

<b>Department: Investigation</b>	<b>Segment: All</b>
<b>Circular No: MSE/ID/18678/2026</b>	<b>Date: March 02, 2026</b>

**Subject: SEBI Order in the matter of Arcotech Ltd.**

To All Members,

SEBI vide order no. QJA/MN/CFID/CFID-SEC5/32160/2025-26 dated February 27, 2026, has restrained following entities from accessing the securities market and are further prohibited from buying, selling of securities directly or indirectly, for the period given in table, from the date of this Order.

<b>Noticee No.</b>	<b>Name</b>	<b>PAN</b>	<b>Restraint Period</b>
1	Arcotech Limited	AAACS2437G	6 months (Six months)
2	Mr. Radhanath Pattanayak	AFRPP7293L	6 months (Six months)
3	Mr. Arvind Kumar Saraf	AJVPS2259K	6 months (Six months)
4	Mr. Rishabh Saraf	BUDPS4226G	2 months (Two months)
5	Sidhant Distributors Pvt. Ltd.	AADCS5936R	6 months (Six months)
6	Good Value Products Limited	AABCG1526H	1 month (One month)
7	Nihon Sales Private Limited	AAACN4203D	1 month (One month)

Further, SEBI vide above order has directed that if the above entities have any open position in any exchange traded derivative contracts, as on the date of this 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**

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

Under Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) 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:**

<b>Noticee No.</b>	<b>Noticee Name</b>	<b>PAN</b>
1.	Arcotech Limited	AAACS2437G
2.	Mr. Radhanath Pattanayak	AFRPP7293L
3.	Mr. Arvind Kumar Saraf	AJVPS2259K
4.	Mr. Rishabh Saraf	BUDPS4226G
5.	Mr. Akshaya Kumar Biswal	AHAPB4171A
6.	Mr. Arvind Dadheech	CGEPD7200D
7.	Ms. Nidhi Jain	AWAPJ9069J
8.	Sidhant Distributors Pvt. Ltd.	AADCS5936R
9.	Ms. Renu Saraf	AWEPS6605B
10.	Arcotech Info Ltd.	AADCM7224N
11.	Cloast Trade & Services Pvt. Ltd.	AABCC0502H
12.	Siddhivinayak Stockist & Trades Pvt. Ltd	AANCS2923A
13.	Good Value Products Limited	AABCG1526H
14.	Nihon Sales Private Limited	AAACN4203D

**In the matter of Arcotech Limited**

(The aforesaid entities are referred to by their corresponding names/numbers and collectively referred to as "Noticees")

**BACKGROUND**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') upon receiving a complaint against Arcotech Limited (hereinafter referred

to as “AL”/ “Arcotech” / “the Company”) alleging that the company is closing its business without public disclosure, conducted an investigation to ascertain potential misrepresentation in financial statements and/or diversion of funds by management of AL and to inter-alia ascertain whether there was any violation of the provisions of the SEBI Act, 1992 (“SEBI Act”), 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 there under. The period of Investigation was Financial Years (“FY”) 2016-17 to 2020-21 (hereafter referred to as ‘IP’). However, whenever deemed necessary, references have been made to the events/timeframes outside this period.

2. The details of the directors of the AL during the IP are as under:

Company Directors	DIN	Designation	Appointment Date	Cessation Date
Radhanath Pattanayak	01189370	Whole time Director & Executive Director	18/12/2009	Not Applicable
Arvind Kumar Saraf	00057323	Chairman & Promoter & Non-Executive Non-Independent Director	22/03/2006	Not Applicable
Rishabh Saraf	02103953	Non-Executive Director	28/09/2015	27/09/2018

### SHOW CAUSE NOTICE

3. The allegations are divided into following four categories:

- A. AL diverted funds to the tune of Rs.14.15 crores to benefit the promoter of AL, Sidhant Distributors Pvt. Ltd. (**‘Sidhant’**) for the purpose of allotment of Preferential shares to Sidhant Distributors Pvt. Ltd. against the said diverted fund by transferring it back to AL and consequently misrepresented purchases to the extent of Rs.14.15 crores in FY 2018-19.
- B. AL undertook fictitious and sham transactions with an intent to misrepresent financial statements and misrepresented financial statements for FY 2016-17 to 2019-20. AL’s funds were circulated to

generate fictitious sales and purchases, and AL indulged in circular transactions of funds with Astor Mercantile Pvt. Ltd. ('**AMPL**'), Nihon Sales Pvt. Ltd. ('**NSPL**'), and Bharat Sales ('**BS**'). Recording these sham transactions resulted in mis-representation of financial statements of AL for FY 2016-17 to 2019-20. By mis-representation, AL gave a rosy picture of the financials to the stakeholders of the company, thereby, influencing the decision of investors dealing in the shares of the company and the company had failed to present true and fair financial statements.

C. Failure in disclosing the seizure of registered office of AL by IFCI Ltd. due to non-payment of dues.

D. Delay in disclosure of the reduction of shareholding by the promoters of AL due to invocation of pledged shares by the lender, IFCI Ltd.

4. Based on the above, the Noticees were alleged to have violated following provisions of law:

I.AL (Noticee No.1): Regulations 4(1), 4(2) (f), (k) and (r) of the PFUTP Regulations. Regulations 4(1)(c),(d),(e),(g),(h),(i) read with Clause 6 of Para B in Schedule III read with Regulation 30 of LODR Regulations.

II.Mr. Radhanath Pattanayak (Noticee No.2): Regulations 4(1), 4(2) (f), (k) and (r) of the PFUTP Regulations, Regulation 4(2)(f)(ii)(8) read with Clause 6 of Para B in Schedule III read with Regulation 30, 17(8) of LODR Regulations.

III.Mr. Arvind Kumar Saraf (Noticee No.3) & Mr. Rishabh Saraf (Noticee No.4): Regulations 4(1), 4(2) (f), (k) and (r) of the PFUTP Regulations.

IV.Mr. Akshaya Kumar Biswal (Noticee No.5) & Mr. Arvind Dadheech (Noticee No.6): Regulations 17(8) of LODR Regulations.

V.Ms. Nidhi Jain (Noticee No.7): Regulations 6(2) (a), (b) of the LODR Regulations.

VI.Sidhant Distributors Pvt. Ltd. (Noticee No.8), Ms. Renu Saraf (Noticee No.9), Good Value Products Limited (Noticee No. 13) and Nihon Sales Private Limited (Noticee No. 14): Regulations 4(1) of the PFUTP Regulations.

VII.Sidhant Distributors Pvt. Ltd. (Noticee No.8), Arcotech Info Ltd., (Noticee No. 9), Cloast Trade & Services Pvt. Ltd. (Noticee No. 10) and Siddhivinayak Stockist & Trades Pvt. Ltd. (Noticee No. 12) : Regulation 31(2) read with 31(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“**SAST Regulations**”).

### **SERVICE OF SCN, REPLIES AND HEARING**

5. The Show Cause Notice dated October 14, 2024 (“**SCN**”) along with annexures were served on the Noticees through speed post acknowledgment due (SPAD) and email. It was duly delivered to all the Noticees. Thereafter, certain Noticees sought copies of various documents and requested inspection of documents as per the table provided below:

<b>S. No.</b>	<b>Noticee</b>	<b>Details of request made</b>	<b>Remarks</b>
1.	Arcotech Limited	Vide letter dated April 28, 2025; requested additional documents and inspection of documents	Copy of complaints, relevant bank account statements, Investigation Report and its annexures and Forensic Audit Report were provided, as per the request.
2.	Mr. Radhanath Pattanayak		
3.	Mr. Arvind Dadheech		
4.	Mr. Arvind Kumar Saraf	Vide letter dated June 13.06. 2025 requested additional documents and inspection of documents	Relevant documents, as per the request, were provided.
5.	Mr. Rishabh Saraf		
6.	Mr. Akshaya Kumar Biswal	Vide letter dated June 06, 2025; requested additional documents and inspection of documents	Inspected documents on June 27, 2025 through the authorised representative
7.	Ms. Nidhi Jain	Vide letter dated May 02, 2025 requested additional documents	Copy of Investigation Report and its annexures were provided vide email dated

			June 11, 2025, as per the request.
8.	Sidhant Distributors Pvt. Ltd.	Vide letter dated June 13, 2025 requested additional documents	Relevant documents, as per the request, were provided.
9.	Arcotech Info Ltd.	Vide letter dated June 13.06.2025 requested additional documents and inspection of documents	Inspected documents on June 27, 2025 through the authorised representative, additional documents, as per the request, were provided.
10.	Cloast Trade & Services Pvt. Ltd.		
11.	Siddhivinayak Stockist & Trades Pvt. Ltd		
12.	Good Value Products Limited	Vide letter dated June 24, 2025, sought additional documents and inspection of documents	Additional documents requested were provided inter alia Investigation Report and Forensic Audit Report ; Inspected documents on July 21, 2025
13.	Nihon Sales Private Limited		

6. Upon providing the additional documents to the aforesaid Noticees requesting the same, additional time was granted to the Noticees to submit their written replies. Subsequently, in the interest of natural justice, the Noticees were provided with opportunity of personal hearing and the same was conducted as per the table below:

Name of Noticee	Date of hearing/s
Mr. Arvind Dadheech	September 12, 2025
AL and Mr. Radhanath Pattanayak	September 12, 2025 and October 30, 2025
Ms. Renu Saraf	September 02, 2025
Mr. Arvind Saraf, Mr. Rishabh Saraf and Siddhant Distributors Pvt. Ltd.	October 01, 2025
Mr. Akshaya Kumar Biswal	September 11, 2025
Ms. Nidhi Jain	September 12, 2025
Arcotech Info Ltd., Cloast Trade and Services Pvt. Ltd.	September 12, 2025
Good Value Products Ltd. and Nihon Sales Pvt. Ltd.	October 01, 2025

7. The Noticees have submitted their written replies and additional replies post their respective personal hearings. The summary of the replies

submitted and the details of allegations levelled against the Noticees are as follows:

**Summary of allegations and reply of Noticee No. 1 and 2**

**Allegations against Noticee No.1:**

- A.** Diverted funds of AL to the tune of 14.15 Cr. to benefit Sidhant against which preference shares were issued.
- B.** Manipulated the books of accounts which had led to the financial statements being untrue and not sharing a true picture of AL's financial position by reporting fictitious and sham purchase and sale transactions.
- C.** Failed to disclose the seizure of AL's factory/workplace by IFCI that disrupted its operations.

**Allegations against Noticee No.2:** Mr. Radhanath Pattanayak ('RP')  
Whole Time Director ('WTD') of AL

- A.** Diverted funds of AL to the tune of 14.15 Cr. to benefit Sidhant against which preference shares were issued.
- B.** Manipulated the books of accounts which had led to the financial statements being untrue and not sharing a true picture of AL's financial position by reporting fictitious and sham purchase and sale transactions.
- C.** In spite of being aware of fictitious transactions provided false certification under Regulation 17(8) of SEBI LODR Regulations to the Board of Directors of AL stating that financial statements do not contain any materially untrue statement and provide true and fair view.
- D.** Being a Whole Time Director and Executive Director of AL, failed to disclose the seizure of AL's workplace by IFCI that disrupted the operations of AL.

**Submissions of Noticee Nos. 1 and 2**

**Preliminary Submission:**

- a) The notice has been denied the inspection of complete relied upon documents and inspection which strikes the very root of the principles of audi altrem partem and natural justice.

- b) The alleged transactions essentially relates to corporate financing, issuance of preference shares and accounting treatment thereof, which fall within the domain of the Companies Act, 2013 and the statutory auditors appointed thereunder. SEBI by issuing the instant SCN has expanded its jurisdiction to investigate matters which are fundamentally corporate and accounting in nature without establishing any direct nexus to investor protection or market integrity. AL and RP cannot be held vicariously liable for acts, omissions or defaults of independent third party entities over which they do not exercise any control.
- c) The allegation of manipulation, diversion or misrepresentation is solely based on the third party financial statements without any direct evidence hence it is unsustainable in law.
- d) In the matter of *SEBI v. Rakhi Trading Pvt. Ltd* (2018) 13 SCC 753, the Hon'ble Supreme Court emphasized that regulatory findings must be based on concrete material and not merely on conjecture or inference. The Hon'ble Securities Appellate Tribunal has also consistently held that reliance on unverified and/or third-party documents, without independent corroboration, cannot sustain charges.
- e) The financial statements of the Company for the relevant years were audited by statutory auditors, adopted by shareholders, and filed with the MCA and stock exchanges without objection at the relevant time. Any retrospective challenge to audited accounts, without findings of fraud or wrongdoing first by the statutory auditors or the NFRA, cannot form the sole basis of penal action.
- f) transactions complained of relate to events which occurred more than seven years prior. The protracted delay in initiating these proceedings has materially prejudiced the Noticees' ability to recollect, retrieve and produce older contemporaneous records and to examine third-party witnesses.

Submissions on merits:

- a) The issuance of 35,00,000 Non-Convertible, Non-Cumulative, Redeemable Preference Shares amounting to INR 35 Crores to Sidhant was made in consideration of bona fide loan availed from Sidhant for meeting working capital requirement. AL's ledger submitted to SEBI reflected receivables from Sidhant and Good Value (SPV entry for Sidhant) aggregating to INR 35 Crores. Such arrangements are legitimate financing measures, consistent with the Company's historical practice of availing working capital facilities.
- b) The said requirement of the loan arose from the financial stress post the Free Trade Agreement signed by Union of India with Association of Southeast Asian Nations, relaxing import duty on finished goods but not on the raw material/unfinished goods, coupled with delayed disbursement of sanctioned working capital facilities by consortium banks, thereby, further necessitating reliance on loans from Sidhant. These circumstances underscore the bona fide nature of the borrowing.
- c) The absence of a formal loan agreement does not ipso facto render a loan transaction invalid or illegal in law. In practice, intercorporate loans and short-term financing arrangements are often extended on the basis of mutual trust and commercial expediency, especially when urgent working capital requirements arise. Regarding doubts on financial competency of Sidhant to lend loans, it was submitted that Sidhant availed loans prior to provide working capital to AL. The allegation that the transaction is questionable solely on account of the absence of a written agreement or on the basis of Sidhant's financial condition is therefore misplaced.
- d) Preference shares does not confer any voting right as that available to the equity shareholders and further the preference shares were issued at the nominal interest rate of 1% which shows that there was no intention of Company to unjustly benefit the promoter group entity.

- e) With regard to the allegation concerning transfers to NSPL of INR 14.15 Crores in six tranches during calendar year 2018, AL has maintained long-standing commercial relations with NSPL since 2006. The payments aggregating INR 14.15 Crores made to NSPL were bona fide business transactions towards procurement of Raw Materials/unfinished goods. These transactions were carried out in the ordinary course of business and cannot be construed as sham or colourable transactions. All such payments were duly recorded in AL's books, disclosed in audited financial statements, and subjected to statutory audit under the Companies Act, 2013, without any adverse observations.
- f) Initially, limited information was provided to the exchange, NSE and the Forensic Auditor due to the forced closure of the company's registered office. The transactions were neither fraudulent nor intended to mislead investors or regulators, but were legitimate business dealings within the ordinary course of operations.
- g) Mere temporal adjacency of transactions cannot, in itself, give rise to an inference of illegality or fraudulent intent. Such reasoning is entirely speculative and devoid of evidentiary basis. Temporal proximity does not and cannot substitute for material evidence of fraud, misrepresentation, or wrongful enrichment. ***Punit Goenka v. SEBI*** Appeal No. 714 of 2023, Order dated October 30, 2023 was referred in support of above.
- h) Subsequent transactions carried out by NSPL or other entities were beyond AL's control. The "connections" alleged in the SCN and Investigation Report suffer from serious infirmities in law and fact. The alleged links are based on events or directorships that occurred either prior to or subsequent to the Investigation Period (2016-17 to 2020-21), and therefore have no bearing on the transactions under inquiry. For connection with Medsave with AL, Sidhant, Vasudha the connection is alleged based on common directorship of Mr. Arvind Dadheech (CFO of AL 01.06.2019- till date and Director of Medsave (19.03.2024 – till date).

However, his tenure at Medsave started subsequent to the IP hence no nexus is established which is relevant to the transaction under investigation. Hence, the connection alleged in the SCN suffers serious infirmity. No contemporaneous nexus has been shown between the alleged connections and the specific fund flows during 2017–2022. In absence of such nexus, the presumption that all transactions routed through Good Value and Vasudha were sham cannot be sustained.

- i) It is trite law that the existence of negative net worth or low profitability cannot, in law, be equated with sham transactions. All transactions were carried out through normal banking channels and supported by ledger confirmations.
- j) SEBI has misconstrued routine settlement of inter-corporate advances and trade receivables/payables as circular fund movement. These transactions were supported by invoices, bank transfers, GST records and confirmations from counterparties, and were disclosed in the company's records. No material evidence has been brought on record to demonstrate that the monies so received were siphoned off or misused for personal benefit of the promoters.
- k) The transactions with Good Value were part of the company's working capital cycle. Funds were borrowed or advanced to ensure liquidity and business continuity during a period of financial stress. Such arrangements are common in industry practice and do not amount to fraudulent conduct.
- l) The mere fact that NSPL may have had subsequent financial dealings with Good Value, or that funds were later transferred between entities, does not in any manner establish that Company payment was sham or without business purpose. The Noticees' obligation and transaction ended with the bona fide payment to NSPL against supplies. Any further onward movement of funds between NSPL and Good Value is a matter outside the

control of Company and cannot be imputed as diversion or misrepresentation by the Company.

- m) Hence, a payer cannot be held responsible for what a counterparty does with its own funds, unless collusion is demonstrably shown. Further, the supply confirmations from NSPL establish substance, and that the “speed” of transfers alone cannot prove sham without showing absence of underlying goods/services, in this regard, it is submitted that suspicion however strong, cannot be equated to proof.
- n) The allegation that the total imported raw material was only Rs. 6.28 crores is not fully correct as the SCN has failed to rely on the very few next lines of the Annual Report of 2015-16 wherein the Capital Goods - CWIP of Rs. 36.64 crores were mentioned and it includes the alleged import of Rs.20.52 crores. SEBI failed to differentiate the difference in finished goods and unfinished goods. It is pertinent to highlight that the imports worth Rs. 6.28 Crores represented raw material, which was duly utilized at the Company’s Bawal Plant and thus was disclosed as such in the financial statements. Pertinently, INR 20.52 Crores pertained to imported components/equipment, not raw material and was thus disclosed accordingly.
- o) Since these goods were not raw material, they were disclosed in the AL’s Financial statements under the head “*Capital Goods*”, and not shown under “*Import of Raw Material.*” The accounting treatment adopted was thus entirely in compliance with applicable accounting standards and reflective of the true nature of the goods. However, the imported equipment were subsequently found to be not of requisite quality and unfit for the intended purpose over a considerable period of time. Hence, AL decided to sell the same through NSPL which acted as a dealer/intermediary.
- p) Regarding payment of Rs.17.22 Cr to AMPL, the payments in question were bona fide commercial transactions undertaken in the ordinary course

of the Company's business and for legitimate commercial considerations. The payments represented consideration for goods legitimately procured or for other lawful commercial obligations. The transactions are supported by a complete documentary trail of purchase orders, invoices, delivery challans, and banking channel entries. The presence of documentary evidence and corresponding bank credits negates any suggestion that the payments were not real.

