INDIA TECHNOLOGIES PRIVATE LIMITED (Upgrade to Indo ArcGIS Desktop Extensions 10.8.2)

₹ 116,333.00 **40% OFF**

Trends

Product Details

Price For :	1 pieces
MRP/Unit:	₹ 153,689.99
Offer Price/Unit:	₹ 116,333.00
Availability:	1000 In Stock
Min. Qty. Per Consignee:	1
Product id:	5116877-1346412788
Country Of Origin:	India, United States of America
Local Content (Mfg):	48%

Seller Details

Sold by:	OEM
OEM verified catalogue:	✓
Seller Excellence:	4.6-5.0 ★ VA

Specifications

Types of GIS Software offered in the scope of supply	Desktop GIS
Types of Licence:	Perpetual
Duration of Subscription (in months) (print : Select '0' if not applicable)	0
OEM Licensing policy	Per Named User/User
Number of licensing included in the offered product as per OEM defined licensing policy	1

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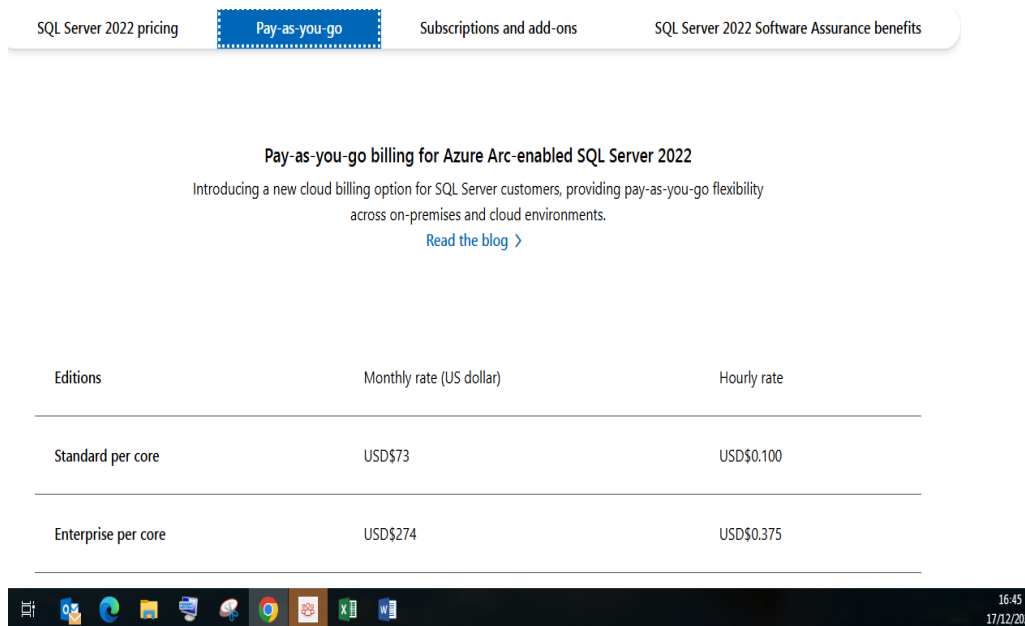
87. According to the Microsoft website (<https://www.microsoft.com/en-in/sql-server/sql-server-2022-pricing#footnote>), the MRP of SQL Server - Enterprise version was USD 15,123 (approximately Rs. 12,84,106/-) as of December 17, 2024. The screenshot from the Microsoft website is provided as follows:

SQL Server 2022 pricing ¹			
Editions	Open no-level price (US dollar)	Licensing model	Channel availability
Enterprise	USD\$15,123 ^[2]	2 core pack	Volume licensing, hosting
Standard - per core	USD\$3,945 ^[2]	2 core pack	Volume licensing, hosting
Standard - server	USD\$989 ^[2]	Server ^[2]	Volume licensing, hosting
Standard - CAL	USD\$230	CAL	Volume licensing, hosting
Developer	Free	Per user	Free download

Order in respect of Droneacharya Aerial Innovations Limited



88. Microsoft also offers another version of SQL Server on a pay-as-you-go basis, charging Rs. 23,265/- per month as of December 17, 2024. The screenshot of the webpage with price details is provided below:



SQL Server 2022 pricing	Pay-as-you-go	Subscriptions and add-ons	SQL Server 2022 Software Assurance benefits
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Pay-as-you-go billing for Azure Arc-enabled SQL Server 2022

Introducing a new cloud billing option for SQL Server customers, providing pay-as-you-go flexibility across on-premises and cloud environments.

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Editions	Monthly rate (US dollar)	Hourly rate
Standard per core	USD\$73	USD\$0.100
Enterprise per core	USD\$274	USD\$0.375

89. When the IA sought clarification from Noticee No.2 about these discrepancies in prices with the technical specifications of the software purchased by DAIL, he did not provide the technical specifications of the purchased software. Instead, in an email dated December 22, 2024, he submitted specifications for other software that the DAIL possessed. According to Noticee No.1, 2 and 3 the GIS platform and SQL server purchased by DAIL was custom built into highly specialized, industry-grade software tools, tailored for aerial mapping, drone telemetry integration, and real-time data analytics, and are critical for the Company's operational needs. The software solutions procured are not off-the-shelf consumer versions, but are instead enterprise-grade, customized packages, accompanied by licensing, implementation, technical support, and sometimes third-party API integrations, which significantly elevate their cost structure. Comparisons made with generic versions listed in public domain sources are, therefore, misleading, irrelevant, and not analogous. It is, however, noted that except for the invoices, these Noticees have not provided any cogent evidence in their defence such as the contract / agreement or any other correspondence with the vendor i.e. Noticee No.9 specifying the technical specifications. Further, during the



investigation, it was seen that the annual returns for 2021-22 which have been filed by Noticee No.9 with MCA has shown that it is engaged in the business of direct marketing and mail services. The GSTN records states it being a 'Trader-Retailer'. From this, it is seen that claim of DAIL purchasing software from Noticee No. 9 is not true and funds transferred to it by DAIL were for purposes not stated in the prospectus. Hence, from the combined reading of the above observations and findings, the allegation that the IPO proceeds were not utilized for the stated purposes viz for the purchase of drone and other accessories stands established. Further, it also stands established that by providing inflated bills Noticee 9 has also aided Noticees 1 to 3 in misutilisation of the IPO proceeds.

Non-disclosure of quotation of software in prospectus

90. Before the IA, the Audit Committee chairman of DAIL claimed that the computer and software were part of 'drone accessories' mentioned in the prospectus. Thus, IPO proceeds were utilized for the same. Further, it has been alleged that the description and quotation of such accessories were not mentioned in prospectus, which is in violation of clause 7(b) of Schedule VI of the ICDR Regulations. The Noticees 1 to 3 have contended, *inter alia*, that the regulations does not require disclosure of every individual line-item or brand-specific quotation in the prospectus but rather requires reasonable estimation supported by available quotation, which the company has duly complied with.
91. It is noted that Schedule VI of ICDR is w.r.t disclosures to be made in the prospectus. It is noted that clause 7(b) of Schedule VI pertains to disclosure in case one of the objects of the issue is to fund a project, details w.r.t the plant and machinery, technology, process, etc have to be provided in the prospectus. The same is not applicable in this case as the funds were not raised to fund a project by DAIL as contemplated in the said clause 7(b). However, I note that the relevant disclosures as per the Para 9 of Schedule VI are more relevant to the current matter which is reproduced below:-

“(9) Plant/ Equipment/ Technology/ Process:

If one of the objects of the issue is to purchase any plant, machinery, technology, process, etc.



- (i) *Details in a tabular form, which shall include the details of the equipment required to be bought by the issuer, cost of the equipment, name of the suppliers, date of placement of order and the date or expected date of supply, etc.*
 - (ii) *In case the order for the equipment is yet to be placed, the date of quotations relied upon for the cost estimates given.*
 - (iii) *The percentage and value terms of the equipment for which orders are yet to be placed.*
-”

92. It is pertinent to note that Hon’ble Delhi High Court in judgement dated January 7, 2025 in the matter of **Rajeev Shukla vs Gopal Krishna Shukla** has held that *“It is apparent that application for condonation of delay filed by the petitioner has been dismissed merely on the ground that it was filed under Section 151 CPC and not under the Limitation Act, 1963. The trial court has not addressed the application on merits. Mentioning the wrong Section of law in an application by a party is typically not considered “fatal” to the case, provided the substance of the application is clear and no prejudice is caused to the opposite party or the court. The courts generally prioritize substance over form, especially if the intention and relief sought by the party are apparent. If incorrect Section does not mislead the court or the other party and no prejudice is caused, the mistake is treated as a “curable defect”.*”

93. Although, in the instant matter, Para 9 of Schedule VI would have been more appropriate, it may be noted that Regulation 6 of the ICDR deals with “Eligibility requirements for an initial public offer” and Regulation 7 deals with the “General conditions”, the term “Project” in terms of Regulation 6 and 7 has been defined as the *objects for which monies are proposed to be raised to cover the objects of the issue*. Accordingly, the entity planning to raise funds from the IPO are required to provide details as to how the funds are proposed to be deployed by providing details in the prospectus. In case the order for the equipment is yet to be placed, (in this case computers /software/ accessories) the quotations for these were required to be provided in the prospectus, which DAIL has failed to do. Hence, I do not agree with this contention put forth by the Noticees 1 to 3.



94. I also note that DAIL vide email dated October 4, 2024 has stated that the funds allocated to the '*Purchase of Drones and Other Accessories*', was utilized towards the expenditure as provided at Table 16 above. It is observed that DAIL has utilized around Rs.12.45 crore towards this object of the issue i.e. almost 37% of the funds raised from the IPO which is a substantial amount of the total funds raised in the IPO. However, there is no reference to any of these vendors in the prospectus of DAIL nor is there any evidence of the shareholders' approval being sought thereafter for the utilisation of these funds towards these expenses. In fact, the investors had invested in DAIL in the IPO based on the disclosures made in the prospectus for purchase of drones from certain 4 vendors. However, DAIL has utilised the funds thereafter from other vendors without the approval of the shareholders. Besides, even the quotations to purchase from these vendors are not provided as required in the ICDR Regulations which further proves that the funds raised through the IPO were not utilized as per the stated object of the issue.

Incorrect Disclosure about deviation and omission of Half Yearly Disclosure in utilization of the IPO Proceeds.

95. It has been alleged that DAIL made corporate disclosures to BSE on the statement of deviation or variation for the quarters ended December 2022 to September 2023, stating there was '*nil*' deviation. This allegation is again connected with the allegation of non-utilization of the IPO proceeds for the stated purposes. In terms of Regulation 32 (1) of the LODR Regulations, the listed entity is obligated to submit to the stock exchange on a quarterly basis indicating deviations, if any, in the use of proceeds from the objects stated in the offer document; and to indicate category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document and the actual utilisation of funds. The Noticees 1 to 3 while denying this allegation stated that the resolution expressly approved the board to have flexibility in deploying the funds in line with the company's requirement. The purchase of software and drone accessories was made in line with such resolution and there is no deviation outside the scope of shareholders consent.



96. With respect to the allegation that DAIL has made incorrect disclosure about deviation and omission of half-yearly disclosures about utilization of IPO proceeds, DAIL has contended that there is no deviation in the utilization of the IPO proceeds and has hence reported 'Nil' deviations w.r.t corporate disclosures to BSE for the quarters ended December 2022 to September 2023. However, as seen from preceding paragraphs it stands established that DAIL has deviated from the objects of the issue and hence there has been a deviation in the utilization of IPO proceeds by DAIL. Hence this charge stands established. About this contravention the IR charges Noticees 1, 2 and 3. The Regulation 32 creates obligation on the listed entity. However, in view of provisions of section 27 of the SEBI Act, Noticees No. 2 and 3 being the directors of DAIL are also vicariously liable for this contravention and they have not been able to prove their innocence or *bona fide* based on the tests provided in section 27 itself.

Non-disclosure of related party transactions (RPT)

97. The allegation is that from the proceeds of its private placement of shares, DAIL gave a loan of Rs. 10.60 Cr to ASPL during June 16, 2022 to September 30, 2022. Noticees No. 2 and 3 held 100% shareholding in ASPL. Hence, DAIL and ASPL were related parties. As per clause (1)(a)4(K) of Schedule VI of ICDR Regulations DAIL was required to disclose in the prospectus the summary of related party transactions for the last 3 years and cross reference to related party transactions as disclosed in restated financial statements. However, no such disclosures were made in the prospectus. Para 3 of Ind AS 24 – Related Party disclosures requires the disclosures of the related party relationships, transactions and outstanding balances in the financial statements. As per Regulation 53(1)(f) of LODR Regulations, DAIL was required to disclose the related party transactions in its Annual Reports for the FY 2022-23 and 2023-24 which it failed to do. In this regard, the IR has charged Noticees No.2 and 3 to have violated the provisions of regulation 4(1)(a), (b), (c), (h), (i), 4(2)(e)(i), 34(3) read with Para A (1) & (2) of Schedule V and Regulation 48 of the LODR Regulations. Further, Noticees 2 and 3 had deliberately concealed that ASPL is a related party from the Audit Committee and the Statutory Auditor. This concealment led to DAIL's failure to disclose related party transactions involving ASPL.