- q) The Noticees did not exercise control, supervision or direction over AMPL's internal decisions or the manner in which AMPL utilized or deployed its funds subsequent to receipt. Once Company's commercial obligations were discharged and payments were effected in accordance with agreed terms, Company's responsibility in respect of the transaction ceased and thereafter, Company cannot be vicariously held responsible for AMPL's independent financial dealings with third parties.
- r) The inference drawn by SEBI that the payments constituted "flow-back" or round-tripping is founded upon selective reliance on timing and transactions. Such selective inference fails to account for commercial exigencies, supply cycles, legitimate payment practices and independent decisions of counter-parties. In the absence of probative evidence showing directive control or purposeful orchestration by AL, temporal proximity alone cannot sustain an adverse finding.
- s) MIPL, Hind Metals, BMPL and Bharat Sales are independent commercial entities with their own managements and accounting systems. AL did not exercise control or supervision over their post-receipt deployment of funds or subsequent commercial decisions.
- t) AL's purchase ledgers for 2016-17, 2017-18 and 2018-19, as produced herewith, clearly record substantial, invoice-backed purchases from NSPL. NSPL was a regular and genuine supplier to the Company and that payments made by the Company to NSPL represented consideration for

supply of goods, duly supported by concurrent invoices, delivery challans and GST filings. The SCN has only isolated a small subset of alleged bank movements aggregating to Rs. 24.76 Crores and, without reference to the corresponding invoices, has labelled the same as sham or circular in nature.

- u) All the transactions with NSPL have been proved to be genuine and same has been confirmed by NSPL in their reply to SEBI. This confirmation by NSPL, being an admission of genuineness by a counterparty, constitutes substantive evidence under the Indian Evidence Act and cannot be disregarded without contrary proof. The transactions between NSPL and other entities were completely independent in nature and were carried out at arm's length, without any control, supervision, or influence exercised by the Noticees over such counterparties. The SCN has erroneously presumed a connection merely on the basis of certain fund flows observed in bank statements, without appreciating the commercial rationale of the transactions or the independence of the counterparties involved. These transactions have passed the scrutiny of statutory auditors.
  
- v) With reference to, the transactions from several other entities namely, CMI Limited, Everest Metal, Good Value, Haryana Metals, MIPL and Laxmi Industries, while complete information from counterparties could not be procured after such a massive lapse of time, the Noticees have enclosed available ledgers and invoices. Any evidentiary gap may be attributable solely due to the inordinate delay and ought not to be held against the Noticees.
  
- w) With reference to the transaction from the Company to Bharat Sales pertaining to Rs. 22.97 Crores, it is categorically denied that any of the transactions were circular, sham, or intended to mislead any regulator or stakeholder. The transfers made by AL to BS, and receipt of money by Company from BMPL and MIPL, were genuine commercial transactions

undertaken in the ordinary course of business, supported by valid invoices, contracts, and bank statements.

- x) It is a settled principle that to establish misrepresentation or fraudulent manipulation of financial statements, the regulator must demonstrate:
- a. a material misstatement in the accounts;
  - b. that the misstatement is not a mere difference of accounting treatment but falsity and,
  - c. that the misstatement was made with mens rea i.e., dishonest intention to mislead or to conceal.

It is trite law that mere suspicion or temporal correlation does not discharge the aforesaid burden. Your goodself must prove dishonest intent, collusion or acting in-concert, which it has not done.

- y) Mere existence of past associations or overlapping directorships cannot, in law, be construed as evidence of concerted activity or diversion of funds, unless supported by cogent material showing actual misuse of such connections to the detriment of stakeholders. As held in *Daiichi Sankyo v. SEBI* (2010) and reaffirmed in *Ajmera*, commonality of directors or promoters, absent evidence of coordinated control, cannot by itself establish fraudulent nexus.
- z) The very fact that such transactions were disclosed in the audited balance sheets, and that no adverse qualifications or objections were raised either by the statutory auditors or by any other competent authority, negates the allegation of concealment or misrepresentation. Thus, unless and until a specific finding of falsity or collusion is first established against the statutory auditors by NFRA or other competent authority, their independent certification must be given due weight.

*Specific submissions for Mr. Radhanath Pattanayak (Noticee No.2)*

- a) A. While he was the Whole-Time Director (WTD) during the relevant period, the allegation that all decisions pertaining to purchase, sales and

fund management were within his personal knowledge or control is factually incorrect. It is also submitted that the onus of establishing that Mr. Radhanath personally authorized, concealed, or benefitted from the alleged transactions lies with the regulator. Mere presumption that, by virtue of being WTD/ED, he “must have known” or “could not have been unaware” of the alleged transactions, is insufficient in law.

- b) The compliance certificate issued by him was based on representations made by the functional heads of the Company, the finance team, and the statutory records maintained in the ordinary course of business. It is a settled corporate practice that such certifications are not issued in isolation but are premised upon internal controls, accounting records, and reports prepared by the finance and compliance departments, and duly examined by the statutory auditors. Hence, there is no element of falsity or deliberate misstatement attributable to him.
- c) Such certification is given to the best of knowledge and belief and is not a guarantee of absolute correctness. Unless it is established that Noticee No.2 knowingly suppressed material facts or wilfully certified incorrect information, the allegation of “false certification” cannot stand. No material has been placed on record to suggest that he acted with mala fide intent or had knowledge of alleged misstatements at the relevant time.

*Post Hearing Submissions of Noticee No. 1 and 2*

- a) Noticee No.1 and 2, for the fund movement observed in the SCN, submitted the corresponding invoices, E-way Bills and Transport receipts. Various GST reports of the relevant period were also submitted to prove the authenticity of the fund movement observed in the SCN. For the goods imported by AL during FY 2015-16, the Noticees submitted copies of invoice, Bill of Lading, Bill of Entry, insurance document and the copy of Hon'ble Delhi High Court Order dated December 18, 2023.

## **Summary of allegations and replies of Noticee No. 3, 4 and 8**

### **Allegations against Noticee No. 3 and 4:**

- A.** Mr. Arvind Kumar Saraf is the Chairman & Promoter director & Non-Executive Non-Independent Director since March 22, 2006. Mr. Rishabh Saraf was the son of Mr. Arvind Kumar Saraf and Non-Executive Director of AL from FY September 28, 2015, to September 27, 2018. Mr. Arvind Kumar Saraf and Mr. Rishabh Saraf were part of the Board of Directors and were disclosed as KMP in the annual reports of AL during FY 2016-17 to 2019-20.
- B.** Also, Mr. Arvind Kumar Saraf and Mr. Rishabh Saraf, together held 7% of the shareholding in AL for FY 2016-17 to 2019-20 i.e., during the period of allegations and they had pledged the shares during the said period indicating that they were the beneficiaries of the price changes in the scrip of AL resulted due to misrepresentation in the financial statements of AL. The same was also evident from the loans given by Sidhant to AL in FY 2018-19 for its operations. Mr. Arvind Kumar Saraf and Mr. Rishabh Saraf were the directors of Sidhant since July 23, 2011 and November 21, 2013 respectively.
- C.** Even though the role of Mr. Arvind Kumar Saraf and Mr. Rishabh Saraf, were non-executive directors, the transactions of AL could not had taken place without the knowledge of Mr. Arvind Kumar Saraf, who was a promoter, director and chairman of AL and his son Mr. Rishabh Saraf, director of AL. Further, funds had moved through the private companies that were connected with Arvind Kumar Saraf and Rishabh Saraf. Also, the financials of the FYs 2016-17 to 2017-18 had been signed by both Mr. Arvind Kumar Saraf and Mr. Rishabh Saraf and financials of the FY 2018-19 & 2019-20 had been signed by Mr. Arvind Kumar Saraf. The above acts on the part of Mr. Arvind Kumar Saraf (Noticee No.3) & Mr. Rishabh Saraf (Noticee No.4) were in violation of Regulations 4(1), 4(2)(f), (k) and (r) of the PFUTP Regulations.

- D.** Further, having the knowledge of providing false certification by CEO and CFO under Regulation 17(8) of SEBI LODR Regulations, Mr. Arvind Kumar Saraf signed falsely stating that AL complied with all mandatory requirements of corporate governance during FY 2016-17 to 2019-20 and same was disclosed in the Annual Reports of AL.

**Allegations against Noticee No.8:**

- A.** Diverted funds of AL to the tune of 14.15 Cr. against which preference shares were issued to Siddhant, details of which are discussed in the subsequent paragraphs of this order.
- B.** During the period when Sidhant allegedly provided loans to AL i.e. FY 2018-19, the profit after tax was only Rs. 11,258/-. The net cash flow from operating activities and investment activities were negative, however financing activities had shown positive figure reflecting proceeds from borrowings of Rs. 20 crores. However, no loans given were reflected in the books of Sidhant.
- C.** In terms of SAST Regulations, Persons Acting in Concert (PAC), have to disclose the disposal or acquisition of shares held, within two (2) working days under Regulation 29(2) read with 29(3) of SAST Regulations, if such change results in more than 2% of the total shareholding of the target company. In case of a decrease in holdings due to pledge invocation, promoter group entities were required to disclose within seven (7) working days under Regulation 31(2) read with 31(3) of SAST Regulations. Sidhant, being a promoter of AL, delayed disclosure by 109 days under SAST Regulations on the invocation of pledged shares on March 17, 2025.

**Common Submissions on allegations by Noticee No. 3, 4 and 8**

- a) Negative net cash flow or reduced profitability in a given year of Sidhant does not, in any manner, imply wrongdoing or incapacity to extend financial assistance by liquidating its assets.

- b) During the FY 2017-18, an amount of Rs. 30 crores were arranged by the promoter group to support AL by way of loan from JMFPL. In FY 2018-19, the promoter group raised another loan amounting to Rs.35 crores from JMFPL. The said loan was specifically raised to help AL. The balance sheet of Sidhant for FY 2017-18 reflects Rs. 25 crores and for FY 2018-19 reflects the amount of Rs. 45 crores, under the section “Non-Current Borrowings” reflecting long term borrowings. These figures demonstrate that Sidhant arranged the fund during the relevant period to support AL and had the financial credibility to help AL and its promoter group entity.
- c) Since the total loan amount was converted into preferential share capital, it is not reflected under ‘Lendings’ in the financial statements of Sidhant. Part of the preferential shares were transferred to other promoter group entities and the balance remaining with Sidhant is duly reflected in cash flow statement. Hence, Sidhant was well positioned financially and structurally to support the company.
- d) Recognizing the long-term financial needs of AL, the promoter group resolved to deploy amount of Rs.35 Cr. as a long term investment into AL. The sum of approximately Rs.35,00,00,000/- was advanced to the company by Sidhant as a loan. Any interest on the said loan was consciously not charged, as AL’s financial condition did not permit it to bear additional cost.
- e) The loan provided to AL by the promoter was a bonafide and legitimate financial transaction which was entered in the normal course of business to support the working capital requirements of AL. During FY 2017-18, the working capital of AL saw a decline of approx. Rs.22.52 crores. Ascertained by calculating the difference between the figures under the head ‘Assets’ in current assets and the figures under the head ‘Liabilities’ in Current Liabilities for the FY 2016-17 and 2017-18. Around 2017, the

financial position of AL began to decline due to government policies and other external as well as internal factors.

- f) With regard to the transfer of Rs.15.84 crores by NSPL to Good Value, in FY 2017-18, Sidhant advanced a total of Rs. 19.02 crores to AMPL. However, when AL faced urgent requirement for additional working capital, Sidhant requested AMPL to return the funds so that the same can be made available to AL for its working capital requirement. Therefore, at the request of Sidhant, AMPL instructed NSPL to transfer Rs.15.84 crores to Good Value, which was thereafter forwarded to AL on behalf of Sidhant.
- g) NSPL routed the funds of Rs.15.84 cr through Good Value solely to maintain a clear distinction between NSPL's operational accounts and temporary working capital funding transactions. Thus, the involvement of Good Value for the transaction between NSPL and AL was only procedural in nature and intended to preserve the commercial and accounting integrity of ongoing business relationships.
- h) The transaction of Rs. 14.15 crores between AL and NSPL was part of a decade long commercial relationship involving regular purchase and sale of goods. The payment of Rs.14.15 crores by AL to NSPL during FY 2018-19 was against genuine purchases. This was a bonafide commercial transaction involving the purchase of goods by AL from NSPL, pursuant to which AL made the payment of Rs.14.15 crores to NSPL. Hence, the above transactions were not merely book entries.
- i) Considering both the infusion of Rs.35 crores and the ongoing financial constraints, Sidhant was allotted Non-Convertible, Non-Cumulative, Redeemable Preference shares.
- j) To further extend the support to AL, the promoters also sold a property which was in the name of Bhavin Polyplast Pvt. Ltd. and the proceeds from this sale were infused into Vasudha against the issue of 96,251 equity

shares to Bhavin Polyplast. This helped Vasudha to generate necessary liquidity to further infuse funds in AL.

- k) Validity of a loan transaction is not contingent merely upon the financial strength of the lender, but rather upon the actual receipt of funds, proper recording in the books of account, and their legitimate utilisation. Since the receipt of Rs. 35 crores by the AL from Sidhant is duly reflected in AL's financial records and substantiated by verifiable banking documents, the authenticity and genuineness of the transaction is established.
- l) Absence of written loan agreement between AL and Sidhant doesn't necessarily mean that the loan was illegal. Under Indian Contract Act, 1872 verbal or implied agreements can also be legally valid. In the business world, its not unusual for companies to lend money to each other based on mutual trust and long standing relationships, especially in urgent situations.

Submissions of Noticee No.8

- a) The delay in making requisite disclosures under Regulation 31(2) and 31(3) of SEBI SAST Regulations, 2011 was due to factors beyond the control of the Noticee. The alleged transaction took place on 17.03.2020 during which the COVID-19 pandemic was gaining pace and nationwide lockdown was imposed. This impeded the Noticee from complying with the regulatory requirements within the prescribed timeline.
- b) The date when the transaction took place, lockdown situations were imposed in the country and it was during this time that MHA vide order dated 24.03.2020 imposed nationwide lockdown. Due to this, the operations of the Noticee were severally disrupted. The key personnel in the office who were responsible for regulatory and compliance oversight were either incapacitated or otherwise unavailable owing to the health related concerns, including COVID-19.

- c) The Noticee still tried to make the efforts to tackle the lockdown restrictions but due to multiple travel restrictions imposed nationwide the Authorized Signatory to these documents could not sign and oversee them as all the necessary documents were kept in the registered office.
- d) The Noticee therefore invoke *Doctrine of Impossibility* as a recognized legal principle for explaining the non-performance.
- e) No loss has been caused to any investor and neither has the Noticee made any undue and disproportionate gain on account of this. The instant allegation against the Noticee should be considered in the same spirit as the relief SEBI extended during COVID-19 pandemic for other regulatory filings.
- f) Hence, the delay of 109 days ought to be condoned, consistent with SEBI's intent to provide relief during unprecedented times to ensure equitable treatment of all entities. In other instances when the Noticee's pledge was invoked and resultantly Noticee's shareholding decreased in AL from 22.25% in September 2018 to 19.75% in December 2018, the Noticee made appropriate SAST Disclosures under Regulation 31(2) and 31(3) within the prescribed time of seven days.
- g) The alleged delay was purely technical and procedural in nature.

*Submissions of Noticee No.3 and 4*

- a) Mere act of signing financial statements, particularly in the capacity of a Non-Executive Director, does not in itself impose liability or indicate active involvement in the preparation or verification of the contents. Signing such documents is often a procedural requirement and is done in a good faith, based on the information presented by the team, who is primarily responsible for the preparation, accuracy and compliance of financial records.

- b) The Noticees being Non-executive directors of AL in good faith, relied on the representations and professional assurances provided by the management and auditors and had no reason to doubt their accuracy and integrity at the time.
- c) The requirement for attracting liability under PFUTP Regulations which includes intent to defraud, active participation, or inducement of investors are clearly not satisfied in the present case, particularly for the Noticees who were merely acting in their limited capacity as Non-Executive Director.
- d) The explanation/interpretation clause under Regulation 4(1) of PFUTP Regulations is also inapplicable in the instant proceedings as no material has been brought on record to establish that Noticee No. 3 and 4 were involved in the mutualisation, siphoning or diversion of assets of any listed entity or has ever attempted to conceal any act, scheme, device to manipulate the books of accounts of a company which would indirectly manipulate prices of securities of Company.

**Summary of allegations and reply of Noticee No.5, Mr. Akshay**

**Kumar Biswal**

**Allegations against Noticee No.5:**

- A.** Mr. Akshay Kumar Biswal was the CFO of AL for the period November 27, 2017, to September 27, 2018. He was also 'key managerial personnel' in AL by virtue of his designation as CFO in terms of the Companies Act, 2013. As per Regulation 2(f) of LODR Regulations, the CFO heads and discharges the finance function.
- B.** During his tenure as CFO, AL entered into circular funds transactions with AMPL, NSPL, and BS. Mr. Akshay Kumar Biswal was the head of finance and such transactions could not had taken place without his approval or knowledge.
- C.** As per Regulation 17(8) of LODR Regulations, CEO and CFO need to inter-alia certify that the financial statements do not contain any

misleading statement, present a true and fair view of the company's affairs as well as are in compliance with existing accounting standards, applicable laws and regulations. Further, they need to inter-alia certify that there were no transactions of the listed entity during the said FY, which were fraudulent in nature.

**D.** Having knowledge of these transactions, Mr. Akshay Kumar Biswal, provided false compliance certificate under Regulation 17(8) of LODR Regulations to the Board of Directors of AL for FY 2017-18, along with Mr. Radhanath Pattanayak (Noticee No.2), as CEO. Based on which financial statements of AL were approved by the Board of Directors of AL. It was also noted that Mr. Akshay Kumar Biswal had signed the financial statements of AL for FY 2017-18. Subsequent to the approval, the financial statements were disseminated to the shareholders with the misstatements during FY 2017-18 and 2019-20. Therefore, by giving false certification, Mr. Akshay Kumar Biswal failed to perform his duties in violation of Regulation 17(8) of LODR Regulations.