98. I note that regulations 4(1) of the LODR Regulations provides for general principles of disclosures and obligations under the said Regulations. Regulation 4(2) provides for principles and objectives for compliance of the ‘corporate governance provisions as specified in chapter IV of the LODR Regulations’. Regulation 48 of the LODR Regulations clearly obligates all listed entities to comply with all applicable and notified Accounting Standards from time to time. As per para 3 of Ind AS 24 – Related Party disclosures requires the disclosures of related party relationships, transactions and outstanding balances in the financial statements and as per Regulation 53(1)(f) of LODR Regulations, the listed entity is required to disclose the related party transactions in its Annual Report. As per Regulation 34(3), the particulars as specified in Schedule V of the LODR Regulations. It is, however, observed that with effect from April 1, 2022, Para A of Schedule V applies to related party disclosure for the listed entity which has listed its non-convertible securities. Hence, Regulation 34(3) and Schedule V of the LODR Regulations do not apply in this case.
99. Noticees No.2 and 3 have submitted that they have resigned from the position of directors of ASPL on June 14, 2022. The above transactions were undertaken after June 16, 2022 i.e post their cessation as directors of ASPL. The payments made to ASPL were in the nature of advances for proposed commercial services which did not materialize, and the entire amount was refunded to the Company. Since the transaction stood cancelled in its entirety, it did not result in any income, expense, obligation or financial impact in the books of the company. As such it did not meet the threshold of materiality for disclosure as a related party transaction under Regulation 23 or Schedule V.
100. It is noted that, during the period of investigation, out of a total amount of Rs. 10.80 crores given by DAIL to ASPL an amount of only Rs. 8.16 crores have been returned till August 22, 2024. Although these Noticees have resigned from the directorship of ASPL as on June 14, 2022, as claimed by them, they are still members of ASPL and thus ASPL is *related party* of DAIL in terms of section 2(76) (iv) of the Companies Act, 2013. The contention of these Noticees the transaction in question does not meet the threshold of materiality for disclosure as a related party transaction under Regulation 23 or Schedule V is not tenable for the reason that the test of materiality applies only in the context of shareholder approval. Regulation 48 of the LODR Regulations clearly obligates all listed entities to comply with all applicable and notified Accounting Standards from time to time. As per para 3 of Ind



AS 24 – Related Party disclosures requires the disclosures of the related party relationships, transactions and outstanding balances in the financial statements and as per Regulation 53(1)(f) of LODR Regulations, the listed entity is required to disclose the related party transactions in its Annual Report. In this case, DAIL became a listed entity on December 23, 2022 and thereafter all these requirements became applicable to it. However, it failed to disclose the related parties and transactions between them in its Annual Reports for the FY 2022-23 and 2023-24.

101. The obligation is on listed entity. Surprisingly, here DAIL has not been charged and only Noticees 2 and 3 have been charged with this contravention. Be that as it may, in view of section 27 these Noticees are vicariously liable for the act of the DAIL and they have not been able to establish their innocence in terms of said section 27 of the SEBI Act which gives them allowance; if they establish that contravention occurred without their knowledge or that they had exercised all due diligence to prevent the commission of such contravention. Rather it has been established that they deliberately concealed this transaction from all concerned i.e. the Audit Committee, Statutory Auditor and the public at large. Hence, they cannot escape liability for this contravention.

Incorrect Shareholding Disclosure

102. It has been alleged that on December 21, 2022 i.e. one day prior to listing of IPO, the shareholding for promoters in DAIL was shown as 38.23% (instead of 28.21%) and shareholding for public was shown as 61.77% (instead of 71.79%). Hence, Noticees No. 1, 2 and 3 have violated the provisions of Regulation 31(1)(a) of the LODR Regulations. According to the Noticees 1, 2 and 3, the disclosures were made as on December 21, 2022 and were correct disclosures as on date of filing on account of pre-listing shareholding. In this case, the IPO of DAIL was opened between December 13, 2022 to December 15, 2022. IPO got listed on BSE on December 23, 2022 and one day prior to this date was December 22, 2022 and not December 21, 2022 as alleged in the IR.

103. DAIL became a listed company on December 23, 2022. I deem it appropriate to again refer to Regulation 31(1) of the LODR Regulations which obligates all “*listed entities*” to submit



to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities from time to time within the following timelines –

- (a) one day prior to listing of its securities on the stock exchange(s);
- (b) on a quarterly basis, within twenty-one days from the end of each quarter; and,
- (c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital:

104. The proviso to Regulation 31(1) clearly carves out exception in respect of listed SME Companies and they are permitted to submit above statements on a half yearly basis within twenty-one days from the end of each half year. Thus, Regulation 31(1) (a) does not attract the obligation of DAIL on December 21, 2022 to make alleged disclosures. The charge, thus, falls flat. I hasten to add that while making allegations for invoking penalty provisions one must be constructive to have a purposive view and not a technical approach to inflict penalty for making such allegations.

Noticee No 4 and 5

105. Noticees 4 and Noticee 5 have submitted, *inter alia*, that they were at no point involved in the management control or policy making functions of DAIL. They never occupied any position on the board of directors. They were not involved in the post IPO corporate announcements, financials of the company or utilization of the funds. I, however, note that these Noticees have admitted to have aided and supported Noticee No.2 in pre-IPO placement. Noticee No.2 had also transferred 58,300 of DAIL on August 22, 2022 to Ms. Damini Ghate. Although the IR is completely silent as whether these shares were also sold by Ms. Damini Ghate for the benefit of Noticee No.2 and what was purpose of this transfer, the entire facts of arranging pre- IPO investors on fee basis then arranging allotments to his daughter Noticee No.5 who earned huge profits based on fraudulent device is clearly leading to conclusion that these Noticees were actively aiding and abetting in the activity of Noticee Nos. 1, 2 and 3.

106. Although the PFUTP Regulations attempt to envisage all kind of fraudulent dealings and market abuses, parties involve human ingenuity for usurpation of reprehensible profits which they are not entitled to. Hence, they must be made answerable as per established



tenets of rule of law without leaving incentives for fraudulent practices, based on creativity of disingenuous, to survive the legal gambits. Considering the aforesaid, I reject the contentions of these Noticees being not plausible.

Noticee No. 9

107. The invoices submitted by DAIL for the purchase of software amounting to Rs.5.90 crores from Noticee No.9 were fictitious and false. Consequently, by including these figures in the purchases presented in DAIL's financial statements for F.Y.2022-23 which misrepresent the financial statements of the company. Noticee 9 having aided DAIL and its promoter directors to mis-utilize Rs.5.90 crore by issuing fictitious / inflated bills. The publicly verifiable costs for GIS software and SQL Server were much lower than the amounts DAIL reported and hence it was a deliberate attempt to misrepresent financial expenditures and misuse of IPO proceeds. Noticee No.9 had also issued the invoices to DAIL in January 2023 i.e. even prior to the shareholders' approval sought by the Company in March 2023.

108. DAIL sought approval from its shareholders for entering into agreement with Noticee No.9 by stating: - *“for purchase of drone equipment and development of drone eco-system through the development of drone related software”*. Further, the technical specifications to determine if the products purchased from Noticee No.9 were more advanced than those available in the public domain were not provided. Hence the charge against Noticee No.9 stands established.

B. Separate and independent charges against Noticees 6, 8, then against 7 and 10.

Noticee No.6.

109. Regarding Noticee 6 it has been alleged that as statutory auditor, partner at KPRK & Associates LLP, he signed as one of the *‘experts’* in the prospectus and was aware of the objectives of the IPO. He has also certified vide the certificate dated June 27, 2024 that DAIL has utilized Rs.17.82 crore of the IPO proceeds by March 31, 2024 for the purchase of drones and other ancillary hardware and software and the balance Rs.16.13 crore was



reported to be kept in fixed deposits with Axis Bank. DAIL has not received consideration from Technit and Triconix. DAIL has recognized the revenue from Triconix and Ired without performing any services or delivering the goods in violation of the accounting standards which has led to inflated revenue and profit figures for F.Y.2023-24. Noticee No.6 had also given unqualified audit report stating that DAIL's financial statements present true and fair view. The investors who traded in the scrip were defrauded with the said misrepresentation. Therefore, Noticee No.6 had failed in his duties to conduct the audit in accordance with established accounting standards and was hands in glove with DAIL and its promoter directors to conceal the mis-utilization of IPO proceeds, issuing unqualified audit reports despite significant discrepancies and violation of accounting standards in recognition of revenue form the orders in which goods and services were not delivered.

110.The AR/Noticee 6 have contended that the auditor's certificate dated June 27, 2024 was issued based on the books of account and supporting documentation produced by the management of DAIL. During the audit process, he verified work order, execution documents in respect to sales, sales bills to account them under sales including the execution documents for orders pertaining to Triconix, IRed and Technit. Further, he has also stated that he has relied on the management's submission confirming the bank balances and fixed deposits and has not obtained direct confirmations from the banks. He has also relied on the management's representation for physical verification of the software and has not physically verified it. Further, he was not aware that ASPL was a related party as he has relied on the management's representation w.r.t the related party. There is no money trail linking the Noticee to any alleged mis-utilisation of funds, no material showing any pecuniary benefit accrued to the Noticee No.6, and no contemporaneous communication whether by email, WhatsApp, or otherwise indicating instructions from promoters or any form of collusion.

111.Be that as it may, in this case, the revenues for 2023-24 especially w.r.t Triconix and IRed were mere book entries. Section 143 of the Companies Act, 2013 which deals with the powers and duties of the auditors and auditing standard and mandates every auditor of a company, *inter alia*, to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor and



amongst other matter in terms of sub-section (b) and inquire whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company. I note that the auditor has relied merely on the management's submissions and has not made any due diligence and has issued an incorrect certificate w.r.t the utilization of the IPO proceeds. He has issued unqualified audit report and has stated that DAIL's financial statements present true and fair view and has failed in his duties to conduct the audit with established accounting standards. However, the factors of inducement with respect to fraud committed by the statutory auditor cannot be established. At the most, the same would amount to the auditor not being diligent in his duties as required under the statute.

112. In this regard, I am persuaded to refer to the order of Hon'ble SAT in the matter of Mani Oommen⁶ wherein in similar matter, SAT had held that the SCN alleged that the company did not utilize the IPO proceeds and that it was diverted to different entities in the guise of making payments towards the objects stated in the prospectus. SAT had held "*that there is no finding that the appellants were instrumental in preparing false and fabricated accounts or have connived in preparation or falsification of the books of accounts. There is no finding that the appellants had manipulated the books of accounts with knowledge and intention, in the absence of which, there is no deceit or inducement by the appellants. In the absence of inducement, the question of fraud does not arise.*" SAT has also referred to the following:

- Bombay High Court in the matter of the Writ Petition No.5249/2010 Price Waterhouse Co.Vs. SEBI decided on August 13, 2010 wherein it was held, *inter alia*, that SEBI had no jurisdiction to proceed against the chartered accountant who are members of the ICAI, unless there is material against the chartered accountant to the effect that he was instrumental in preparing false and fabricated accounts in connivance. Then, SEBI is entitled to pass appropriate orders under Section 11 of the SEBI Act in the interest of the investors or securities market. The Bombay High Court further held that if on conclusion of enquiry if no evidence is available regarding fabrication and falsification of

⁶ Appeal No. 183 of 2020 decided on 18.02.2022



accounts, then SEBI cannot give any direction in any manner. The Bombay High Court held that SEBI has jurisdiction to inquire into and investigate the matter in connection with manipulating and fabricating the books of account and balance sheet of the company. If it finds that the C.A. had no intention and knowledge to fabricate and fudge the books of account and there was only some omission without any mens rea or connivance with anyone then on such evidence SEBI cannot give any further directions.

- In *Price Waterhouse Co. Vs. SEBI* in appeal no. 6 of 2018 decided on 09.09.2019, SAT while considering the role of the appellant as a firm of the C.A.s and after considering the judgment of the Bombay High Court (supra) found that the scope of the enquiry was only restricted to the charge of conspiracy and involvement in the fraud and not to any charge of professional negligence since the C.A. / C.A. firm were not dealing directly in the securities. This Tribunal held that in absence of inducement, fraud was not proved nor there was connivance or collusion by the C.A.s and therefore, the provision of section 12A of SEBI Act and Regulation 3 & 4 of PFUTP Regulations are not applicable. This Tribunal held that gross negligence or recklessness in adhering to the accounting norms in the course of auditing can only point out to the professional negligence which would amount to a misconduct to be taken up only by ICAI.

113. In the instant case, the IR also alleges that Noticee No.6 has by colluding with DAIL's promoters by issuing unqualified audit reports despite significant discrepancies and violations of accounting standards for FY 2023-24 aided the promoters to implement alleged fraudulent scheme. However, considering the limited evidence of the auditor's certificate on record and in the absence of tests as per above rulings and lack of evidence of collusion or connivance of Noticee No.6 in any fraud or manipulation or falsification, the issue regarding the due diligence will fall exclusively within domain of referred to NFRA /ICAI and this has already been recommended in the IR.

Noticee No.8.