Submission of Noticee no. 5

- a) The Noticee held the position of CFO of AL during the limited period from 27.11.2017 to 27.09.2018. The Noticee cannot be saddled with liability for any acts, transactions or events that occurred outside his tenure.
- b) The financial transactions executed by AL in this period were duly supported by the necessary books of account, invoices, banking channel records which were duly verified. The certified was furnished based on the records made available to him. The transactions appeared to be genuine and commercial in nature, undertaken in the ordinary course of the business.

**Summary of allegations and reply of Noticee No. 6 Mr. Arvind  
Dadheech (CFO of AL)**

**Allegations against Noticee No. 6:**

- A.** Mr. Arvind Dadheech is the CFO of AL since June 01, 2019. He is also 'key managerial personnel' of AL by virtue of his designation as CFO in terms of the Companies Act, 2013. As per Regulation 2(f) of LODR Regulations, the CFO heads and discharges the finance function.
- B.** During his tenure as CFO, AL entered into circular funds transactions with AMPL, NSPL, and BS as detailed above. Mr. Arvind Dadheech were the head of finance and such transactions could not had taken place without his approval or knowledge.
- C.** Having knowledge of these transactions, Mr. Arvind Dadheech as a CFO's, provided false compliance certificate under Regulation 17(8) of LODR Regulations to the Board of Directors of AL for FY 2017-18, along with Mr. Radhanath Pattanayak, as CEO. Based on which financial statements of AL were approved by the Board of Directors. It was also noted that Mr. Arvind Dadheech had signed the financial statements of AL for FY 2019-20. Subsequent to the approval, the financial statements were disseminated to the shareholders with the misstatements during FY 2019-20. Therefore, it was alleged that, by giving false certification, Mr. Akshay Kumar Biswal and Mr. Arvind Dadheech failed to perform his duties in violation of Regulation 17(8) of LODR Regulations.

**Submissions of Noticee No. 6**

- a) The charge of CFO was only assumed with effect from June 01, 2019, hence he cannot be held responsible for any violation alleged against the company prior to his appointment.

- b) Regarding the financial statements of 2019-20, the sales to NSPL were genuine trade transactions duly supported by ledger entries as per GST. Hence, the financial statements of AL for the FY 2019-20 which were certified by the Noticee presented a true and fair view of the affairs of AL and did not contain any misleading statement.

**Allegations against and reply of Noticee No. 7 Ms. Nidhi Jain**  
**(Compliance Officer of AL)**

**Allegation against Noticee No.7:**

As a compliance officer of AL, she failed to perform her duties and obligations to disclose the seizure of AL's workplace/factory in Bawal, Haryana by IFCI Ltd. that disrupted the operations of AL.

**Submissions of Noticee No. 7**

- a) Appointed as Compliance Officer of AL on 16.08.2021 and was responsible to ensure the conformity of regulatory provisions applicable to AL including the reporting of material events to the Recognised Stock Exchange.
- b) AL disclosed all the material information regarding the closure of the premises and also its bonafide attempt to resolve the issue in hand based on Techno-Economic Viability Reports and simultaneously attempting to revive its operations on the basis of re-structuring plan in its Annual Report's notes to Financial Statements for the year ended March 31, 2022.
- c) Noticee No.7 was not informed about the seizure of the premises through formal communication and the managerial personnel of the company, including the concerned department of AL. No intimation received from any external authority or from the Officials of IFCI Ltd. relating to the event stated in the SCN. The Noticee had no information or knowledge, whether direct or indirect, relating to the seizure of the premises at any point in time. The Noticee had no operational control or possess any supervisory

authority over the seized premises. Hence, any development concerning the seizure was beyond the scope of work in the ordinary recourse until communicated by any person involved directly.

- d) In the matter of *DB Realty* the Ld. Adjudicating Officer of SEBI in its order dated October 31, 2023 gave benefit of doubt to the company secretary / compliance officer, as there was no material brought on the record to show that the compliance officer was informed about the said material event.
- e) The non-disclosure was neither deliberate nor wilful and it was only an inadvertent lapse on the part of company as a whole. The information and documents referred to and relied upon in the SCN do not establish that the Noticee was duly informed by any person, internal or external to the company nor that the Noticee was aware about the seizure of the premises.
- f) Following the seizure of the premises there was no direct interference in the day to day affairs of the Noticee who remained engaged with the ongoing work at the office located in State of Delhi.

### **Allegations and reply of Noticee No.9 Ms. Renu Saraf**

#### **Allegation**

Being the director of Sidhant at the relevant time, is liable alongwith Sidhant in diversion of Rs.14.15 cr funds of AL in lieu of which preferential shares were issued to Sidhant.

#### **Submissions of Noticee No. 9**

The Noticee submitted that she had resigned from the post of director of Sidhant on December 02, 2017, i.e. much prior to the impugned transactions, which occurred post her resignation.

**Allegations and reply of Noticee No.13 Good Value Products  
Limited ('Good Value')**

**Allegation**

Aided and abetted AL and Sidhant to divert funds of Rs. 14.15 Crores which benefitted Sidhant.

**Submissions of Noticee No.13**

**Preliminary submission**

- a) By not providing all the documents requested by the Noticee constitutes a prima facie grave violation of the principles of natural justice which mandate the provision of all the documents which are not only relied upon but also relevant to the nexus and the adjudication proceedings. The non-compliance of natural justice has caused grave injustice and prejudice to the Noticee as it is unable to defend itself properly. Reliance in this respect is placed on the judgment of *T.Takano vs. SEBI (2022) 8 SCC 162*.

**Submissions on Merits**

- a) The funds transferred by Good Value were ordinary transactions and were effected through legitimate banking channels. SCN fails to establish any agreement, meeting of minds or collusion between Good Value and AL to effectuate fraudulent diversion.
- b) Good Value only extended financial accommodation to support liquidity needs of AL, a listed entity and the same was duly recorded in banking and accounting records.
- c) Regarding receipt of sum of Rs.7.29 crores from Sidhant, the same were advanced solely to meet the working capital requirement of AL. Immediately upon receipt, Good Value transferred the amount to AL which is clearly reflected in the bank records of both Good Value and Sidhant hence the transaction was genuine. The transaction was not merely an adjustment or accounting entry rather actual funds had moved.

- d) Regarding receipt of sum of Rs.15.84 crores from NSPL, it was submitted that during FY 2017-18, AL faced financial crisis and required financial help. In furtherance of this, the promoter group company of AL, Sidhant requested AMPL to transfer the sum advanced to AMPL (Rs.19.02 crores) as loan, directly to AL for its use. Acting on Sidhant's instructions, AMPL arranged for NSPL to remit this amount directly towards AL's requirement. Accordingly, NSPL transferred the alleged amount through GVPL, which in turn passed it on to AL.
- e) The reasoning of fund transfer to and from Good Value is also applicable in respect to Rs.28.41 crores transferred by Good Value to AL and Rs. 0.02 crores transferred by NSPL to Good Value and thereafter from Good Value to AL.
- f) NSPL funded the amount through Good Value to maintain separation between routine commercial accounts and working capital support. The transfer of Rs.15.84 crores therefore represented nothing more than a practical adjustment of existing commercial obligations.
- g) Good Value neither had visibility into nor was it expected to examine the broader structuring decisions undertaken by AL or NSPL.
- h) It is a trite law that low turnover or negative net worth cannot, in law, establish that its transactions are sham or lacking commercial substance.
- i) Regarding allegations arising out of and resulting in the closeness in the time of the transfers, reliance on the mere proximity in timing of fund transfers to infer circularity or fraud is misconceived. For the same reliance is placed upon the Hon'ble SAT order of ***Punit Goenka v. SEBI*** (Appeal No.492 of 2023).

**Summary of allegations and replies of Noticee No. 14 - Nihon  
Sales Private Limited ('Nihon' / 'NSPL')**

**Allegations against Noticee No.14**

Aided and abetted AL and Sidhant to divert funds of Rs. 14.15 Cr., which benefitted Sidhant.

**Submissions of Notice No. 14**

**Preliminary Submission:**

- a) The SCN seeks to examine transactions as far back as FY 2016-17, whereas the SCN has been issued only in March 2025. Such extraordinary delay has caused serious prejudice to Nihon, including non-availability of relevant records beyond the period prescribed to maintain, lack of personnels and third-party confirmations, thereby infringes the principles of fairness and due process.
- b) Since NSPL is a private limited company, unlisted and also has no association with any intermediary registered with SEBI hence the invocation of SEBI Act and PFUTP Regulations against NSPL is without jurisdiction. Further, NSPL has no participation in the securities market.

**Submission on Merits:**

- a) Regarding movement of funds where Rs.14.15 Cr were received from AL and Rs. 15.84 Cr were transferred to Good Value on the same or next day, the same should not be considered as either fraudulent or circular as NSPL and AL have shared a longstanding and continuous commercial relationship since 2006. AL and NSPL have regularly been engaged in purchase and sale of finished and semi-finished goods. The particulars of sales and purchases by NSPL with AL during the IP were as follows:

<b>Financial Year</b>	<b>Value of Purchase by Nihon from AL (Rupees)</b>	<b>Value of Sales by Nihon to AL (Rupees)</b>
2016-17	43,26,82,401	220,25,79,308
2017-18	6,14,23,649	162,00,66,310
2018-19	2,86,14,945	86,88,94,958
2019-20	21,75,87,320	-

- b) Regarding further transfer of funds on the same day or next day of receiving, the same is not uncommon and such settlement structures are part of established commercial practice. These 'back-to-back' arrangements are utilized to ensure timely fulfilment of client orders and continuity of supply chains.
- c) NSPL received Rs.14.15 crores from AL for supplying the goods as 'sales by the company' to AL. The particulars of the financial transactions referred and relied upon by SEBI (Rs.14.15 Cr.) are mentioned below:

Financial Year	Value of Purchase by Nihon from AL (Rupees)	Value of Sales by Nihon to AL (Rupees)
2016-17	43,26,82,401	220,25,79,308
2017-18	6,14,23,649	162,00,66,310
2018-19	2,86,14,945	86,88,94,958
2019-20	21,75,87,320	-

- d) NSPL had duly discharged all applicable statutory levies including Value Added Tax and Goods and Services Tax ('GST') in respect of above transactions and the same is duly reflected in the NSPL's GST return. The very fact that indirect taxes have been deposited with the appropriate authority negates the allegation that the underlying transactions were sham in nature.
- e) A generalized allegation based solely on the proximity of two transactions without further corroborative evidence is inadequate and bad in law.
- f) Relying on the judgment of **SEBI vs Puneet Goenka** Appeal No. 714 of 2023, it was submitted that proximity of time between two transactions does not amount to fictitious transactions.
- g) Regarding second leg of transactions where SCN alleges that within same day/next day the amount received from AL by NSPL was transferred to Good Value, it was submitted that mere existence of such settlement pattern does not itself constitute evidence of circular trading or fraudulent conduct. A trading company like NSPL operate under dynamic market conditions where demand and supply of goods require expeditious

financial settlements. This practice is not only commercially expedient but also consistent with industry norms.

- h) The SCN fails to examine the underlying commercial documents or economic rationale of the fund flow and solely relied on the timing of the transactions. This approach ignores established trade practices where funds may move on the same day due to back-to-back settlements, working capital adjustments or supply chain commitments.
- i) The said payment by NSPL to Good Value (sister concern of NSPL) was in furtherance of transferring the same to AL to support their working capital requirement. For the same NSPL transferred the money in pursuance of the repayment of short-term loan availed by one another sister concern viz. AMPL from Sidhant. AMPL requested NSPL to directly make the payment of AL to set off the liability between AMPL and Sidhant.
- j) Further, NSPL received funds of Rs.14.15 crores from AL in 5 tranches and transferred funds to Good Value in 9 tranches on 19/04/2018, 26/04/2018, 11/05/2018 and 15/05/2018 hence the funds were transferred by Nihon without receiving the same on the same day or a day before. Hence, the basis of the allegation of circular flow of funds against NSPL is unsupported by the transaction data.
- k) The basis of connection is a common director Mr. Suresh Kumar Sharma who was director in AMPL between 15.07.2013 and 24.03.2021 and in NSPL between 02.09.1999 and 24.09.2021 and also in certain promoter group companies of AL namely, Arco IT Solutions Private limited (27.08.2004-29.11.2010), Arco Infoway Private Limited (09.01.2006-28.08.2010), Sarathi Infrastructure Private Limited (28.08.2006-16.06.2009) and Arcotech Info Private Limited (09.01.2006-03.08.2010). The said basis of connection is not tenable as the director in promoter group of AL ended much before the IP (2016-2020). Mere common directorships, without evidence of meeting of minds or fraudulent concert

cannot establish a connection under PFUTP. Mere incidental overlap of directors or associations is insufficient to impute fraud unless accompanied by independent evidence of collusion.

- l) No cogent rationale is provided in the SCN for linking sales of NSPL in the year 2019-20 with purchases made by it from AL. Regarding the goods originally imported by AL and subsequently procured by NSPL and sold in the open market, it was done in a bona fide commercial arrangement. For this purpose, the warehouse where the goods were stored were temporally taken over and operated by Nihon as per mutually agreed arrangement. Hence, NSPL only acted as a trader and distributor of goods, which were legitimately imported and already in stock to enable AL liquidate its defective goods.
- m) Regarding difference in the value of sales by AL to NSPL (Rs.21.76 Cr) and Purchases by AL from NSPL (Rs.0.35 Cr) during FY 2019-20, NSPL procured goods from AL and sold the same at a later stage which were not realized within the same FY i.e. 2019-20. However, the Balance Sheet of NSPL for FY 2019-20 reflects inventory amounting Rs.22,72,78,293 with all supporting documents. To allege that such transaction is sham in nature disregards the fact that actual goods were available in inventory and were transferred as per the mutual arrangement.
- n) Timing of transfers (same day or next-day) alone does not establish fraud or circularity. Such commercial transactions particularly involving multiple vendors and suppliers, may result in coincidental timings due to limited market participants, liquidity management, settlement cycles, operational exigencies therefore mere temporal proximity of fund movements cannot be treated as indicative of collusion or sham transactions.
- o) It is established in law that proximity of time alone cannot form the basis for alleging fraud or sham transactions. Transactions occurring on the same day or the next day may arise naturally in the ordinary course of

business due to operational requirements, cash flow management, credit arrangements or scheduled payments. These transactions were recorded in the books of accounts in accordance with applicable accounting standards and are supported by proper underlying documentation, including invoices, agreements and internal accounting records.

p) Copies of partywise VAT C-4 certificates, copies of invoices and GSTR 2A obtained by NSPL from companies involved were submitted to support the genuineness of transaction.

q) Regulations of PFUTP cannot be invoked against NSPL as Regulation 4(1) requires the person to be '*dealing in securities*' or act '*in connection*' with securities. Hence, direct or indirect dealing in securities is required for the application of above provision. However, NSPL in the instant matter has not remotely dealt/associated to securities and/or securities market. In addition, NSPL is an unlisted company. NSPL did not deceive any person dealing in securities nor did it make any false or misleading representation in connection with securities.

8. From the above, I note that the SCN was duly served to the Noticees and sufficient time was provided to submit their replies. Further, an opportunity of personal hearing was also given to the Noticees, which was availed by them.

## **ISSUES FOR CONSIDERATION**

9. On a perusal of the observations and allegations brought out in the SCN, the replies filed by the Noticees, oral/written submissions and other material available on record, the following issues arise for consideration in the present proceedings:

***I. Whether Noticee No. 1 and 8 diverted the funds of Rs.14.15 Cr of AL and transferred back as a loan from promoter, Sidhant, against which preference shares of AL were issued to Sidhant***

***and whether Noticee No. 13 and 14 aided and abetted AL and Sidhant in the said diversion?***

- II. Whether Noticee No. 1 entered into fraudulent transactions to manipulate the books of accounts of AL during the IP?***
- III. Whether Noticee No. 1, 2 and 7 failed to disclose the seizure of AL's workplace by IFCI Ltd.?***
- IV. Whether Noticee No.8, 10, 11 and 12 made a delayed disclosure under SAST Regulations?***
- V. Whether the Noticees have violated the provisions as alleged in the SCN, and if so, whether any directions and/or imposition of penalty are warranted in the facts and circumstances of the case?***
- VI. If the above issues are determined in the affirmative what directions, if any, including the amount of monetary penalty, is required to be imposed on the Noticee(s)?***

10. Before proceeding to examine the instant matter on merits, I shall address the preliminary contentions raised by certain Noticees.

**I. Delay in issuance of SCN**

11. On delay in initiating the proceedings. Noticee No.1, 2 and 14 have contended that there is an inordinate, delay of 8 years in issuing the SCN, since some of the alleged transactions are of the year 2016 which has caused great prejudice to the said Noticees in producing appropriate documentary evidence.

**Consideration**

12. In this regard, it is pertinent to mention that as per Section 11C of SEBI Act, 1992, no time line has been prescribed for SEBI to initiate investigation for any period of alleged violation.

13. Attention is also drawn to the judgment of Hon'ble Supreme Court in ***Adjudicating Officer, Securities and Exchange Board of India vs. Bhavesh Pabari*** (2019) SCC Online SC 294 wherein it was held that 'There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. *What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc.* (Emphasis Supplied).
14. Accordingly, it is important to consider the facts and circumstances in the instant case while assessing the reasonable time. The complaints against AL were only received in 2022 and thereafter the investigation in the instant matter was initiated and SCN was issued in March 2025. Further, I note that the investigation relating to instant matter, which involves, the transactions executed by AL and the data regarding their fund transactions were obtained and examined which is a complex and time-consuming process. I also note that in order to obtain the relevant data, SEBI had been in continuous correspondence with various third parties and collecting the relevant data to conduct the investigation effectively. For the said purpose, documents such as Bank Statements etc. from the respective banks were obtained and examined. Thereafter, with relevant documentary evidence, the points of action were decided upon. Accordingly, I note that after following due process for collecting and analyzing the data, SEBI has decided to initiate the instant proceedings in respect of the Noticees qua the violations alleged against them.
15. Therefore, the process of fact-finding as already explained was complex and the investigating authority had to rely on third party sources to obtain evidences/documents. It is also pertinent to mention that the investigation with regard to the violation of PFUTP Regulations is an exhaustive and time-consuming process, which require detailed analysis of the case facts. Post receiving the complaints in 2022, despite the complexity of the issue the investigation was completed and SCN was issued in March 2025.

16. In view of the above, upon considering the facts and circumstances, I find that the contention of the said Noticees is without any merit. Hence, the contention of delay in issuing the SCN is devoid of any merit and cannot be accepted.