114. Noticee No. 8 has been charged with violation of Clause 2, 4 of Schedule III read with Regulation 13 of SEBI (Merchant Bankers) Regulations, 1992. The basis of this allegation is that as per clause (1)(a)4(K) of Schedule VI of SEBI ICDR Regulations, summary of related party transactions for the last 3 years and cross reference to related party transactions as disclosed in restated financial statements were required to be disclosed in the prospectus of DAIL. However, no such disclosures relating to the abovementioned transactions with ASPL were made in the prospectus.
115. Before embarking on examination of the merits of the allegations, it is pertinent to mention that, normally, such allegations/ charges against the Noticee No.8, which is a registered intermediary, unless found to be serious or fraudulent, are dealt with by SEBI under Section 12(3) of the SEBI Act read with SEBI(Intermediaries) Regulations, 2008 or under Chapter VIA of the SEBI Act. Invoking directions under sections 11B (1) and 11(4) read with 11(1) of SEBI Act is neither warranted nor intended in this case as the SCN is vague in this respect and also has not made or suggested any allegation of collusion or connivance of Noticee No.8 in any fraudulent or deceptive scheme with any other Noticee. Assuming that the action envisaged against Noticee No.8 as per SCN, could be only monetary penalty under section 15HB; in view of infirmity in SCN about directions under sections 11B (1) and 11(4) read with 11(1); the case could have been fit for inquiry and adjudication by an Adjudicating Officer appointed under section 15I of the SEBI Act. However, since this same power is also available under Section 11B (2) also, I proceed to inquire accordingly.
116. Noticee No.8 has submitted that it had disclosed the summary of related party transactions in the prospectus. According to the Noticee No. 8, in view of non-disclosure of impugned transaction in Annual Reports of the Company, confirmation by Audit Committee and Statutory Auditor of DAIL, it had no reason to suspect anything wrong and ensured all material disclosures. Further, the statutory auditor who is an '*expert*' as defined under Section 2(38) of the Companies Act had prepared the Independent Auditor's Examination Report on Restated Financial Statements of DAIL and relevant disclosures w.r.t financial statements in the prospectus. Noticee No.8 has further relied upon the judgement of Hon'ble Supreme Court in the matter of *Chander Kanta Bansal V. Rajinder Singh Anand*⁷

⁷ [(2008) 5 SCC117]



w.r.t the interpretation of “due diligence”, that :- “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.”

117. It is settled position that the standard of due diligence expected from a merchant banker is of ‘reasonable diligence’ and it depends upon the facts and circumstances of the case. Such obligation has to be enquired into and found out on the higher degree of preponderance of probability taking into account the facts and circumstances of the case. The merchant banker cannot be expected to look into each and every statement and information provided by the issuer with suspicion unless the facts and circumstances at the relevant time demand so. In the case of **Imperial Corporate Finance and Services Pvt Ltd v. SEBI**, Hon'ble SAT had held that:-

"A Lead Manager is required to employ reasonable skill and care but he is not required to begin with suspicion and to proceed in a manner of trying to detect a fraud or lie unless such information excites his suspicion or ought to excite his suspicion as a professional man of reasonable competence."(emphasis supplied).

118. Except when circumstances of a case so justify, in making inquiries the merchant bankers attitude may be solicitous and not detective. 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. However, it cannot be overemphasized to expect from the merchant banker to suspect each and every information received by it and adopt detective approach in verifying the authenticity of the information received by it and proceed with a notion that there is amiss. Further, for invoking penalty provisions there must be convincing preponderance of probability to support the allegation.

119. It is admitted fact that the information about alleged related party transaction was exclusively within the knowledge of Noticees No. 2 and 3 and ASPL. Further, no disclosures were available in Annual Reports or any other public document of the DAIL much less in any “restated financial statements” as required under clause (1)(a)4(K) of



Schedule VI of ICDR Regulations. IR acknowledges that Noticees 2 and 3 had deliberately concealed that ASPL is a related party from the Audit Committee and the Statutory Auditor. This concealment led to DAIL's failure to disclose related party transactions involving ASPL. Further, IR alleges that Noticees 2 and 3 were responsible for the non-disclosure of the related party transactions between DAIL and ASPL. The draft prospectus in respect of IPO went through regulatory scrutiny and alleged related party transaction could not be observed/ detected at that time too. Thus, the IR is silent as to how the Noticee No. 8 has failed the reasonable diligence test in the facts and circumstances of this case. Since the failure is linked to penal consequences, one has to look into it in a realistic manner and the consequences arising out of the failure. Accordingly, in these peculiar facts and circumstances of the present case, I do not think the matter fit for inflicting any monetary penalty upon Noticee No.8 under section 15HB read with section 11B (2) of the SEBI Act.

Noticee No. 7 and 10.

120.As per Regulation 32 of the LODR Regulations, SME companies are required to submit to the Stock Exchange the Statement of deviation or variation on utilization of IPO proceeds within 45 days from the end of half year. Regulation 6(2)(a) states that the compliance officer of the listed company is responsible to *ensure conformity* with the regulatory provisions applicable to the listed entity in letter and spirit. Hence, Noticee 7, the compliance officer of DAIL has failed to make disclosure of the utilization of the IPO funds for the half year ended March 2024.

121.DAIL has demonstrated that the deviation was uploaded in the XBRL format on the BSE Listing Centre Portal as part of the routine filing and was duly timestamped and acknowledged by the system. However, due to an inadvertent oversight, the PDF version of the statement was not uploaded simultaneously. Noticee No. 7 who was the Compliance Secretary and Compliance Officer at the relevant time has also demonstrated with further detail that the report was filed in the XBRL filing system within the stipulated timeframe of compliance on May 13, 2024 at 1:52:05 p.m (i.e 43 days of the half year). He has demonstrated his submission based on BSE acknowledgment No. 1305202401520533 dated May 13, 2025. According to him, there was partial misunderstanding of the compliance from his side and this was his first exposure to the said compliance. I note that Noticee No.7 had joined DAIL on December 22, 2023 and this would have been his first



exposure to filing the deviation statement for March 2024. Later, on becoming aware of the filing requirements, the subsequent filings were made both in the PDF and XBRL format. Further, I note that the company vide filing dated June 11, 2025 has now uploaded the report in the PDF format as well for the half year ended March 2024.

122. Noticee No.10, had joined DAIL as its Compliance Officer on June 27, 2022 and has submitted that she was a fresher and had no experience with listing requirement. She has admitted that there was a genuine mistake in the filings of the shareholding pattern on December 21, 2022 and correct shareholding percentages were disclosed in the subsequent filings for quarters ended March 2023 and September 2023 under the guidance of M/s. More Daliya & Associates, who were consultants of DAIL for the compliances with the Companies Act and SEBI Regulations. It is seen that she was naïve in the nascent stage of her career and was also working under the guidance of the consultants. The specific allegation is with regard to the correctness of the information which was disseminated by the Company. I have already found above that this allegation does not sustain against DAIL. Thus, Noticee No.10 was not responsible at all as alleged.