## II. Violation of Principles of Natural Justice

17. Noticee Nos. 1 and 2 has contended that the request for documents was partly acceded to however the request for inspection was kept in abeyance. Thereby denying the complete relied upon documents and inspection which strikes the very root of the principles of *audi altrem partem* and natural justice. Reliance in this respect is placed on the judgment of ***T.Takano vs. SEBI*** (2022) 8 SCC 162. Similar arguments were forwarded by Noticee No. 3, 4, 7 and 8.

### Consideration

18. I note from the submissions that Noticee No. 1,2,3,4, 8 have contended denial of relied upon documents and inspection as violation of principles of natural justice. Noticee No. 7 and 13 have submitted that the request of copies of documents was only partially acceded. However, at the same time they have also submitted that there request for documents were partly acceded. In this regard, I note that the allegations levelled against the Noticees and the relevant documents forming basis of the said allegations were provided to the Noticees in the form of SCN and its annexures. The same were duly served to the Noticees. Subsequently, upon the request of the respective Noticees, the additional documents, namely, investigation report and its annexures, the copy of forensic audit report, copy of complaints filed against AL etc. were also provided as and when the same were requested by the Noticees.
19. The principle laid down by Hon'ble Supreme Court in ***T. Takano*** (supra) was, to state in brief, that all the relevant material has to be disclosed to

the Noticee, if such material is relevant to the action taken and has a nexus to the decision-making process with few exceptions.

20. I note that all material available on record has been provided to the Noticees, as per their requests, therefore complying with the above judgment.
21. The Hon'ble Securities Appellate Tribunal in the order of *Madhyam Agrivet Industries Ltd. and Ors. vs SEBI* (Appeal No.258 of 2024; Order dated May 22, 2024) had held that, "13. ...*It is held herein that it is sufficient to disclose materials relied upon for issuance of show cause notice. In our view, the Forensic Audit Report with its addendum and the investigation reports form the basis for issuance of notice and those reports having been provided, Appellants' grievance is redressed.*"
22. Hence, I note that all the materials available with SEBI and relevant in the instant matter, were provided to the Noticees whenever the same was requested.

### **III. Parallel Proceedings and Jurisdiction of SEBI**

23. It was submitted by Noticee No. 1 and 2 that the alleged transactions essentially relates to corporate financing, issuance of preference shares and accounting treatment thereof, which fall within the domain of the Companies Act, 2013 and the statutory auditors appointed thereunder. SEBI by issuing the instant SCN has expanded its jurisdiction to investigate matters which are fundamentally corporate and accounting in nature without establishing any direct nexus to investor protection or market integrity. This amounts to overreach and parallel proceedings. SEBI cannot assume jurisdiction over issues that are expressly governed by the Ministry of Corporate Affairs and the statutory audit framework prescribed under law.

24. Similar contention was raised by NSPL, which submitted that since it is a private and unlisted company hence outside the jurisdiction of SEBI.

### **Consideration**

25. I shall deal with the above contentions raised by Noticee No. 1, 2 and 14 together as the same primarily challenges the jurisdiction of SEBI in the instant matter.
26. On the specific argument that the alleged transactions and issuance of preference shares fall within the domain of Companies Act, 2013 and statutory auditor and there is no nexus established to investor protection or market integrity, it is relevant to see the following aspects. Firstly, the company, AL, whose transactions are in question in the instant is a 'listed company' whose shares are listed at NSE Ltd. since April 16, 2024, and remains to be listed till date, though the trading is suspended at present. Secondly, being a listed company, AL is bound by the regulations of SEBI LODR regulations, which prescribes the compliance requirements of listed companies, which the listed company has to adhere to.
27. Among various provisions of LODR regulations, Regulation 4, which prescribes '*the principles governing disclosures and obligations of listed company*' and was alleged to be violated by AL in the instant matter, mentions principles that a listed entity has to follow while preparing and disclosing its financial statements and any other information related to the same. The provision states that *the information provided to exchanges and the investors should not be misleading and it has to adequate and accurate*.
28. Hence, I note that SEBI has prescribed through its Regulations, the manner of disclosing the information by a listed company, which includes information related to finance and financial statements, to its investors and to public investors in general, which is over and above the requirements provided under Companies Act, 2013.

29. I further note that the mechanism of securities market will fail if there is asymmetry in the flow of information or if there is opacity / misrepresentation in the same. The requirements prescribed in the SEBI Regulations are to ensure that the investors should always have true, adequate and timely information available at their disposal to make an informed decision. If a listed company fails to comply with the same, it is liable under the appropriate SEBI Regulations.
30. Having discussed the jurisdiction of SEBI over listed companies, I shall proceed to discuss the contention of NSPL, who being a private unlisted company, is made party to instant proceedings on the allegation that it aided and abetted AL, a listed company, in diversion of its funds. In this regard, I note that the mandate of SEBI with regard to *protection of interest of investors* has a wide connotation. The SEBI Act empowers SEBI to act against any person associated with the securities market which includes a private company when its transactions in association with the securities market is questioned especially way of facilitation or aiding and abetting of violations of securities laws.
31. Where a private company (NSPL) receives any diverted fund or enter into sham transaction and facilitates misrepresentation (as alleged in the SCN), such conduct has a clear nexus with the securities market.
32. Hence, I note that the contention that the issues involved related to the financials of AL is outside the purview of SEBI and NSPL being private unlisted company is outside the jurisdiction of SEBI is without any merit and hence cannot be accepted.

#### **IV. Wrongly fixing vicarious liability**

33. It was submitted by Noticee Nos.1 and 2 that they cannot be held vicariously liable for acts, omissions or defaults of independent third party entities viz. NSPL, AMPL and Good Value, over which they do not exercise

any control. It was further argued that the alleged discrepancies, if any, in the filings or disclosures of these counterparties are matters falling within the domain of their statutory auditors and regulators, and not within the scope of responsibility of the Noticees.

### **Consideration**

34. The instant contention of Noticee No. 1 and 2 is factually incorrect as the SCN does not hold Noticee No. 1 and 2 'vicariously liable' for the actions of NSPL, AMPL and Good Value. The allegations against Noticee No.1 and 2 is solely regarding the routing of funds and misrepresentation of the financials of AL during the IP. The same is arrived at upon investigating the relevant documents of AL viz., financial statements and Bank statements. Additionally, both NSPL and Good value are also charged separately for the violations observed against them. Hence, the argument of fixing vicarious liability on Noticee No.1 and 2 is not tenable.

35. Now, I shall proceed to deal the issues on merit.

***I. Whether Noticee No. 1 and 8 diverted the funds of Rs.14.15 Cr of AL and transferred back as a loan from promoter, Sidhant, against which preference shares of AL were issued to Sidhant and whether Noticee No. 13 and 14 aided and abetted AL and Sidhant in the said diversion?***

**Allegation in brief:**

- a. In April 2019, AL issued 35,00,000 Non-Convertible Non-Cumulative Redeemable Preference Shares aggregating to Rs. 35 crores to Sidhant which is a promoter group entity of AL. A total amount of Rs. 35.01 crores towards such preferential allotment was received by AL from Sidhant.
- b. It was alleged that AL had transferred an amount of approximately Rs. 14.15 crores to NSPL under the guise of purchase transactions during FY 2018-19. The said transaction with NSPL was not a genuine purchase transaction. NSPL, upon receipt of Rs. 14.68 crores from AL, transferred Rs. 15.84 crores to Good Value on the same day or the immediately succeeding day, and that Good Value, in turn, transferred Rs. 15.84 crores back to AL on the same day or the next day.

- c. It was alleged that the amount of approximately Rs. 14.15 crores, which originated from AL and was routed through NSPL and Good Value before returning to AL, constituted the source of funds, to that extent, for the preferential allotment made to Sidhant
  - d. It was alleged that AL diverted Rs. 14.15 crores to benefit Sidhant, a promoter group entity. It is further alleged that NSPL and Good Value aided and abetted in the diversion of funds by facilitating the routing and return of the said amount. It is also alleged that by recording fictitious purchase transactions aggregating to approximately Rs. 14.15 crores in FY 2018-19, AL misrepresented its financial statements to that extent, and that the purchase entries recorded in the books were not genuine.
- Reply

### **Consideration**

- 36. The issue that arises for consideration is whether the preferential allotment to the extent of Rs. 14.15 crores to Sidhant was funded by AL through fictitious purchase transactions and subsequent routing of funds.
- 37. Before examining the fund trail, it is necessary to determine the status of Sidhant in relation to AL.
- 38. From the shareholding pattern disclosed by AL for the quarter ended March 2019, Sidhant has been shown as forming part of the promoter group companies of AL. The disclosure is not disputed. It is further noted that Mr. Arvind Kumar Saraf has been a director of AL from 22.03.2006 till date. He is also a director of Sidhant from 23.07.2001 till date. Thus, there exists a common directorship between AL and Sidhant.
- 39. The material on record further shows that Mr. Arvind Kumar Saraf holds 86% of the shareholding in Sidhant. The balance shareholding is held by Rishabh Saraf and others. Therefore, Sidhant is substantially controlled by the same individual who has been continuously on the board of AL.
- 40. The shareholding disclosure in the quarterly filings, coupled with the common directorship establishes that Sidhant is a promoter group entity of AL.

41. It is noted that in April 2019, AL issued 35,00,000 Non-Convertible Non-Cumulative Redeemable Preference Shares aggregating to Rs. 35 crores to Sidhant. A total amount of Rs. 35.01 crores was received by AL towards such preferential allotment. The allegation is not that the entire Rs. 35.01 crores is sham. The allegation is confined to the extent of Rs. 14.15 crores, which is stated to have originated from AL itself and subsequently formed part of the preferential allotment.
42. Having held that Sidhant is a promoter group entity of AL and that preferential shares were issued to Sidhant in 2019, the next question that arises is whether to the extent of Rs. 14.15 crores, the funds for such preferential allotment originated from AL itself through fictitious purchase transactions and subsequent routing through intermediary entities.
43. It is noted from the bank statements of AL for period 2018-19 that during the period April 03, 2018 to June 15, 2018, AL received Rs. 28.41 crores from Good Value in eighteen (18) transactions.
44. The source of funds in the hands of Good Value during the relevant period is then examined. It is noted that Good Value received an aggregate amount of Rs. 33.02 crores comprising Rs. 15.84 crores from NSPL, Rs. 7.29 crores from Sidhant, and Rs. 9.89 crores from Vasuda Commercial Private Limited (Vasuda).
45. Out of the said Rs. 33.02 crores, Good Value transferred Rs. 28.41 crores to AL on the same day or the immediately succeeding day of receipt. Thus, the monies received by Good Value were passed onward to AL with minimal time gap.
46. It is further noted that NSPL received Rs. 14.15 crores from AL in five transactions during April 03, 2018 to June 15, 2018. It is further observed that NSPL, on the same day or the next day of receipt of funds from AL, transferred Rs. 15.84 crores to Good Value.

47. It was contented by NSPL that the transfer of money by AL to NSPL is towards the purchase consideration for the goods purchased from NSPL. In support, the Noticee furnished a list of invoices in Annexure “F” (Page 222) of the additional submission dated 15 January 2026. It comprises sixteen (16) invoices pertaining to FY 2018–19 with supporting documents such as E-Way Bills and Transport Receipts. The aggregate value of these invoices is stated to be Rs. 14,63,78,673/- inclusive of taxes. It was further submitted that these documents could not be provided earlier to NSE or to the Forensic Auditor due to the forced closure of AL’s registered office.
48. NSPL has also submitted that it received Rs. 14.15 crores from AL towards supply of goods as “sales by the company” to AL.
49. Therefore, what needs to be determined is whether the transfer of approximately Rs. 14.15 crores by AL to NSPL was genuine purchase consideration or whether it was a sham transaction based on the documentary evidence provided and verified by the Noticee as per the verification procedure.
50. It is relevant to note that verification process of the above documents submitted by Noticee No. 1 and 2 was stipulated to be undertaken by the said Noticees themselves while getting the same validated by SEBI empanelled auditor. The verification procedure was also prescribed to the said Noticees for verifying the documents submitted by them. However, instead of the said Noticee sending its verification Report, SEBI received the verification report dated February 12, 2026, from the auditor with copy marked to the Noticee, AL. However, the same report is treated as the verification report stipulated to be submitted to SEBI. In view of this, the said report sent by the Auditor to SEBI is treated as the verification report submitted by the Noticee itself with the expert auditor confirming it. The Auditor Report dated February 12, 2026, is labelled as “**Verification Report**” in the order. The reference in the order to the “*acceptable*” documents may be construed as accepted by this Authority and verified as per the Verification Report.

51. I note that the Verification Report records that the auditor examined the transactions between AL and NSPL for FY 2018–19 and undertook verification in accordance with the procedure prescribed by SEBI vide its letter dated 20 November 2025.
52. The verification outcome records that sixteen invoices aggregating to Rs. 14.64 crores were made available for verification. The verification shows that **twelve** invoices amounting to Rs. 9.21 crores satisfied all prescribed verification parameters and were suitably classified as per the prescribed procedure.
53. **Three** invoices amounting to Rs. 4.33 crores had vehicle numbers not traceable on the VAHAN portal. However, upon cross-verification through a private portal, those vehicle numbers were found reflected. **One** vehicle number could not be traced on either the VAHAN portal or private websites.
54. In this regard it is relevant to see the dates of the funds transfer from the AL to NSPL.

Date	Source A/c no.	Source A/c holder name	Target A/c No.	Target A/c holder name	Amount (in crores)
03-04-2018	358256000000021	Arcotech Ltd.	02860020100462 0	Nihon Sales Private Limited	Rs. 2.89
03-04-2018	358256000000021	Arcotech Ltd.	02860020100462 0	Nihon Sales Private Limited	Rs. 2.9
04-04-2018	358256000000021	Arcotech Ltd.	02860020100462 0	Nihon Sales Private Limited	Rs. 2.9
23-04-2018	358256000000021	Arcotech Ltd.	02860020100462 0	Nihon Sales Private Limited	Rs. 1.98
15-06-2018	358256000000021	Arcotech Ltd.	02860020100462 0	Nihon Sales Private Limited	Rs. 3.48
<b>TOTAL</b>					<b>Rs. 14.15</b>

55. The above table shows that the said amount was transferred by AL to NSPL in five transactions during April 03, 2018, to June 15, 2018.

56. AL, vide email dated July 23, 2024, stated that the funds were transferred by it to NSPL against supply of materials, and NSPL, vide email dated August 02, 2024, confirmed receipt of such funds towards supply of goods. Therefore, as per the case of the Noticees, invoices were created first and payments were made thereafter.
57. However, on perusal of the dates of invoices, it is noted that eight (08) invoices for an aggregate amount of Rs. 9,37,77,985/- were created between 22.06.2018 and 12.07.2018 which are after the last date of payment in question that is June 15, 2018. In respect of this amount of Rs. 9,37,77,985/-, the material placed on record does not have any corresponding purchase records to independently establish the genuineness of the purchase transaction.
58. Accordingly, to the extent of Rs. 9,37,77,985/-, there is no proof to show that the payment was made for purchase transactions from NSPL. Therefore, I find, to that extent, the purchase transactions are treated as not genuine and hence fictitious.
59. Having held that to the extent of Rs. 9,37,77,985/- the purchase transactions between AL and NSPL are not established as genuine, the next question that arises for consideration is whether this amount was further routed and formed part of the funding of the preferential allotment to Sidhant.
60. From the Bank account records, I note the following transactions after the receipt of funds from AL by NSPL

	Source A/s No.	Source A/c holder name	Target A/c No.	Target A/c holder name	Amount (in Rs.) (in Crores)
<b>Transaction -1</b>					
03/04/2018	358256000000021	Arcotech Limited	028600201004620	Nihon Sales Private Limited	2.89

	Source A/s No.	Source A/c holder name	Target A/c No.	Target A/c holder name	Amount (in Rs.) (in Crores)
03/04/2018	358256000000021	Arcotech Limited	028600201004620	Nihon Sales Private Limited	2.90
03/04/2018	028600201004620	Nihon Sales Private Limited	510101006119343	Good Value Products Limited	4.00
<b>Transaction -2</b>					
04/04/2018	358256000000021	Arcotech Limited	028600201004620	Nihon Sales Private Limited	2.90
04/04/2018	028600201004620	Nihon Sales Private Limited	510101006119343	Good Value Products Limited	2.50
04/04/2018	510101006119343	Good Value Products Limited	3206923048	Arcotech Limited	2.50
<b>Transaction -3</b>					
23/04/2018	358256000000021	Arcotech Limited	028600201004620	Nihon Sales Private Limited	1.98
23/04/2018	028600201004620	Nihon Sales Private Limited	510101006119343	Good Value Products Limited	2.01
23/04/2018	510101006119343	Good Value Products Limited	3206923048	Arcotech Limited	2.01
<b>Transaction -4</b>					
15/06/2018	358256000000021	Arcotech Limited	028600201004620	Nihon Sales Private Limited	3.48
15/06/2018	028600201004620	Nihon Sales Private Limited	510101006119343	Good Value Products Limited	2.11
15/06/2018	510101006119343	Good Value Products Limited	2824261000105	Arcotech Limited	1.55

61. On 03/04/2018, AL transferred Rs. 2.89 crores and Rs. 2.90 crores to NSPL, aggregating Rs. 5.79 crores on the same day. On that very date, NSPL transferred Rs. 4.00 crores to Good Value.

62. On 04/04/2018, AL transferred Rs. 2.90 crores to NSPL. On the same date, NSPL transferred Rs. 2.50 crores to Good Value, and Good Value transferred Rs. 2.50 crores back to AL.
63. On 23/04/2018, the identical pattern recurs. AL transferred Rs. 1.98 crores to NSPL. NSPL transferred Rs. 2.01 crores to Good Value, and Good Value transferred Rs. 2.01 crores back to AL.
64. The transactions dated 15/06/2018 demonstrate the same routing structure. On that date, AL transferred Rs. 3.48 crores to NSPL. NSPL transferred Rs. 2.11 crores to Good Value and, in a separate leg on the same date, transferred an additional Rs. 3.36 crores to Good Value. Thus, NSPL routed Rs. 5.47 crores to Good Value on 15/06/2018 alone. Good Value, in turn, transferred back to AL Rs. 1.55 crores, Rs. 3.37 crores and Rs. 0.06 crores on the same day, aggregating Rs. 4.98 crores.
65. In total, AL transferred a total of Rs. 14.15 crores to NSPL and NSPL transferred Rs. 13.98 crores onward to Good Value. Good Value transferred Rs. 9.49 crores back to AL. Thus, out of Rs. 14.15 crores transferred by AL into the routing chain, Rs. 9.49 crores re-entered AL's accounts after passing through intermediary entities within short period of time.
66. However, as already held, only Rs 9,37,77,985/- transferred through intermediaries by AL to Good value is not genuine. Even if it is held that only a part of the transfer from AL to NSPL namely Rs. 9,37,77,985/- is not genuine, it is still necessary to examine whether the amount received from Good Value can independently be treated as a loan forming part of the preferential allotment.
67. Sidhant has stated that recognizing the long-term financial needs of AL, the promoter group resolved to deploy amount of Rs.35 Cr. as a long term investment into AL. The sum of approximately Rs.35,00,00,000/- was

advanced to the company by Sidhant as a loan for working capital. Any interest on the said loan was consciously not charged, as AL's financial condition did not permit it to bear additional cost.

68. To support this claim, AL submitted copy of ledger reflecting receipt of funds, to support that Rs. 6.60 crores was received directly from Sidhant and Rs. 28.41 crores was received from Good Value on behalf of Sidhant. Thus, according to AL, the amount received from Good Value was in discharge of the loan obligation of Sidhant towards AL.
69. It was submitted as part of the said loan transaction, there was a transfer of Rs.15.84 crores by NSPL to Good Value, in FY 2017-18. As a background for such transfer, Sidhant submitted that it had earlier advanced a total of Rs. 19.02 crores to AMPL and when AL faced urgent requirement for additional working capital, Sidhant requested AMPL to return the funds so that the same can be made available to AL for its working capital requirement. Therefore, at the request of Sidhant, AMPL instructed NSPL to transfer Rs.15.84 crores to Good Value, which was thereafter forwarded to AL on behalf of Sidhant.
70. It was further submitted that NSPL routed the funds of Rs.15.84 Cr through Good Value solely to maintain a clear distinction between NSPL's operational accounts and temporary working capital funding transactions. Thus, the involvement of Good Value for the transaction between NSPL and AL was only procedural in nature and intended to preserve the commercial and accounting integrity of ongoing business relationships.
71. I note that the allegation in the SCN is not in respect of the entire issuance of the preferential allotment. It was only in respect of Rs.14.15 Cr consideration paid by Sidhant. As I have already noted the there was no genuine purchases only in respect of Rs. 9,37,77,985/-. The determination here relates only to this particular portion.

72. Since it is argued that the amount received by AL (which includes Rs. 9,37,77,985/-) from Good Value represents a loan advanced on behalf of Sidhant, it needs to be seen whether the subsequent receipt Rs. 9,37,77,985/- from Good Value may still be treated as an independent financial accommodation by way of loan.
73. Testing of this argument necessarily requires proof that the amount transferred by Good Value (to the extent of Rs. 9,37,77,985/- ) was in fact loan funds arranged or advanced on behalf of Sidhant.
74. It is the case of Sidhant that, recognising the long-term financial needs of AL, the promoter group resolved to deploy Rs. 35 crores as a long-term investment into AL and that the said amount was advanced as an interest-free loan considering AL's financial condition. It is further submitted that out of this arrangement, Rs. 15.84 crores transferred by NSPL to Good Value in FY 2017-18 formed part of the said loan transaction.
75. I note the explanation proceeds on the footing that Sidhant had earlier advanced Rs. 19.02 crores to AMPL and, when AL required urgent working capital, Sidhant requested AMPL to return funds. It is stated that AMPL instructed NSPL to transfer Rs. 15.84 crores to Good Value, which in turn forwarded the amount to AL on behalf of Sidhant. The routing through Good Value is described as merely procedural and intended to maintain accounting distinction.
76. When this explanation is examined, it raises fundamental questions for which no satisfactory answer is forthcoming.
77. Though Rs. 35 crores was a long-term promoter investment, movement of Rs. 15.84 crores justified on the basis of "*urgent working capital requirement*" raises the question whether as per the case it was long-term capital support or an emergency liquidity adjustment. If AL was in such financial stress that it could not bear interest, why there was a structured

promoter loan of Rs. 35 crores not supported by documentation such as loan agreement, tenure, repayment schedule, or board approvals of Sidhant. The explanation that oral agreement can be legally entered does not offer a satisfactory explanation.

78. It also raises further questions. If Sidhant had advanced Rs. 19.02 crores to AMPL earlier, and AL required funds, why was the repayment not made directly by AMPL to Sidhant. Why was the amount not routed as AMPL to Sidhant and from Sidhant to AL. What prevented a direct transfer from the alleged debtor (AMPL) to the alleged lender (Sidhant).
79. If Rs. 19.02 crores was allegedly due from AMPL, why was only Rs. 15.84 crores recalled. Where is the explanation for the balance. If AL faced urgent working capital requirements, why was the entire amount not sought.
80. Even assuming NSPL was to execute the transfer, why was Good Value interposed between Nihon and AL. If the transaction was genuinely “on behalf of Sidhant”, why was it not a direct transfer to AL. What commercial constraint required two additional entities to be involved before the funds reached AL.
81. These questions arise from the explanation itself and there is no satisfactory answer to these questions.
82. In fact, I note, the defence that AMPL instructed NSPL to transfer funds introduces a further structural inconsistency. Further, there is no material to support any such instruction on record. The involvement of Good Value is explained as necessary to maintain accounting distinction. However, routing funds through an additional corporate entity does not ordinarily enhance accounting clarity. It adds only another layer to the transaction leading to opacity. Accounting separation is ordinarily maintained through internal ledger classification not by interposing separate companies in the

flow of funds. It is important to note here the financials of Good Value. Its revenue in FY 2018-19 was only Rs. 9 lakhs and Profit Before Tax (PBT) Rs. 1,413/-. The net worth had been negative over the last five years (FY 2018-19 till 2022-23).

83. The structure described is not that of a straightforward promoter loan but of a layered intra-group transfer involving multiple entities. The explanation does not reconcile these structural features with the claim of a direct and coherent lender-borrower relationship between Sidhant and AL.
84. I further note that the ledger merely reflects that Rs. 28.41 crores was received from Good Value “on behalf of Sidhant”. Without the corroborating evidence as discussed above, the ledger entry cannot be accepted as proof of loan as argued by the Noticee.
85. Accordingly, on examination of the explanation in its entirety, the claimed loan theory cannot be accepted. The explanation does not satisfactorily establish that the transfer of Rs. 15.84 crores formed part of a genuine loan advanced by Sidhant to AL.
86. Further, as found already, the funds to the extent of Rs. 9,37,77,985/-, ultimately formed part of the transfer from Good Value to AL had first moved from AL itself . Therefore, to that extent, the preferential allotment cannot be said to have been funded by independent loan funds from Sidhant.
87. The same-day receipt and onward transfer of funds by NSPL and Good Value establishes their active facilitation of the routing structure. NSPL consistently received funds from AL and transferred substantial portions to Good Value on the very same date. The immediacy of transfer demonstrates that NSPL functioned as a conduit positioned within a pre-arranged plan. Good Value, in turn, received the routed amounts and re-transferred substantial portions back to AL on the same date in multiple

instances. The repetitive pattern reflects structured coordination. In these circumstances, the conduct of NSPL and Good Value enabled and completed the layered circulation mechanism, thereby evidencing aid and abetment of the overall fund routing mechanism.

88. It was contended by Noticee No. 1 and 2 that the allegation of manipulation, diversion or misrepresentation is solely based on the third party financial statements without any direct evidence hence it is unsustainable in law. The proceedings cannot be sustained based on assumptions or inferences drawn from the documents of external entities particularly when no corroboration or linkage to the Noticee's conduct has been demonstrated. The SCN, at various places, draws inferences solely from the financial records of such third-party entities and imputes liability upon the Noticees without establishing any clear nexus between the Noticees' conduct and the alleged irregularities.
89. The instant argument is not tenable as the documents relied upon for the allegations made in the SCN are not only based on third party financial statements rather involved examination of various other documents including the bank statements of respective entities. Hence, the contention raised is factually incorrect.
90. Noticee No. 1 and 2 contended that the financial statements of the Company (AL) for the relevant years were audited by statutory auditors, adopted by shareholders, and filed with the MCA and stock exchanges without objection at the relevant time. They submitted that any *retrospective* challenge to such audited accounts, in absence of prior findings of fraud or wrongdoing first by the statutory auditors or the NFRA, cannot form the sole basis of penal action.
91. The aforesaid contention of Noticee Nos. 1 and 2 is premised on an erroneous understanding of the regulatory framework. The mere certification of the books of account by statutory auditors does not render

the financial statements immune from regulatory scrutiny. Acceptance of such an argument would, in effect, create an estoppel against the exercise of statutory powers vested in SEBI under the SEBI Act, 1992, particularly in relation to the verification and examination of the books of account and disclosures of a listed company.

92. It is further observed that while an audit exercise is intended to provide reasonable assurance regarding the veracity of the financial statements, it does not operate as a bar on the powers of the regulator to independently examine the same. The investigation in the present matter was initiated upon receipt of complaints against AL and was conducted in accordance with the prescribed statutory procedure. The findings of the investigation were duly communicated to the Noticees in the form of a Show Cause Notice. The reopening or scrutiny of audited accounts, pursuant to a lawful investigation, does not *ipso facto* result in penal consequences. Adjudicatory proceedings are initiated only upon completion of investigation, and the final determination is rendered after affording due opportunity of hearing and in compliance with the principles of natural justice. Accordingly, the contention raised by Noticee Nos. 1 and 2 is devoid of merit.

93. In view of the above discussion, I find that AL diverted Rs. 9,37,77,985/- to benefit Sidhant, a promoter group entity, Sidhant. I further find that NSPL and Good Value aided and abetted the said diversion of funds by facilitating the routing and return of the said amount. Consequentially, I find that AL has recorded fictitious purchase transactions aggregating to Rs. 9,37,77,985/- crores in FY 2018-19. AL misrepresented its financial statements to that extent, and that the purchase entries recorded in the books were not genuine.

**II. Whether Noticee No. 1 entered into fraudulent transactions to manipulate the books of accounts of AL during the IP?**

**Allegation in brief:**

94. It was alleged that AL has misrepresented its financial statements for FY 2019–20 by recording fictitious sales amounting to Rs. 25.66 crores to NSPL, without there being any genuine underlying purchase or import of goods corresponding to such sales. The said sales are alleged to be sham transactions, recorded in the books of AL with the intent to inflate revenue in the books of account.
95. The crux of the stand of AL on this allegation is as follows:
96. AL has denied the allegation that its total imported raw material during FY 2015–16 was only Rs. 6.28 crores. It is submitted that the SCN relied upon the disclosure relating to “Import of Raw Material” while ignoring the immediately succeeding information in the Annual Report for FY 2015–16 reflecting “Capital Goods - CWIP” of Rs. 36.64 crores. According to AL, the alleged import of Rs. 20.52 crores formed part of such capital goods and not raw material.
97. AL has further submitted that the amount of Rs. 6.28 crores represented imported raw material utilized at its Bawal Plant and disclosed accordingly under the relevant head in the financial statements. In contrast, the amount of Rs. 20.52 crores pertained to imported components/equipment, and not raw material, and was therefore accounted for under “Capital Goods” in compliance with applicable accounting standards. It is contended that the SCN has failed to differentiate between finished goods, raw material and capital equipment, thereby leading to an erroneous conclusion.
98. AL has further submitted that the imported components/equipment were procured from M/s Achenbach Buschhutten GmbH & Co., Germany (“**Achenbach**”), and that the imports were duly supported by customs documentation, including Bills of Entry, CVD documentation, Bills of Lading

and Certificates of Marine Cargo Insurance. Copies of invoices issued by Achenbach to AL were also submitted to substantiate the genuineness of imports.

99. It is further contended that although the equipment was genuinely imported and accounted for as capital goods, the same was subsequently found to be not of requisite quality and unfit for the intended purpose over a considerable period. Consequently, AL decided to liquidate the goods through NSPL, which acted as a dealer/intermediary. In support of this position, AL has relied upon an order dated December 18, 2023 passed by the Hon'ble Delhi High Court in proceedings between Achenbach (Petitioner) and AL (Respondent), which, according to AL, evidences disputes regarding quality of goods supplied.

100. With respect to the transfer of possession of the premises where the imported goods were stored, AL has submitted a lease agreement dated December 01, 2018 entered into between M/s Arcotech Advanced Metaliks Limited (Lessor) and NSPL (Lessee), whereby the property situated at Block No. 309, 1112, Vitoj, Halol, Panchmahals – 389350 was leased to NSPL for the period from December 01, 2018 to October 31, 2019. It is contended that this arrangement supports why there was no need for transfer documents to NSPL.

101. The crux of the stand of AL on this allegation is as follows:

102. NSPL has contended that the allegation proceeds on assumption rather than examination of commercial records. It is submitted that the goods in question were originally imported by AL and were subsequently procured by NSPL under a bona fide commercial arrangement. According to NSPL, it merely acted as a trader and distributor of goods that were legitimately imported and already lying in stock, to facilitate liquidation of goods which AL considered defective or commercially unviable for its own use.

103. NSPL has further submitted that copies of invoices evidencing purchase of imported items in support of its case. It is stated that, for operational convenience, the warehouse where such goods were stored was temporarily taken over and operated by NSPL under a mutually agreed arrangement between the parties. In this regard, NSPL emphasizes that it did not engage in any fictitious book entry but dealt in actual physical goods, which were stored, transferred and subsequently sold in the open market in the ordinary course of trade.

104. With respect to the difference between sales by AL to NSPL (Rs. 21.76 crores) and purchases by AL from NSPL (Rs. 0.35 crores) during FY 2019–20, NSPL submits that it procured goods from AL and sold them at a later stage, and the sale proceeds were not fully realized within the same financial year. It is pointed out that the Balance Sheet of NSPL for FY 2019–20 reflects inventory amounting to Rs. 22,72,78,293/-, supported by documentary evidence. It is therefore contended that the allegation that the transactions are sham disregards the existence of physical inventory and supporting documentation evidencing actual movement and holding of goods.

### **Consideration**

105. This the basis of the allegation is founded on the inconsistency between AL's own Annual Report for FY 2015–16 and its subsequent submission regarding the source of goods allegedly sold to NSPL. AL has claimed that the goods sold to NSPL for Rs. 25.66 crores in FY 2019–20 were imported in FY 2015–16 at a value of Rs. 20.52 crores. However, the Annual Report of AL for FY 2015–16 discloses that the total imported raw material during the entire financial year was only Rs. 6.28 crores. The disclosed figure of total imports for the year is substantially lower than the claimed import value of Rs. 20.52 crores. In the absence of any disclosure in the Annual Report reflecting imports of Rs. 20.52 crores, the claim that such goods were imported in FY 2015–16 is not borne out from the financial statements. Accordingly, the alleged sales of Rs. 25.66 crores to NSPL

lack a credible underlying transaction base and are alleged to be non-genuine, resulting in the overstatement of revenue by Rs. 25.66 crores in FY 2019–20.

106. In view of the above basis, the question that arises for determination is whether there exists material on record to substantiate the claim of AL that the imports in question for the value of Rs. 20.52 crores were indeed effected during FY 2015–16 as asserted by it.

107. I note from the Annual Report for FY 2015–16 the entry reflecting “Capital Goods – CWIP” of Rs. 36.64 crores. I also note the import of raw materials and import of CWIP has been mentioned separately in the said Annual Report.

108. I further note that AL has submitted copies of invoices issued by Achenbach to AL dated June 02, 2015, June 23, 2015, September 09, 2015, and November 10, 2015. A perusal of the said invoices reflects that the purchase order for the goods was placed on May 13, 2014. The description of goods in the invoices is stated as “One Achenbach 2-High Non Reversing Second-Hand Hot Rolling Mill.” The documents further indicate that the said equipment was dispatched in three separate shipments.

109. AL has also placed on record the corresponding Bills of Lading, Certificates of Marine Cargo Insurance and Bills of Entry for Home Consumption. From the particulars mentioned therein, I note that the consignments pertain to goods imported by AL from Achenbach during FY 2015–16. The port of discharge is reflected as Mumbai and the destination as Gujarat. The declared value in the Bills of Entry corresponds with the value of capital goods claimed to have been imported by AL and is consistent with the amounts reflected in the invoices.

110. Further, I also take note of the order dated December 18, 2023 passed by the Hon'ble Delhi High Court in proceedings between Achenbach and AL. The existence of such proceedings lends support to the factum of import of the said equipment by AL from Achenbach. It is relevant to note that the dispute before the Hon'ble High Court pertained to alleged quality issues in respect of the imported equipment, which presupposes the existence of the transaction and supply of the equipment.

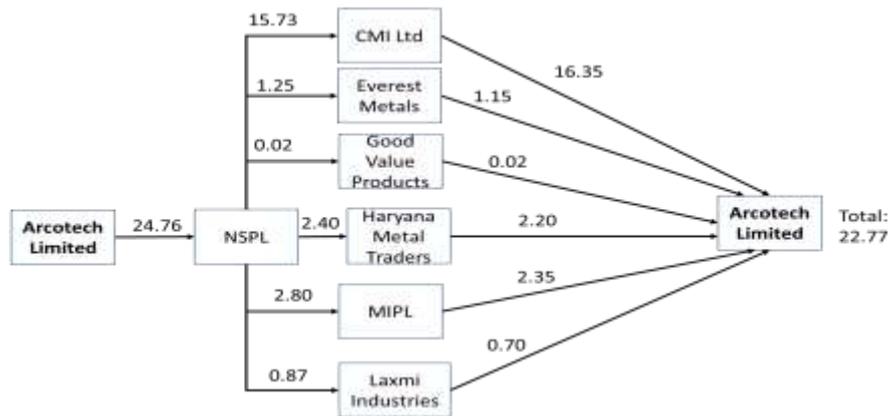
111. In light of the above material, the consideration is confined to whether these documents sufficiently establish the factum and value of imports during FY 2015–16 as claimed by AL.

112. Accordingly, insofar as the allegation of misrepresentation is premised solely on the assertion that imports worth Rs. 20.52 crores were not effected during FY 2015–16 on the ground that the Annual Report disclosed imported raw material of only Rs. 6.28 crores, such allegation cannot be sustained. The material on record demonstrates that the imports in question pertained to capital goods and not raw material, and were supported by import documentation. Therefore, the charge of misrepresentation on this basis is not established.

### **Regarding fictitious transactions with AMPL, NSPL and BS**

#### **Allegation relating to NSPL**

113. It was alleged that AL engaged in circular routing of funds through NSPL, whereby amounts transferred by AL to NSPL were further routed by NSPL to certain downstream entities and substantially similar amounts were returned to AL on the same day or within a short span of time. The timing, sequencing and near-equality of amounts indicate that NSPL functioned merely as a conduit entity and not as an independent commercial counterparty. The crux of the figures and the entities involved for the circular transaction is mentioned in the following figure.