123. In this regard, while contemplating penal action, the scheme of obligations of compliance officer under regulation 6 of the LODR Regulations, must be understood in the text and context both. Further, when the contemplation is to inflict penalty, the language must be interpreted strictly. The language of Regulation 6(2) (a) of the LODR Regulations is like this- *“The compliance officer of the listed entity shall be responsible for- ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit”*. It is legally settled position that the interpretation of the word "shall" as mandatory or directory depends on the overall legislative intent, context, purpose and not merely the use of the word itself. Further, in accordance with settled principles governing the interpretation of statutes, it has been held that to enforce a provision, the statute is required to be read as a whole- section by section, clause by clause. Under the LODR Regulations, obligations are primarily casted on listed entities under regulation 31/32. Since they act through their directors, the directors are also vicariously liable for noncompliance unless they prove ignorance or absence of knowledge, as the case may be. Regulation 6(2)(a) of the LODR Regulations, as it is worded, does not cast a mandatory obligation on the Compliance Officer to comply herself as is the case under the Companies Act, 2013 wherever certain



direct obligations have been casted on the company secretary/compliance officer; instead her responsibility under LODR Regulations is of “*ensuring conformity*” (by the listed SME company and its directors and other Key Managerial Personnel (KMP)). Thus, in my view, this regulation creates directory obligation on the Compliance Officer. The only binding duty on Compliance Officer, who is also later named artificially as KMP, could be to take active steps to secure adherence to the law and impress upon the company and its directors to comply with securities laws.

124. Further, the obligation has to be seen in perspective of obligations of KMP under regulation 5 which includes key managerial personnel, directors, promoters or any other person dealing with the listed entity to comply with responsibilities or obligations, if any, assigned to them under LODR Regulations. Admittedly, the Noticees No.2 and 3 being the Managing Director and Director & CFO, respectively, were involved in the day-to-day management of DAIL and were primarily responsible for the compliances by the Company. Regulation 6 additionally casts secondary responsibility on the Compliance Officer. In strict reading of text also if interpretation is given that a Compliance Officer would violate the provisions of regulation 6(2) (a) when the Company or other KMPs fail. This provision is akin to the principle “*Hawk-Dove effect*” as it refers to obligations of same requirements on two distinct persons leading to a situation of the variability in enforcing the same requirement on one if others fail or show lethargy i.e. when *hawk* fails punish *dove*. In the context of whole Regulations, it is seen that “*hawks*” are to be dealt with strictly but, “*doves*” are to be given leniency when it comes to penalize them for default of *hawks*. Thus, when the matter comes to penalize the Company Secretary/Compliance Officer by regulatory enforcement action/penalty for such violation by the listed entity, utmost care need to be taken and unless she commits an act of nonfeasance or misfeasance, deliberately or in collusion with WTD/MD/CEO/CFO, etc. allowance may be given to her as the obligations of KMPs such as WTD/MD/CEO/CFO, etc. and those of a Compliance Officer cannot be measured on same scale. After all, as it has been aptly said by Hon’ble Supreme Court⁸ that:- “A degree ‘*Fahrenheit*’ is different from a degree ‘*Centigrade*’. Though both

⁸ RAVEENDRAN, J in With W.P. (C) Nos.172, 409, 466 and 467 of 2005] 9 January, 2007



express temperature in degrees, the 'degree' is different for the two scales.” 100 degrees Fahrenheit and 100 degrees centigrade will look similar in text but different in actual temperature.

125. It is also pertinent to mention that in the context of penalising Compliance Officer/ Company Secretary in the matter of *Deccan Chronicle Holdings Ltd. (V. Shankar Vs SEBI)*, Hon’ble SAT, vide its order dated November 01, 2022 set aside the order dated March 22, 2022 passed by SEBI imposing a penalty of Rs. 10 lakhs on the Company Secretary and held that primary and fiduciary obligations in signing and approving the balance sheet and profit and loss account is of the Board of Directors and Company Secretary has no role to disapprove except that he has to comply with decisions and sign alongwith the two directors. In appeal filed by SEBI against said order by Hon’ble SAT, Hon’ble Supreme Court vide its order dated February 08, 2023 remanded back the matter vide to Hon’ble SAT on technical ground. Hon’ble SAT after reconsideration of the matter passed its order dated May 05, 2025. It is noted that SEBI itself held that the “*Company and its Directors have eloquently concealed the revenue liabilities from the investors...*” and that law fasten the duty on the Company Secretary to authenticate on behalf of the Board of Directors but in next breath SEBI said that the Company Secretary was not merely required to attest but “*.. ought to have verified*” In the facts and circumstances of that case, Hon’ble SAT held that according to SEBI order, the Company Secretary was required to sit in appeal over decision of directors of the company and this allegation does not sustain. It held that it is not the duty of the Company Secretary or the Compliance Officer to read, understood and re-audit the certified accounts as approved by the Board of Directors.

126. In the above background, though it could be right to expect the Compliance Officers to ask right questions from WTD/MD/ED/CFO in order to *ensure conformity* as stipulated; while contemplating penal action against her, it is also to be kept in mind that a company is run and managed by its Board of Directors. The Noticees nos. 2 and 3 were, admittedly, running all the show in the Company in the instant case. Noticees 7 and 10, being the employees of DAIL, acted under their influence when, day in day out, they would be faced with precarious situation as to how to defy instructions of directors (WTD and ED or senior KMPs like directors and CFO) and sit over their judgements. Normally, an employee one



level below the directors need utmost guts and courage to refuse to comply with or overrule the directions/decisions of WTD/ED/CFO. In the instant case, the IR does not bring any material to show if Noticees 7 and 10 failed to ask DAIL and its KMPs to comply with alleged requirements. Also, this is not a case where Noticees No. 2 and 3 wished to make disclosures but Noticees 7 and 10 prevented them from disclosing or persuaded or advised them not to do so. Considering these facts and circumstances of this case, I am inclined to accept the submissions of Noticees No. 7 and 10 and take lenient view *qua* them with regard to inflicting any penalty.

127. While taking such a view in respect of Noticees 7 and 10, I am reminded of the forthcoming statement of Justice Hon'ble Krishna Iyer while allowing departure from general understanding of past regimes; and to substantiate my reason to follow the ethos of SEBI Act beginning from its preamble to its end: - *"We must always remember that processual law is not to be tyrant but a servant, not an obstruction but an aid to justice."* In my view, in absence of clear findings and cogent material, invoking penal provisions with presumptuous observation would be looked at and treated as *"the bats of law, flitting in the sunlight but disappearing in the sunshine of fact"*.⁹

Conclusion.

128. In light of the above, it is established that Noticees No.1, 2 and 3 have fraudulently, post listing of IPO of DAIL, made misleading and false corporate announcements to induce interests to buy shares of DAIL to create demand for shares of DAIL and also to maintain the otherwise falling price so that the pre- IPO investors could exit at a better price. This apart, they inflated revenues and profits and artificially maintained the price of the shares of DAIL which enabled the pre-IPO investors to exit at commensurate price, the chances for which, in normal course, were bleak. Further, the IPO proceeds were mis-utilised and they had deviated from the objects clause of the IPO stated in the prospectus and have not taken the shareholders' approval for the deviation. They have also misrepresented the financial statements by including the income from Triconix and IRed and hence inflated

⁹ G. Vasu v. Syed Yaseen Sifuddin Quadri, 1986 SCC OnLine AP 147.



the profits in F.Y. 2023-24. They have failed to make disclosures w.r.t the quotation of software / accessories in the prospectus. They have made incorrect disclosures w.r.t deviation of the IPO proceeds. Noticees 4 and 5 were actively aiding and abetting in the activity of Noticee Nos. 1, 2 and 3. Further, Noticee No.9, by providing inflated invoices to DAIL, has also aided them in mis-utilising the IPO proceeds which also aided in mis representing their financials and carrying out this fraud.

129. After discussing the allegations in detail, the conclusive findings regarding the following Noticees are upheld in this Order :-

Table 18

Alleged violation	Regulatory provisions	Noticee No.
Misleading corporate announcements	Regulation 4(1),(c),(d), (e), (g), and (h) of LODR Regulations, read with Regulation 30 (1), 30(3) read with Regulation 30(4) and Schedule III Part A Para B (1),(2),(4) and Schedule III Part A Para C of LODR Regulations, Circular No. CIR/CFD/CMD/4/2015 dated September 9, 2015 and Regulation 30(7),(8) and (10) of LODR Regulations	1, 2 and 3
Mis-utilisation of IPO proceeds – fraud and fraudulent act.	Regulation 3(a), (b), (c), (d) and 4(1),4(2)(a), (e) of SEBI PFUTP Regulations, 2003.	1, 2 and 3
Non disclosure of quotation in prospectus		1, 2 and 3
Mis representation of the financial statements - fraud and fraudulent act	Regulation 3(b), (c), (d), Regulation 4(1), 4(2)(f), (k) & (r) of PFUTP Regulations, and Regulation 4(1), 33(1)(a) & (c), and 48 of the LODR Regulations.	1, 2 and 3
Incorrect disclosure of deviation in IPO proceeds.	Regulation 32 of LODR Regulations.	1, 2 and 3
Non disclosure of RPT.	Regulation 4(1)(a)(b)(c), (h), (i), 4(2)(e)(i) and Regulation 48 of LODR Regulations.	1, 2 and 3
Aiding and abetting DAIL and its promoter directors in execution of fraudulent scheme	Sections 12A (a), (b), (c) of SEBI Act, 1992, Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(f),(k) and (r) read with Regulation 2(1)(b) and 2(1) (c) of PFUTP Regulations, 2003.	4, 5
Aiding and abetting DAIL and its promoter directors by mis-utilisation of IPO proceeds by issuing fictitious/ inflated bills.	Sections 12A (a), (b), (c) of SEBI Act, 1992, Regulation 3(a), (b), (c), (d) and 4(1), 4(2) (a), (e) of SEBI PFUTP Regulations, 2003.	9



130. The SCN contemplates directions under Sections 11(1), 11(4), and 11B (1), 11B (2), and also the imposition of monetary penalty under Sections 11B (2) and 11(4A) read with Sections 15A(b) 15HA and 15HB of the SEBI Act for the aforesaid violations. The relevant provisions of Sections 11(1), 11(4), 11(4A), 11B (1), 11B (2), 15A(b) 15HA and 15HB of the SEBI Act are reproduced below:

“11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely: —

(a) suspend the trading of any security in a recognised stock exchange;

(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;

(c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;

(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply: Provided further that only property, bank account or accounts or any transaction entered therein, so far as it



relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached;

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation:

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

11B. (1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary, —

(i) in the interest of investors, or orderly development of securities market; or
(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or

(iii) to secure the proper management of any such intermediary or person, it may issue such directions, —

(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.



Explanation. —For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

“Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;”

“Penalty for fraudulent and unfair trade practices.

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

“Penalty for contravention where no separate penalty has been provided.



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

131. While Section 11 deals with the functions and duties of the Board, Section 11B is on the powers of the Board. Section 11B is in a sense a functional tool in the hands of the Board and one of the measures available to the SEBI to enforce its prime duty under Section 11 by issuing directions under Section 11(4) and Section 11B (1) and/or also imposing monetary penalty under Section 11B (2) and 11(4A). While Section 11 deals with the functions and duties of the Board, Section 11B is on the powers of the Board. Section 11B is in a sense a functional tool in the hands of the Board and one of the measures available to the SEBI to enforce its prime duty under Section 11 by issuing directions under Section 11(4) and Section 11B (1) and/or also imposing monetary penalty under Section 11B (2) and 11(4A). I note that the power under Section 11B (2) is *pari materia* the power under Section 11(4A). In fact, the power under the both the sections are nothing but a replica of each other in two different sections. This power is not intended for inflicting same monetary penalty twice under the charging sections referred in Section 11(4A) and replicated under Section 11B (2) of the SEBI Act.

132. Section 15HA of the SEBI Act provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. I find that the activities of these Noticees being fraudulent in nature, attract and warrant penalty to be imposed on them under Section 15HA of the SEBI Act. The range of monetary penalty prescribed in said Section 15HA is minimum five lakh rupees upto to twenty-five crore rupees or three times the amount of profits made out of fraudulent practices, whichever is higher. However, said Section 15HA gives discretion and Section 15J of the SEBI Act mandates factors to be taken into consideration in this regard and provides for guiding factors as follows:

“15J. Factors to be taken into account while adjudging quantum of penalty.