114. It was alleged that during the relevant period, AL transferred an aggregate sum of Rs.24.76 crores to NSPL through banking channels towards transactions recorded in its books. Out of the said amount, NSPL transferred Rs.23.07 crores to six entities, namely CMI Ltd., Everest Metals, Good Value Products, Haryana Metal Traders, MIPL and Laxmi Industries. These entities, upon receipt of funds from NSPL, transferred back an aggregate amount of Rs. 22.77 crores to AL, largely on the same day or within the immediately succeeding day. The structured movement of funds, the proximity in timing and the substantial similarity in amounts allegedly demonstrate that a significant portion of the funds paid by AL towards the recorded transactions was routed back to AL through intermediary entities forming part of the NSPL chain.

115. Accordingly, to the extent of Rs. 24.76 crores paid by AL to NSPL and Rs. 22.77 crores received back by AL from NSPL through the above six entities during the respective financial years, the corresponding purchase and sale entries recorded in the books of AL are alleged to be fictitious, as there was effectively no independent payment or genuine financial outflow in respect of the alleged purchases and sales to that extent.

116. With respect Good Value, it was alleged that the financials of God Value does not reflect that it is capable of transferring the funds, as mentioned in the above chain of funds, to AL as it had nil income from revenue from operations for FY 2018-19 till 2022-23 and only 'other income' of Rs. 9 lakh (FY 2018-19) and Rs.40,000 (FY 2019-20).

## **Documents Submitted by AL in Support of Transactions**

117. In response to the allegation, AL has submitted documentary material to substantiate the purchase and sale transactions recorded in its books in relation to NSPL and the downstream entities forming part of the NSPL chain.
118. AL has produced copies of purchase invoices issued by NSPL corresponding to the payments aggregating to Rs. 24.76 crores. The invoices contain details such as invoice number, date, description of goods, quantity and value. In addition, AL has submitted copies of invoices in respect of sale by it to the entities CMI Ltd., Everest Metals, Haryana Metal Traders, MIPL and Laxmi Industries. These invoices as per AL correspond to the amounts received through banking channels. For the monies received from Good Value, it was submitted that the same was part of the money forwarded on behalf of Siddhant to support AL in its working capital requirement.
119. Further, AL has produced transport-related documents, including transport receipts and e-way bills, to demonstrate physical movement of goods in respect of the aforesaid purchase and sale transactions. GST returns and relevant statutory filings have also been referred to by AL to show reporting of such transactions. Thus, AL contends that the transactions recorded in its books are supported by invoices and transport documentation and therefore represent genuine commercial transactions, for the alleged fund routing.

## **Consideration**

120. In order to determine whether the allegation of fictitious purchases and sales sustains, it is necessary to determine whether the documentary evidence produced by AL in support of purchase and sale transactions for the circulated amount are acceptable.

121. From the bank statement analysis, it is evident that AL transferred Rs. 24.76 crores to NSPL. Out of this amount, Rs. 23.07 crores was transferred by NSPL to CMI Ltd., Everest Metals, Good Value Products, Haryana Metal Traders, MIPL and Laxmi Industries, and an aggregate sum of Rs. 22.77 crores was routed back to AL. This figure of Rs. 22.77 crores represents the circulated amount and becomes the subject figure for determination. There is no dispute on the figure Rs. 22.77, which was allegedly circulated.

122. The alleged circular fund transactions pertain to the period FY 2016-17, 2017-18 and 2018-19. The breakdown of fund transfers is tabulated below:

123. Fund alleged to be routed through **CMI Ltd**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
07/04/2016	AL	NSPL	25,00,000.00
07/04/2016	NSPL	CMI Ltd.	50,00,063.00
07/04/2016	CMI Ltd.	AL	35,00,000.00
08/02/2017	AL	NSPL	50,00,000.00
08/02/2017	AL	NSPL	50,00,000.00
08/02/2017	AL	NSPL	50,00,000.00
09/02/2017	NSPL	CMI Ltd.	1,50,00,058.00
09/02/2017	CMI Ltd.	AL	1,50,00,000.00
09/02/2017	AL	NSPL	1,26,00,000.00
09/02/2017	NSPL	CMI Ltd.	1,48,00,058.00
09/02/2017	CMI Ltd.	AL	1,50,00,000.00
09/02/2017	AL	NSPL	1,50,00,000.00
09/02/2017	NSPL	CMI Ltd.	1,50,00,063.00
09/02/2017	CMI Ltd.	AL	1,50,00,000.00
14/02/2017	AL	NSPL	1,50,00,000.00
14/02/2017	NSPL	CMI Ltd.	1,50,00,058.00
14/02/2017	CMI Ltd.	AL	1,50,00,000.00
19/04/2017	AL	NSPL	1,00,00,000.00
19/04/2017	NSPL	CMI Ltd.	1,00,00,058.00
19/04/2017	CMI Ltd.	AL	1,00,00,000.00
19/04/2017	AL	NSPL	1,00,00,000.00
19/04/2017	NSPL	CMI Ltd.	1,00,00,058.00
19/04/2017	CMI Ltd.	AL	1,00,00,000.00
12/06/2017	AL	NSPL	1,92,00,000.00
12/06/2017	NSPL	CMI Ltd.	1,50,00,063.00
12/06/2017	CMI Ltd.	AL	90,00,000.00
12/06/2017	CMI Ltd.	AL	60,00,000.00
03/07/2017	AL	NSPL	75,00,000.00
03/07/2017	NSPL	CMI Ltd.	75,00,059.00
03/07/2017	CMI Ltd.	AL	75,00,000.00
05/07/2017	AL	NSPL	60,00,000.00
05/07/2017	NSPL	CMI Ltd.	60,00,059.00
05/07/2017	CMI Ltd.	AL	60,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
24/08/2017	AL	NSPL	80,00,000.00
24/08/2017	NSPL	CMI Ltd.	80,00,059.00
24/08/2017	CMI Ltd.	AL	80,00,000.00
25/08/2017	AL	NSPL	82,00,000.00
25/08/2017	NSPL	CMI Ltd.	80,00,059.00
25/08/2017	CMI Ltd.	AL	80,00,000.00
30/08/2017	AL	NSPL	55,00,000.00
30/08/2017	NSPL	CMI Ltd.	50,00,059.00
30/08/2017	CMI Ltd.	AL	65,00,000.00
31/08/2017	AL	NSPL	60,00,000.00
31/08/2017	NSPL	CMI Ltd.	60,00,059.00
31/08/2017	CMI Ltd.	AL	60,00,000.00
01/09/2017	AL	NSPL	1,20,00,000.00
01/09/2017	NSPL	CMI Ltd.	40,00,030.00
01/09/2017	CMI Ltd.	AL	70,00,000.00
05/09/2017	AL	NSPL	45,00,000.00
05/09/2017	NSPL	CMI Ltd.	30,00,059.00
05/09/2017	CMI Ltd.	AL	30,00,000.00
05/09/2017	CMI Ltd.	AL	5,00,000.00
06/09/2017	AL	NSPL	60,00,000.00
06/09/2017	NSPL	CMI Ltd.	50,00,065.00
06/09/2017	CMI Ltd.	AL	55,00,000.00
07/09/2017	AL	NSPL	50,00,000.00
07/09/2017	NSPL	CMI Ltd.	50,00,059.00
07/09/2017	CMI Ltd.	AL	70,00,000.00

124. Fund alleged to be routed through **Haryana Metal Traders:**

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
29/08/2016	AL	NSPL	1,00,00,000.00
29/08/2016	NSPL	Haryana Metal Traders	1,00,00,063.00
29/08/2016	Haryana Metal Traders	AL	80,00,000.00
08/02/2017	AL	NSPL	1,40,00,000.00
08/02/2017	NSPL	Haryana Metal Traders	1,40,00,000.00
08/02/2017	Haryana Metal Traders	NSPL	1,00,00,000.00
09/02/2017	Haryana Metal Traders	CMI Ltd.	40,00,000.00

125. Fund alleged to be routed through **MIPL:**

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
17/12/2016	AL	NSPL	1,00,00,000.00
17/12/2016	NSPL	MIPL	1,00,00,058.00
17/12/2016	MIPL	AL	15,00,000.00
17/12/2016	MIPL	AL	30,00,000.00
17/02/2018	AL	NSPL	80,00,000.00
19/02/2018	NSPL	MIPL	80,00,000.00
19/02/2018	MIPL	AL	90,00,000.00
03/03/2018	AL	NSPL	70,00,000.00
03/03/2018	NSPL	MIPL	50,00,000.00
03/03/2018	MIPL	AL	50,00,000.00
04/08/2018	AL	NSPL	50,00,000.00
04/08/2018	NSPL	MIPL	50,00,000.00
04/08/2018	MIPL	AL	50,00,000.00

126. Fund alleged to be routed through **Everest Metals:**

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
15/07/2016	AL	NSPL	1,51,34,881.00
15/07/2016	NSPL	Everest Metals	1,10,00,058.00
15/07/2016	Everest Metals	AL	50,00,000.00
15/07/2016	Everest Metals	AL	50,00,000.00
19/06/2018	AL	NSPL	15,00,000.00
19/06/2018	NSPL	Everest Metals	15,00,000.00
19/06/2018	Everest Metals	AL	15,00,000.00

127. Fund alleged to be routed through **Laxmi Industries:**

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
11/07/2016	AL	NSPL	87,92,499.00
11/07/2016	NSPL	Laxmi Industries	45,00,058.00
11/07/2016	NSPL	Laxmi Industries	42,00,058.00
11/07/2016	Laxmi Industries	AL	40,00,000.00
11/07/2016	Laxmi Industries	AL	30,00,000.00

128. Fund alleged to be routed through **Good Value:**

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
18/07/2018	AL	NSPL	2,00,000.00
18/07/2018	NSPL	Good Value	2,00,000.00
18/07/2018	Good Value	AL	2,00,000.00

129. The instant allegation proceeded on the basis that to the extent of Rs 22.77 crores received back by AL in the tables above, the corresponding purchase and sale transactions were fictitious, as the consideration allegedly paid stood neutralised through routing.

130. I now proceed to examine whether documentary evidence exists corresponding to this amount.

131. On the purchase side, the transaction between AL and NSPL reflects a total payment of Rs. 24.76 crores. Details of Invoice submitted for the purchase by AL from NSPL in FY 2016-17, 2017-18 and 2018-19 against the fund transactions of Rs.24.76 crores is as follows:

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	01.08.2016	334	41,58,414/-
2.	01.08.2016	335	20,99,838/-

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
3.	01.08.2016	336	26,65,410/-
4.	01.08.2016	337	24,58,625/-
5.	01.08.2016	338	31,57,873/-
6.	01.08.2016	339	50,04,539/-
7.	10.08.2016	359	30,75,083/-
8.	10.08.2016	360	33,17,261/-
9.	29.10.2016	510	1,08,51,345/-
10.	16.12.2016	527	74,95,898/-
11.	16.12.2016	528	75,15,404/-
12.	20.12.2016	529	75,20,406/-
13.	20.12.2016	530	74,95,398/-
14.	20.12.2016	531	1,00,01,699/-
15.	21.12.2016	532	74,77,392/-
16.	21.12.2016	533	75,04,901/-
17.	26.02.2017	614	85,32,142/-
18.	26.02.2017	615	85,71,497/-
19.	26.02.2017	616	65,32,836/-
20.	01.05.2017	8	28,79,046/-
21.	15.05.2017	10	7,10,675/-
22.	28.05.2017	12	6,29,545/-
23.	28.05.2017	13	6,00,090/-
24.	28.05.2017	14	32,16,154/-
25.	28.05.2017	15	34,32,973/-
26.	28.05.2017	16	7,95,088/-
27.	28.05.2017	17	76,21,438/-
28.	30.05.2017	27	33,25,908/-
29.	30.05.2017	28	34,79,707/-
30.	30.05.2017	29	45,60,191/-
31.	30.05.2017	30	49,39,554/-
32.	30.05.2017	31	80,23,416/-
33.	30.05.2017	32	65,32,933/-
34.	30.05.2017	33	67,06,802/-
35.	23.06.2017	50	35,05,397/-
36.	23.06.2017	51	30,23,436/-
37.	23.06.2017	52	11,74,275/-
38.	30.06.2017	77	53,53,018/-
39.	30.06.2017	78	24,03,215/-
40.	30.06.2017	79	57,24,639/-
41.	30.06.2017	80	19,87,728/-
42.	30.06.2017	81	57,07,388/-
43.	29.07.2017	6	76,74,160/-
44.	29.07.2017	7	75,29,070/-
45.	29.07.2017	8	75,84,762/-
46.	29.07.2017	9	74,77,288/-
47.	18.01.2018	249	1,33,08,630/-
48.	30.01.2018	264	74,28,421/-
49.	18.04.2018	7	37,00,470/-
50.	19.04.2018	8	13,89,622/-

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
51.	19.04.2018	9	13,91,010/-
<b>Total</b>			<b>25,92,52,010/-</b>

132. I note that, AL has produced acceptable purchase invoices aggregating to Rs. 25.92 crores. Thus, at the purchase level, invoice support along with the transport documentation exists in excess of the alleged circulated amount of Rs. 24.76 crores.

133. I note the following details of invoices submitted by AL for the sale transactions between AL and CMI Ltd. in FY 2016-17 and 2017-18 against the fund transactions of Rs.16.35 crores:

S. No.	Date of Invoice	Invoice Number	Total Invoice Value (in Rs.)
1.	29.12.2016	PSI/16-17/2635	76,41,702/-
2.	31.12.2016	PSI/16-17/2654	77,82,355/-
3.	31.12.2016	PSI/16-17/2655	78,34,392/-
4.	31.12.2016	PSI/16-17/2656	42,50,543/-
5.	04.01.2017	PSI/16-17/2675	31,01,092/-
6.	09.01.2017	PSI/16-17/2746	92,64,635/-
7.	31.01.2017	PSI/16-17/2959	82,25,146/-
8.	31.01.2017	PSI/16-17/2960	76,59,825/-
9.	31.01.2017	PSI/16-17/2961	1,22,77,112/-
10.	21.02.2017	PSI/16-17/3205	1,04,78,963/-
11.	21.02.2017	PSI/16-17/3206	1,06,02,823/-
12.	22.02.2017	PSI/16-17/3215	80,13,388/-
13.	22.02.2017	PSI/16-17/3216	79,12,719/-
14.	05.04.2017	PSI/17-18/0004	98,95,648/-
15.	31.05.2017	PSI/17-18/0681	73,70,995/-
16.	31.05.2017	PSI/17-18/0682	43,79,654/-
17.	31.05.2017	PSI/17-18/0688	73,77,827/-
18.	31.05.2017	PSI/17-18/0689	1,23,02,559/-
19.	31.05.2017	PSI/17-18/0690	1,23,06,463/-
20.	31.05.2017	PSI/17-18/0691	1,22,54,736/-
<b>Total</b>			<b>17,09,32,577/-</b>

134. I note that in respect of Rs. 16.35 crores received by AL from CMI Ltd., acceptable sale invoices of Rs.17.09 crores along with proof of transport have been produced.

135. I note the following details of invoices submitted by AL for the sale transactions between AL and Everest Metals in FY 2016-17 and 2017-18 against the fund transactions of Rs.1.15 crores.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value
1.	27/05/2016	PSI/16-17/0363	63,92,393/-
2.	27/05/2016	PSI/16-17/0364	64,14,341/-
3.	23/06/2017	PSI/17-18/0983	38,44,684/-
<b>Total</b>			<b>1,66,51,418/-</b>

136. I note that in respect of Rs.1.15 crores in relation to Everest Metals, against which acceptable invoices of Rs. 1.66 crores along with proof of transport have been produced.

137. I note the following details of invoices submitted by AL for the sale transactions between AL and Haryana Metals in FY 2016-17 against the fund transactions of Rs.2.20 crores.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	15-06-2016	PSI/15-16/0513	75,56,487/-
2.	15-06-2016	PSI/16-17/0514	63,68,430/-
3.	15-06-2016	PSI/16-17/0515	41,67,503/-
4.	18-06-2016	PSI/16-17/0526	61,22,888/-
<b>Total</b>			<b>2,42,15,308/-</b>

138. I note that in respect of Rs.2.20 crores in relation to Haryana Metals, against which acceptable invoices of Rs. 2.42 crores along with proof of transport have been produced.

139. Details of invoices submitted by AL for the sale transactions between AL and Laxmi Industries in FY 2016-17 against the fund transactions of 0.70 crores is as follows: -

S. No.	Date of Invoice	Invoice No.	Total Invoice Value
1.	25/05/2016	PSI/16-17/0362	51,93,977/-
2.	11/06/2016	PSI/16-17/0479	43,66,755/-
<b>Total</b>			<b>95,60,732/-</b>

140. I note that in respect of Rs. 0.70 crores in relation to Laxmi Industries, against which acceptable invoices of Rs. 0.95 crores along with proof of transport have been produced.

141. I note the following details of invoices submitted by AL for the sale transactions between AL and MIPL in FY 2016-17 and 2017-18 against the fund transactions of Rs.2.35 crores.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value
1.	06/04/2016	PSI/16-17/0014	58,72,937/-
2.	20/12/2017	PSI/17-18/101600	90,58,577/-
3.	21/12/2017	PSI/17-18/101611	50,95,166/-
4.	15/02/2018	PSI/17-18/102220	94,50,738/-
<b>Total</b>			<b>2,94,77,418/-</b>

142. I note that in respect of Rs. 2.35 crores in relation to MIPL, against which acceptable invoices of Rs. 2.94 crores along with proof of transport have been produced.

143. It is relevant to note here the vouchers should have been raised prior to the payment date. In respect of the payment to NSPL, I note the last date of alleged circular payment which started from AL to NSPL was on 04/08/2018. The said circular payment started from 07/04/2016. The vouchers pertain to the period of 01.08.2016 to 19.04.2018. Except for one payment all other payments are after the vouchers.

144. In respect of the sale transactions by AL to CMI Ltd, the said circular period of payment starts from 07/04/2016 to 07/09/2017. The vouchers are dated from 29.12.2016 to 31.05.2017. Except for one payment all other payments are after the vouchers.

145. In respect of the sale transactions by AL to Everest Metals, the said circular period of payment starts from 15/07/2016 to 19/06/2018. The vouchers are dated from 27/05/2018 to 13/06/2018.