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



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

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

133. For exercising the choice to issue directions and monetary penalties in the peculiar facts and circumstances of this case, I have also taken note of the active roles of respective Noticee and as found hereinabove. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under Section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in Section 15J. Further, in the explanation appended to Section 15J, which was brought vide Part VIII of Chapter VI of the Finance Act, 2017, the legislative intent has been reinforced that while adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in Section 15J. It is also settled position that the words "*shall be liable to*" used in the context of "*penalty*" in any statute, do not convey an absolute imperative; they are merely directory and leave it to the discretion of the authority to impose any penalty as he deems fit and commensurate with the violation. Further, having regard to the factors listed in Section 15J and the guidelines issued by Hon'ble Supreme Court of India in **SEBI v. Bhavesh Pabari Civil Appeal No(S).11311 of 2013** vide judgement dated February 28, 2019, it is noted that the provisions of Section 15J has to be properly understood, and not to be mechanically applied and other factors reasonable for the facts of the case are also relevant to take into account for adjudging the quantum of penalty. I have also been guided by the principles of proportionality. The current proceedings do not entail restorative justice practice as no victim restitution is contemplated by way of disgorgement and restitution. While proportionality demands a penalty should be proportionate with the mischief it seeks to address and penalties cannot be



disproportionate to the magnitude of default. No arithmetical formula can be devised to impose a fixed penalty on each case.

134. It is settled position of law that penalty provision should be strictly interpreted, penalty cannot be imposed under a wrong provision, penalty cannot be imposed based on vague allegations and ambiguous probabilities and mitigating factors should be taken while adjudging the quantum of penalty. Further, as a matter of principle, while enforcing the regulations, the authority must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle.
135. In this case, penalty under Section 15HB of the SEBI Act has also been contemplated. It is to be noted that Section 15HB provides as residue provision, penalty for failure of compliance with SEBI Act, rules and regulations made thereunder for which no separate penalty has been provided. I note that in the instant matter, that penalty provisions under Section 15A(b) and Section 15HA which are specific to the case have been imposed. Hence the invocation of Section 15HB for the same violation would not be applicable in the instant matter.
136. It is pertinent to mention that there is no scale to measure fraudulent and deceptive device, plan by using machinations exclusively within knowledge and control of inside management and other persons acting in league. The findings in that regard would depend on inferences drawn from a mass of factual details. Findings on the basis of higher preponderance of probability, in this regard, can also be gleaned from patterns corporate announcements which were false and misleading. In this case, there is no material to indicate *inter se* connection amongst all the Noticees or any concerted action by all of them acting in common league. The entire gamut of events shows a classic example of non-genuine and manipulated disclosures, active concealment and fraudulent behavior within the scope of regulation 2(1) (c) of the PFUTP Regulations. The whole episode shows unwarranted interference in the operation of ordinary market forces and undermines the integrity and efficiency of the market. The scope of prohibition under Section 12A, and regulations 3 and 4 of the PFUTP Regulations are of wide amplitude and would therefore take within its sweep the inducement and enticement to bring about inequitable result which has happened in the instant case. The misleading information in the instant case was



disseminated in bad faith thereby inducing inequitable result. Such acts disturbed the basic tenets of fairness in the securities market. This is a case where additional defaults as found are willful, deliberate and blameworthy. Any allowance on the grounds of technicalities as contended in this case would compromise with the very objective for which these penalty provisions have been made in the SEBI Act. While all the defaults as found in this case attract imposition of monetary penalty, the SCN does not contemplate any disgorgement of any unlawful gain out of the defaults.

ORDER AND DIRECTIONS.

137. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1) and 11B (1) read with Section 19 of the SEBI Act hereby issue the following directions :-

- a. The following Noticees are restrained from accessing the securities market and further are prohibited from buying, selling or otherwise dealing in securities directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the period given in table, from the date of this Order :-

Table 19

Noticee No.	Name of Noticee	PAN	Restraint Period
1	Droneacharya Aerial Innovations Limited	AAGCD0701L	2 years
2	Mr. Prateek Srivastava	CJCPS9105B	2 years
3	Ms. Nikita Srivastava	BAZPM2614N	2 years
4	Instafin Financial Advisors LLP	AAGFI3779L	2 year
5	Mr. Sandeep Ghatе	AACPG0447M	2 year
9	Micro Infratech Pvt. Ltd.	AAFCM3365A	1 year

- b. It is hereby clarified that if Noticee Nos. 1, 2, 3, 4, 5 and 9 have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. These Noticees are permitted

Order in respect of Droneacharya Aerial Innovations Limited



to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

- c. The Noticee Nos. 1, 2, 3, 4, 5 and 9 are prohibited from selling their assets, properties including mutual funds/ shares/ securities held by them in demat and physical form except for the purpose of payment of penalty as directed below. Further, the banks are directed to allow debit from the bank accounts of the Noticees, only for the purpose of payment of penalty as ordered hereinafter. This direction shall cease to operate upon the payment of the respective penalty amount.

138. In view of the facts and circumstances of this case, the factors listed in Section 15J of the SEBI Act and in exercise of powers conferred upon me under Sections 11(4A), 11B (2) and Section 15I read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby impose monetary penalty under Sections 15 A(b) and 15HA of the SEBI Act on the following Noticees for the various violations of the regulations as found in this order:-

Table 20

Noticee No.	Name of the Noticee	Penal Provisions	Penalty Amount
1.	DroneAcharya Aerial Innovations Limited	Section 15 HA of SEBI Act, 1992	Rs. 10,00,000/-
2.	Mr. Prateek Srivastava	Section 15 A(b) of SEBI Act, 1992	Rs. 20,00,000/-
3.	Mrs. Nikita Srivastava		Rs.20,00,000/-
4.	Instafin Financial Advisors LLP	Section 15HA of SEBI Act, 1992	Rs.10,00,000/-
5.	Mr. Sandeep Ghate		Rs.10,00,000/-
9.	Micro Infratech Pvt.Ltd.	Section 15HA of SEBI Act, 1992	Rs.5,00,000/-

139. The Noticee Nos. 1, 2, 3, 4, 5 and 9 shall remit/ pay the amounts of penalties mentioned against their names in the table above, within 45 days of receipt of this Order through online payment facility available on the website of SEBI i.e. www.sebi.gov.in on the following path, by clicking on the payment link www.sebi.gov.in/ENFORCEMENT -> Orders ->

Order in respect of Droneacharya Aerial Innovations Limited



Orders of EDs/CGMs -> PAY NOW. In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support of portalhelp@sebi.gov.in.

140. The Noticees shall forward the details of online payment made in compliance with the directions contained in this Order to the “*The Division Chief, CFID, CFID-Sec2, Securities and Exchange Board of India, SEBI Bhavan I, Plot No.C-4, “G” Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051*” and also to email id : tad@sebi.gov.in in the format as given in the table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: Penalty or Disgorgement	

141. This Order shall come into force with immediate effect.

142. This Order shall be served on all the Noticees, SEBI, Recognised Stock Exchanges, Banks, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

SANTOSH KUMAR SHUKLA
Digitally signed by
SANTOSH KUMAR
SHUKLA
Date: 2025.11.28
16:39:10 +05'30'

SANTOSH SHUKLA

Date: November 28, 2025

Place: Mumbai

**QUASI JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA**

Order in respect of Droneacharya Aerial Innovations Limited