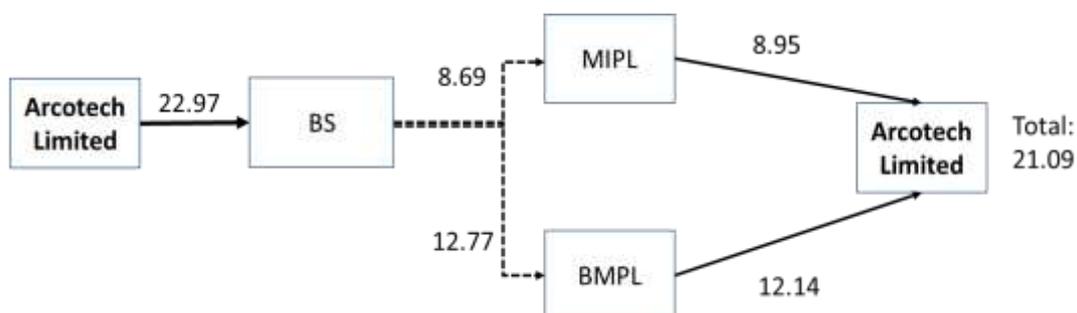
146. In respect of the sale transactions by AL to Good Value, the said circular period of payment was 18/07/2018. The vouchers are dated from 27/05/2016 to 23/06/2017.
147. In respect of the sale transactions by AL to Haryana Metal Traders, the said circular period of payment starts from 29/08/2016 to 30/08/2016. The vouchers are dated from 15-06-2016 to 18-06-2016. The payments are after the vouchers.
148. In respect of the sale transactions by AL to MIPL, the said circular period of payment is from 17/12/2016 to 04/08/2018. The vouchers are dated from 06/04/2016 to 15/02/2018. The payments are after the vouchers.
149. In respect of the sale transactions by AL to Laxmi Industries, the said circular period is 11/07/2016. The vouchers are dated from 25/05/2016 to 11/06/2016. The payments are after the vouchers.
150. The total money transferred under the sale leg forming part of the routing chain aggregates to Rs. 22.77 crores, whereas the acceptable invoice value produced aggregates to more than Rs.25.06 crores (for sales of AL) and Rs. 25.92 (for purchase of AL). Thus, both on the purchase side and on the sale side, the invoice value produced by AL along with proof of transport exceeds the alleged circulated amount of Rs. 22.77 crores. When the circulated amount of Rs. 22.77 crores has the invoice support and transport proof, I note that acceptable documentary evidence exists at the invoice level coupled with proof of transport for the underlying sale and purchase for the circulated sum.
151. In view of the above, I note that AL has produced acceptable documentary evidence in the form of invoices and transport proof corresponding to the value of Rs. 22.77 crores forming part of the alleged circular routing. The mere fact that funds were routed through the NSPL chain does not, by itself, establish absence of purchase or sale transactions when invoice

support along with the proof of transport for those transactions exists for the entire value under determination.

152. Accordingly, on the basis of the figures discussed above, the allegation that purchases and sales aggregating to Rs. 22.77 crores were fictitious during the period FY 2016-17, 2017-18 and 2018-19 solely on account of circular routing is not sustained in view of acceptable documentary evidence submitted by Archotech.

Allegation relating to Bharat Sales (M/s BS)

153. It was alleged that AL engaged in circular routing of funds through M/s BS, whereby amounts transferred by AL to BS during FY 2018-19 were further routed by M/s BS to certain downstream entities and substantially similar amounts were returned to AL on the same day or within a short span of time. The timing, sequencing and near-equality of amounts indicate that M/s BS functioned merely as a conduit entity and not as an independent commercial counterparty. The crux of the figures and the entities involved for the circular transaction is mentioned in the following figure.



154. It was alleged that during the relevant period, AL transferred an aggregate sum of Rs.22.97 crores to M/s BS through banking channels towards transactions recorded in its books. Out of the said amount, M/s BS transferred Rs. 21.46 crores to two entities, namely BMPL and MIPL. These entities, upon receipt of funds from M/s BS, transferred back an aggregate amount of Rs. 21.09 crores to AL, largely on the same day or within the immediately succeeding day. The structured movement of funds,

the proximity in timing and the substantial similarity in amounts allegedly demonstrate that a significant portion of the funds paid by AL towards the recorded transactions was routed back to AL through intermediary entities forming part of the M/s BS chain.

155. Accordingly, to the extent of Rs. 22.97 crores paid by AL to M/s BS and Rs. 21.09 crores received back by AL from M/s BS through the above two entities during the respective financial years, the corresponding purchase and sale entries recorded in the books of AL are alleged to be fictitious, as there was effectively no independent payment or genuine financial outflow in respect of the alleged purchases and sales to that extent.

#### **Documents Submitted by AL in Support of Transactions**

156. In response to the allegation, AL has submitted documentary material to substantiate the purchase and sale transactions recorded in its books in relation to M/s BS and the downstream entities forming part of the M/s BS chain.

157. AL has produced copies of purchase invoices issued by M/s BS corresponding to the payments aggregating to Rs. 22.97 crores. The invoices contain details such as invoice number, date, description of goods, quantity and value. In addition, AL has submitted copies of invoices in respect of sale by it to the entities namely BMPL and MIPL. These invoices as per AL correspond to the amounts received through banking channels.

158. Further, AL has produced transport-related documents, including transport receipts and e-way bills to demonstrate physical movement of goods in respect of the aforesaid purchase and sale transactions. GST returns and relevant statutory filings have also been referred to by AL to show reporting of such transactions. Thus, AL contends that the transactions recorded in its books are supported by invoices and transport documentation and

therefore represent genuine commercial transactions, for the alleged fund routing.

### Consideration

159. In order to determine whether the allegation of fictitious purchases and sales sustains, it is necessary to determine whether the documentary evidence produced by AL in support of purchase and sale transactions for the circulated amount are acceptable.

160. From the bank statement analysis, it is evident that AL transferred Rs.22.97 crores to M/s BS. Out of this amount, Rs.21.46 crores was transferred by M/s BS to BMPL and MIPL, and an aggregate sum of Rs.21.09 crores was routed back to AL. This figure of Rs.21.09 crores represents the circulated amount and becomes the subject figure for determination. There is no dispute on the figure Rs.21.09 which was allegedly circulated.

161. The alleged circular fund transactions pertain to the period FY 2018-19. The breakdown of fund transfers is tabulated below:

162. Fund alleged to be routed through **MIPL**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
10/08/2018	AL	BS	75,00,000.00
10/08/2018	AL	BS	75,00,000.00
10/08/2018	BS	MIPL	1,48,00,000.00
10/08/2018	MIPL	AL	60,00,000.00
10/08/2018	MIPL	AL	90,00,000.00
14/08/2018	AL	BS	20,00,000.00
14/08/2018	BS	MIPL	18,00,000.00
14/08/2018	MIPL	AL	35,00,000.00
14/08/2018	AL	BS	75,00,000.00
14/08/2018	BS	MIPL	60,00,000.00
14/08/2018	MIPL	AL	60,00,000.00
14/08/2018	AL	BS	32,00,000.00
14/08/2018	BS	MIPL	31,00,000.00
14/08/2018	MIPL	AL	35,00,000.00
17/08/2018	AL	BS	90,00,000.00
17/08/2018	BS	MIPL	89,00,000.00
17/08/2018	MIPL	AL	95,00,000.00
17/08/2018	AL	BS	50,00,000.00
17/08/2018	BS	MIPL	54,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
17/08/2018	MIPL	AL	55,00,000.00
17/08/2018	AL	BS	45,00,000.00
17/08/2018	BS	MIPL	45,10,000.00
17/08/2018	MIPL	AL	40,00,000.00
17/08/2018	AL	BS	55,00,000.00
17/08/2018	BS	MIPL	55,10,000.00
17/08/2018	MIPL	AL	55,00,000.00

163. Fund alleged to be routed through **BMPL**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
09/08/2018	AL	BS	25,00,000.00
09/08/2018	BS	BMPL	25,10,000.00
09/08/2018	BMPL	AL	27,00,000.00
13/08/2018	AL	BS	90,00,000.00
13/08/2018	BS	BMPL	90,10,000.00
13/08/2018	BMPL	AL	85,00,000.00
13/08/2018	AL	BS	50,00,000.00
13/08/2018	BS	BMPL	33,40,000.00
13/08/2018	BMPL	AL	30,00,000.00
14/08/2018	AL	BS	80,00,000.00
14/08/2018	BS	BMPL	85,10,000.00
14/08/2018	BMPL	AL	45,00,000.00
14/08/2018	BMPL	AL	20,00,000.00
17/08/2018	AL	BS	85,00,000.00
17/08/2018	BS	BMPL	81,00,000.00
17/08/2018	BMPL	AL	80,00,000.00
20/08/2018	AL	BS	35,00,000.00
20/08/2018	BS	BMPL	39,75,000.00
20/08/2018	BMPL	AL	40,00,000.00
20/08/2018	AL	BS	40,00,000.00
20/08/2018	AL	BS	10,00,000.00
20/08/2018	BS	BMPL	34,00,000.00
20/08/2018	BMPL	AL	40,00,000.00
20/08/2018	AL	BS	35,00,000.00
20/08/2018	BS	BMPL	46,00,000.00
20/08/2018	BMPL	AL	45,00,000.00
20/08/2018	AL	BS	45,00,000.00
20/08/2018	BS	BMPL	46,00,000.00
20/08/2018	BMPL	AL	45,00,000.00

164. Fund alleged to be routed through **both the entities**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
13/08/2018	AL	BS	1,45,00,000.00
13/08/2018	BS	MIPL	89,00,000.00
13/08/2018	BS	BMPL	55,00,000.00
13/08/2018	MIPL	AL	90,00,000.00
13/08/2018	BMPL	AL	85,00,000.00
14/08/2018	AL	BS	65,00,000.00
14/08/2018	BS	MIPL	36,00,000.00
14/08/2018	BS	BMPL	32,00,000.00
14/08/2018	MIPL	AL	35,00,000.00
14/08/2018	BMPL	AL	32,00,000.00
14/08/2018	AL	BS	1,15,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount (in Rs.)
14/08/2018	BS	MIPL	58,00,000.00
14/08/2018	BS	BMPL	32,10,000.00
14/08/2018	MIPL	AL	60,00,000.00
14/08/2018	BMPL	AL	32,00,000.00
17/08/2018	AL	BS	70,00,000.00
17/08/2018	AL	BS	40,00,000.00
17/08/2018	BS	MIPL	74,90,000.00
17/08/2018	BS	BMPL	34,75,000.00
17/08/2018	MIPL	AL	75,00,000.00
17/08/2018	BMPL	AL	35,00,000.00
18/08/2018	AL	BS	1,35,00,000.00
18/08/2018	BS	BMPL	49,75,000.00
18/08/2018	BS	MIPL	86,00,000.00
18/08/2018	BMPL	AL	53,00,000.00
18/08/2018	MIPL	AL	85,00,000.00
18/08/2018	AL	BS	85,00,000.00
18/08/2018	BS	BMPL	53,00,000.00
18/08/2018	BS	MIPL	25,25,000.00
18/08/2018	BMPL	AL	53,00,000.00
18/08/2018	MIPL	AL	25,00,000.00
26/09/2018	AL	BS	50,00,000.00
26/09/2018	AL	BS	65,00,000.00
26/09/2018	AL	BS	78,74,000.00
26/09/2018	AL	BS	1,20,00,000.00
26/09/2018	AL	BS	17,00,000.00
27/09/2018	AL	BS	1,50,00,000.00
27/09/2018	AL	BS	98,00,000.00
27/09/2018	AL	BS	52,00,000.00
26/09/2018	BS	BMPL	5,40,08,500.00
27/09/2018	BS		
26/09/2018	BMPL	AL	4,67,00,000.00
27/09/2018	BMPL		

165. The allegation proceeded on the basis that to the extent of Rs.21.09 crores received back by AL in the above tables, the corresponding purchase and sale transactions were fictitious, as the consideration allegedly paid stood neutralised through routing.

166. I now proceed to examine whether documentary evidence exists corresponding to this amount.

167. On the purchase side, the transaction between AL and M/s BS reflects a total payment of Rs. 22.97 crores. Details of invoice submitted for the purchase by AL from M/s BS in FY 2018-19 against the fund transactions of Rs.22.97 crores is as follows:

S. No.	Date of Invoice	Invoice Number	Total Invoice Value (in Rs.)
1.	12-06-2018	32	2,55,69,326/-
2.	13-06-2018	34	2,68,28,894/-
3.	13-06-2018	35	26,20,470/-
4.	14-06-2018	41	28,41,650/-
5.	14-06-2018	42	2,68,36,410/-
6.	14-06-2018	43	53,66,361/-
7.	15-06-2018	44	1,14,37,882/-
8.	15-06-2018	45	49,06,912/-
9.	16-06-2018	46	1,50,65,956/-
10.	16-06-2018	47	57,05,914/-
11.	18-06-2018	54	56,16,894/-
12.	20-06-2018	55	75,24,802/-
13.	21-06-2018	59	56,16,860/-
14.	24-06-2018	69	2,70,49,554/-
15.	24-06-2018	76	2,71,93,632/-
16.	28-06-2018	82	1,89,31,477/-
17.	28-06-2018	83	1,86,65,712/-
<b>Total</b>			<b>23,77,78,706/-</b>

168. I note that, AL has produced acceptable purchase invoices aggregating to Rs.23.77 crores. Thus, at the purchase level, invoice support along with the transport documentation exists in excess of the alleged circulated amount of Rs.22.97 crores.

169. I note the following details of invoices submitted by AL for the sale transactions between AL and MIPL in FY 2017-18 and 2018-19 against the fund transactions of Rs.8.95 crores

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	16/02/2018	PSI/17-18/102235	93,91,160/-
2.	17/02/2018	PSI/17-18/102249	94,44,313/-
3.	17/02/2018	PSI/17-18/102251	93,67,796/-
4.	18/02/2018	PSI/17-18/102260	1,00,85,200/-
5.	18/02/2018	PSI/17-18/102262	96,68,684/-
6.	19/02/2018	PSI/17-18/102265	1,00,05,775/-
7.	19/02/2018	PSI/17-18/102266	1,19,95,797/-
8.	20/02/2018	PSI/17-18/102287	99,59,495/-
9.	20/02/2018	PSI/17-18/102288	98,65,685/-
10.	16/06/2018	PSI/18-19/0635	54,90,158/-
<b>Total</b>			<b>9,52,74,063/-</b>

170. I note that in respect of Rs.8.95 crores received by AL from MIPL, I note acceptable sale invoices of Rs.9.52 crores along with proof of transport have been produced.

171. I note the following details of invoices submitted by AL for the sale transactions between AL and BMPL in FY 2018-19 against the fund transactions of Rs.12.14 crores.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	27/05/2018	PSI/18-19/0455	1,44,11,329/-
2.	30/05/2018	PSI/18-19/0484	89,94,142/-
3.	31/05/2018	PSI/18-19/0497	1,11,75,182/-
4.	31/05/2018	PSI/18-19/0498	93,51,292/-
5.	31/05/2018	PSI/18-19/0503	1,11,64,891/-
6.	31/05/2018	PSI/18-19/0504	1,27,72,674/-
7.	10/06/2018	PSI/18-19/0580	1,53,45,791/-
8.	12/06/2018	PSI/18-19/0594	63,99,245/-
9.	12/06/2018	PSI/18-19/0595	91,62,488/-
10.	12/06/2018	PSI/18-19/0596	1,52,79,778/-
11.	13/06/2018	PSI/18-19/0600	1,52,30,878/-
<b>Total</b>			<b>12,92,87,690/-</b>

172. I note that in respect of Rs.12.14 crores in relation to BMPL, I note acceptable sale invoices of Rs. 12.92 crores along with proof of transport have been produced.

173. It is relevant to note here the vouchers should have been raised prior to the payment date. In respect of the payment to BS, I note the last date of alleged circular payment which started from AL to BS was on September 29, 2018. The said circular payment started from August 9, 2018. The vouchers pertain to the period of June 12, 2018 to 28 June 2018.

174. In respect of the sale transactions by AL to MIPL, the said circular period of payment starts from 10th August 2018 to 18th August 2018. The vouchers are dated from 16/02/2018 to 16/06/2018. In respect of the sale transactions by AL to BMPL, the said circular period of payment starts from 09/08/2018 to 27/09/2018. The vouchers are dated from 27/05/2018 to 13/06/2018.

175. Therefore, the material indicates that payment has been after the vouchers.

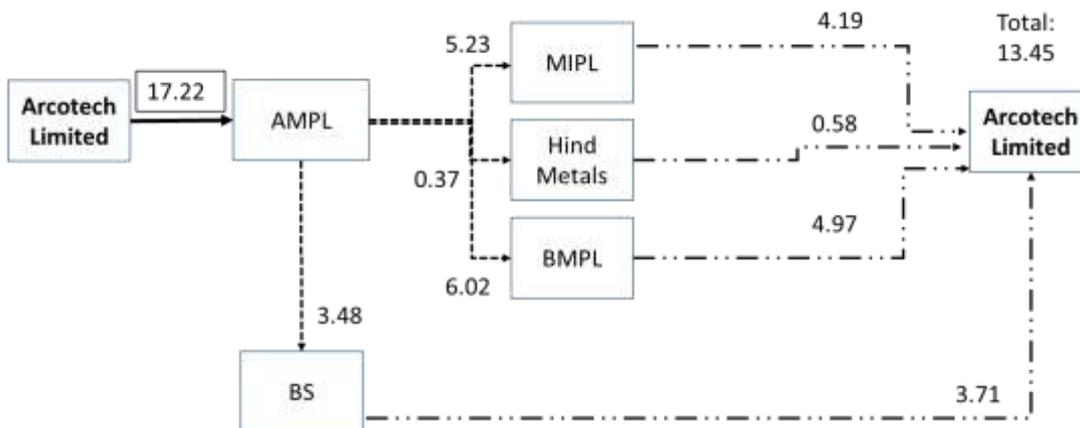
176. The total money transferred under the sale leg forming part of the routing chain aggregates to Rs.21.09 crores, whereas the acceptable invoice value produced aggregates to more than Rs. 23.77 crores (for purchase of AL) and Rs. 22.44 (for sales of AL). Thus, both on the purchase side and on the sale side, the invoice value produced by AL along with proof of transport exceeds the alleged circulated amount of Rs. 21.09 crores. When the circulated amount of Rs. 21.09 crores has the invoice support and transport proof, I note that acceptable documentary evidence exists at the invoice level coupled with proof of transport for the underlying sale and purchase for the circulated sum.

177. In view of the above, I note that AL has produced acceptable documentary evidence in the form of invoices and transport proof corresponding to the value of Rs. 21.09 crores forming part of the alleged circular routing. The mere fact that funds were routed through the M/s BS chain does not, by itself, establish absence of purchase or sale transactions when invoice support along with the proof of transport for those transactions exists for the entire value under determination.

178. Accordingly, on the basis of the figures discussed above, the allegation that purchases and sales aggregating to Rs. 21.09 crores were fictitious solely on account of circular routing is not sustained in view of acceptable documentary evidence submitted by Archotech.

#### Allegation relating to AMPL

179. It was alleged that AL engaged in circular routing of funds through AMPL, whereby amounts transferred by AL to AMPL were further routed by AMPL to certain downstream entities and substantially similar amounts were returned to AL on the same day or within a short span of time. The timing, sequencing and near-equality of amounts indicate that AMPL functioned merely as a conduit entity and not as an independent commercial counterparty. The crux of the figures and the entities involved for the circular transaction is mentioned in the following figure.



180. It was alleged that during the relevant period, AL transferred an aggregate sum of Rs.17.22 crores to AMPL through banking channels towards transactions recorded in its books. Out of the said amount, AMPL transferred Rs.15.10 crores to four entities, namely BMPL, BS, MIPL and Hind Metals. These entities, upon receipt of funds from AMPL, transferred back an aggregate amount of Rs.13.45 crores to AL, largely on the same day or within the immediately succeeding day. The structured movement of funds, the proximity in timing and the substantial similarity in amounts allegedly demonstrate that a significant portion of the funds paid by AL towards the recorded transactions was routed back to AL through intermediary entities forming part of the AMPL chain.

181. Accordingly, to the extent of Rs. 17.22 crores paid by AL to AMPL and Rs. 13.45 crores received back by AL from AMPL through the above four entities during the respective financial years, the corresponding purchase and/or sale entries recorded in the books of AL are alleged to be fictitious, as there was effectively no independent payment or genuine financial outflow in respect of the alleged purchases and sales to that extent.

### **Documents Submitted by AL in Support of Transactions**

182. In response to the allegation, AL has submitted documentary material to substantiate the purchase and sale transactions recorded in its books in

relation to M/s AMPL and the downstream entities forming part of the AMPL chain.

183. AL has produced copies of purchase invoices issued by AMPL corresponding to the payments aggregating to Rs.17.22 crores. The invoices contain details such as invoice number, date, and description of goods, quantity and value. In addition, AL has submitted copies of invoices in respect of sale by it to the entities namely BMPL, BS, MIPL and Hind Metals. These invoices as per the Noticee correspond to the amounts received through banking channels.

184. Further, AL has produced transport-related documents, including transport receipts and e-way bills, to demonstrate physical movement of goods in respect of the aforesaid purchase and sale transactions. GST returns and relevant statutory filings have also been referred to by AL to show reporting of such transactions. Thus, AL contends that the transactions recorded in its books are supported by invoices and transport documentation and therefore represent genuine commercial transactions, for the alleged fund routing.

### **Consideration**

185. In order to determine whether the allegation of fictitious purchases and sales sustains, it is necessary to determine whether the documentary evidence produced by AL in support of purchase and sale transactions for the circulated amount are acceptable.

186. From the bank statement analysis, it is evident that AL transferred Rs.17.22 crores to AMPL. Out of this amount, Rs.15.10 crores was transferred by AMPL to BMPL, BS, MIPL and Hind Metals, and an aggregate sum of Rs.13.45 crores was routed back to AL. This figure of Rs.13.45 crores represents the circulated amount and becomes the subject figure for determination. There is no dispute on the figure Rs.13.45 crores which was allegedly circulated.

187. The fund transactions pertain to the period FY 2017-18 and 2018-19. The breakdown of fund transfer is tabulated below:

188. Fund alleged to be routed through **Hind Metals**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
01/03/2018	AL	AMPL	75,00,000.00
01/03/2018	AMPL	HIND METALS	20,00,000.00
01/03/2018	HIND METALS	AL	50,00,000.00
06/03/2018	AL	AMPL	61,75,000.00
06/03/2018	AMPL	HIND METALS	17,97,934.00
06/03/2018	HIND METALS	AL	8,79,722.00

189. Fund alleged to be routed through **MIPL**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
07/03/2018	AL	AMPL	35,00,000.00
07/03/2018	AMPL	MIPL	35,00,000.00
07/03/2018	MIPL	AL	35,00,000.00
07/03/2018	AL	AMPL	60,00,000.00
07/03/2018	AMPL	MIPL	60,00,000.00
07/03/2018	MIPL	AL	50,00,000.00
08/03/2018	AL	AMPL	90,00,000.00
08/03/2018	AMPL	MIPL	90,00,000.00
08/03/2018	MIPL	AL	20,00,000.00
08/03/2018	AL	AMPL	68,00,000.00
08/03/2018	AMPL	MIPL	68,00,000.00
08/03/2018	MIPL	AL	60,00,000.00
13/08/2018	AL	AMPL	55,00,000.00
13/08/2018	AMPL	MIPL	55,00,000.00
13/08/2018	MIPL	AL	50,00,000.00
15/08/2018	AL	AMPL	55,00,000.00
15/08/2018	AMPL	MIPL	55,00,000.00
15/08/2018	MIPL	AL	54,00,000.00

190. Fund alleged to be routed through **BMPL**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
13/03/2018	AL	AMPL	85,00,000.00
13/03/2018	AMPL	BMPL	85,00,000.00
13/03/2018	BMPL	AL	85,00,000.00
13/03/2018	AL	AMPL	60,00,000.00
13/03/2018	AMPL	BMPL	57,00,000.00
13/03/2018	BMPL	AL	35,00,000.00
14/03/2018	AL	AMPL	85,00,000.00
14/03/2018	AMPL	BMPL	85,00,000.00
14/03/2018	BMPL	AL	60,00,000.00
14/03/2018	AL	AMPL	69,50,000.00
14/03/2018	AMPL	BMPL	70,00,000.00
14/03/2018	BMPL	AL	60,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
19/03/2018	AL	AMPL	60,00,000.00
19/03/2018	AMPL	BMPL	35,00,000.00
19/03/2018	BMPL	AL	37,00,000.00
07/05/2018	AL	AMPL	50,00,000.00
07/05/2018	AMPL	BMPL	50,00,000.00
05/07/2018	BMPL	AL	30,00,000.00
08/05/2018	AL	AMPL	50,00,000.00
08/05/2018	AMPL	BMPL	50,00,000.00
05/08/2018	BMPL	AL	50,00,000.00
03/08/2018	AL	AMPL	45,00,000.00
03/08/2018	AMPL	BMPL	45,00,000.00
03/08/2018	BMPL	AL	45,00,000.00

191. Fund alleged to be routed through **BS**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
06/03/2018	AL	AMPL	55,00,000.00
06/03/2018	AMPL	BS	55,00,000.00
06/03/2018	BS	AL	53,00,000.00
07/03/2018	AL	AMPL	65,00,000.00
07/03/2018	AMPL	BS	65,00,000.00
07/03/2018	BS	AL	65,00,000.00
09/03/2018	AL	AMPL	25,00,000.00
09/03/2018	AMPL	BS	25,00,000.00
09/03/2018	BS	AL	15,00,000.00
13/03/2018	AL	AMPL	18,00,000.00
13/03/2018	AMPL	BS	18,00,000.00
13/03/2018	BS	AL	60,00,000.00

192. Fund alleged to be routed through **multiple entities**:

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
05/03/2018	AL	AMPL	85,00,000.00
05/03/2018	AMPL	BS	50,00,000.00
05/03/2018	AMPL	MIPL	35,00,000.00
06/03/2018	BS	AL	53,00,000.00
05/03/2018	MIPL	AL	15,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
07/03/2018	AL	AMPL	85,00,000.00
07/03/2018	AMPL	BMPL	50,00,000.00
07/03/2018	AMPL	MIPL	35,00,000.00
07/03/2018	BMPL	AL	60,00,000.00
07/03/2018	MIPL	AL	35,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
13/03/2018	AL	AMPL	85,00,000.00
13/03/2018	AMPL	BS	50,00,000.00
13/03/2018	AMPL	MIPL	35,00,000.00
13/03/2018	BS	AL	60,00,000.00
13/03/2018	MIPL	AL	50,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
14/03/2018	AL	AMPL	1,10,00,000.00

Date	Source A/c Holder Name	Target A/c Holder Name	Amount
14/03/2018	AL	AMPL	1,00,00,000.00
14/03/2018	AL	AMPL	90,00,000.00
14/03/2018	AMPL	BS	85,00,000.00
14/03/2018	AMPL	MIPL	55,00,000.00
14/03/2018	AMPL	BMPL	75,00,000.00
07/03/2018	BS	AL	65,00,000.00
14/03/2018	MIPL	AL	50,00,000.00
14/03/2018	BMPL	AL	35,00,000.00

193. The allegation proceeded on the basis that to the extent of Rs.13.45 crores received back by AL, the corresponding purchase and sale transactions were fictitious, as the consideration allegedly paid stood neutralised through routing.

194. I now proceed to examine whether documentary evidence exists corresponding to this amount.

195. On the purchase side, the transaction between AL and AMPL reflects a total payment of Rs.17.22 crores. Details of Invoice submitted for the purchase by AL from AMPL in FY 2017-18 and 2018-19 against the fund transactions of Rs.17.22 crores is as follows:

S. No.	Date of Invoice	Invoice Number	Total Invoice Value (in Rs.)
1.	26-12-2017	143	1,01,11,462/-
2.	27-12-2017	144	1,00,38,907/-
3.	30-12-2017	161	69,34,323/-
4.	30-12-2017	162	69,37,654/-
5.	30-12-2017	163	69,42,651/-
6.	30-12-2017	164	69,47,092/-
7.	30-12-2017	166	79,59,472/-
8.	31-12-2017	167	1,29,87,473/-
9.	29-01-2018	210	98,19,876/-
10.	30-01-2018	212	78,53,692/-
11.	31-01-2018	216	73,04,405/-
12.	04-02-2018	219	1,48,12,394/-
13.	22-02-2018	252	24,41,051/-
14.	22-02-2018	254	33,50,404/-
15.	23-02-2018	255	55,29,389/-
16.	24-02-2018	258	1,21,30,879/-
17.	24-02-2018	259	90,57,869/-
18.	26-02-2018	265	1,00,43,290/-
19.	26-02-2018	266	1,06,24,030/-
20.	29-03-2018	291	80,98,883/-

S. No.	Date of Invoice	Invoice Number	Total Invoice Value (in Rs.)
21.	29-03-2018	292	77,84,644/-
22.	29-03-2018	293	80,79,243/-
<b>TOTAL</b>			<b>18,57,89,082/-</b>

196. I note that, AL has produced acceptable purchase invoices aggregating to Rs.18.57 crores. Thus, at the purchase level, invoice support along with the transport documentation exists in excess of the alleged circulated amount of Rs.13.45 crores.

197. I note the following details of invoices submitted by AL for the sale transactions between AL and MIPL in FY 2017-18 against the fund transactions of Rs.4.19 crores.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	18/02/2018	PSI/17-18/102262	96,68,684/-
2.	19/02/2018	PSI/17-18/102265	1,00,05,775/-
3.	19/02/2018	PSI/17-18/102266	1,19,95,797/-
4.	20/02/2018	PSI/17-18/102287	99,59,495/-
5.	20/02/2018	PSI/17-18/102288	98,65,685/-
<b>TOTAL</b>			<b>5,14,95,436/-</b>

198. I note in respect of Rs. 4.19 crores received by AL from MIPL, I note acceptable sale invoices of Rs. 5.14 crores along with proof of transport have been produced.

199. I note the following details of invoices submitted by AL for the sale transactions between AL and Hind Metals in FY 2017-18 against the fund transactions of Rs.0.58 crore.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	29/11/2017	PSI/17-18/101412	84,15,077/-

200. I note that in respect of Rs.0.58 crore received by AL from Hind Metals, against which acceptable invoice of Rs. 0.84 crore along with proof of transport has been produced.

201. I note the following details of invoices submitted by AL for the sale transactions between AL and BMPL in FY 2017-18 and 2018-19 against the fund transactions of Rs.4.97 crores.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	09/02/2018	PSI/17-18/102161	88,72,479/-
2.	10/02/2018	PSI/17-18/102164	88,72,479/-
3.	11/02/2018	PSI/17-18/102168	88,54,956/-
4.	11/02/2018	PSI/17-18/102171	1,00,23,156/-
5.	12/02/2018	PSI/17-18/102183	89,01,684/-
6.	31/05/2018	PSI/18-19/0503	1,11,64,891/-
7.	31/05/2018	PSI/18-19/0504	1,27,72,674/-
<b>TOTAL</b>			<b>6,94,62,319/-</b>

202. I note that in respect of Rs. 4.97 crores received by AL from BMPL, acceptable invoices of Rs.6.94 crores along with proof of transport have been produced.

203. I note the following details of invoices submitted by AL for the sale transactions between AL and BS in FY 2017-18 against the fund transactions of Rs.3.17.

S. No.	Date of Invoice	Invoice No.	Total Invoice Value (in Rs.)
1.	31-01-2018	PSI/17-18/102053	1,52,82,977/-
2.	04-02-2018	PSI/17-18/102087	88,16,965/-
3.	05-02-2018	PSI/17-18/102091	89,69,652/-
4.	12-02-2018	PSI/17-18/102181	88,01,290/-
<b>Total</b>			<b>4,18,70,884/-</b>

204. I note in respect of Rs.3.71 crores received by AL from BS, acceptable invoices of Rs. 4.19 crores along with proof of transport have been produced.

205. It is relevant to note here the vouchers should have been raised prior to the payment date. In respect of the payment to AMPL, I note the last date of alleged circular payment which started from AL to AMPL was on 03/08/2018. The said circular payment started from 01/03/2018. The

vouchers pertain to the period of 26-12-2017 to 29-03-2018. All payments are after the vouchers.

206. In the case of MIPL, the vouchers relating to the impugned sales were issued between 18.02.2018 and 20.02.2018, whereas the corresponding payments forming part of the alleged circular flow were made later, during the period from 05.03.2018 to 15.03.2018. Thus, the payments followed the voucher dates.

207. As regards Hind Metals, the voucher is dated 29.11.2017, while the payments under the alleged circular movement occurred much later, between 01.03.2018 and 06.03.2018. Here again, the remittances were effected after the issuance of the voucher.

208. In relation to BMPL, vouchers were raised between 09.02.2018 and 31.05.2018. The payments associated with the alleged circular transactions were subsequently made during the period from 07.03.2018 to 03.08.2018, indicating that the payments succeeded the voucher dates.

209. Similarly, in the transactions with BS, the vouchers bear dates from 31.01.2018 to 12.02.2018, while the related payments were made thereafter, between 06.03.2018 and 07.03.2018. The sequence in this case also reflects that the payments were made after the vouchers.

210. The total money transferred under the sale leg forming part of the routing chain aggregates to Rs.13.45 crores, whereas the acceptable invoice value produced aggregates to Rs. 18.57 crores (for purchases of AL) and Rs.17.10 crores (for sales of AL). Thus, both on the purchase side and on the sale side, the invoice value produced by AL along with proof of transport exceeds the circulated amount of Rs. 13.45 crores. When the circulated amount of Rs.13.45 crores has the invoice support and transport proof, I note that acceptable documentary evidence exists at the invoice

level coupled with proof of transport for the underlying sale and purchase for the circulated sum.

211. In view of the above, I note that AL has produced acceptable documentary evidence in the form of invoices and transport proof corresponding to the value of Rs.13.45 crores forming part of the alleged circular routing. The mere fact that funds were routed through the AMPL chain does not, by itself, establish absence of purchase or sale transactions when invoice support along with the proof of transport for those transactions exists for the entire value under determination.

212. Accordingly, on the basis of the figures discussed above, the allegation that purchases and sales aggregating to Rs.13.45 crores were fictitious solely on account of circular routing is not sustained in view of acceptable documentary evidence submitted by AL.

**III. Whether Noticee No. 1, 2 and 7 failed to disclose the seizure of AL's workplace by IFCI Ltd.?**

213. It was alleged that AL failed to disclose seizure of its workplace/factory located at 181, Industrial Growth Centre, Sector 3, Bawal, Haryana - 123501 (**Bawal Property**) by IFCI Ltd. on March 15, 2022 due to non-payment of loan. In view of the above, it was alleged that in terms of Clause 6 of Para B in Schedule III read with Regulation 30 SEBI LODR Regulations, AL required to disclose the seizure of its registered office/workplace. However the same was not allegedly done.

214. The said seizure of Bawal property was accepted by AL vide letter dated September 02, 2024 and confirmed by IFCI Ltd. vide email dated April 29, 2025. IFCI Ltd. vide the said email also apprised that the said seizure was done as per the provisions of SARFAESI Act, 2002 on 15.03.2022 due to non-payment of dues and the same was still in its possession. Hence, I note that the Bawal Property was under the possession of IFCI Ltd. from March 15, 2022 and remains there atleast until April 29, 2025.

215. As regards this allegation, it needs to be determined whether the Noticee No.1, 2 and 7 were required to disclose the same as per Clause 6 of Para B in Schedule III read with Regulation 30 SEBI LODR Regulations.

216. The relevant Clause of Schedule III is read as under:

*Schedule III – Part A: Disclosures of Events or Information: Specified Securities*

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

*1...*

*6. Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.”*

217. Regulation 30(4) of LODR Regulations specifies criteria for determining the materiality of event. It states:

*“(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;*

*(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.”*

218. I note that the said seizure of Bawal Property by IFCI Ltd. disrupted the operations of AL as post seizure the quarterly revenue from operations of AL decreased significantly. The quarterly data disclosed by AL showed that the revenue from operations were ‘nil’ for the quarter ended June 2022 in comparison to Rs.28.32 crores for the quarter ended March 2022. Noticee No. 1 and 7 have not denied that the said loss in revenue from operations to AL, which was caused due to the said seizure of Bawal Property.

219. To further determine the materiality of the said event of seizure, I note that the seized Bawal property is a registered office of AL as per the website of AL and as per its Annual Reports. Further, AL submitted to SEBI vide email dated February 24, 2024 that books of accounts prior to FY 2021-22 were kept at the registered office and the same was seized by IFCI Ltd.
220. In view of the above discussion, I note that the Bawal property was significant for AL not just for its business operations, which took a hit post its seizure but the key documents of AL, were also kept there.
221. The argument of AL and Noticee No.2 that the said seizure was never accepted as a valid or binding seizure by the company and it was contesting the same before various constitutional courts and the pendency of such proceedings were disclosed to its stakeholders in the annual reports cannot disqualify the event to be material.
222. Therefore I find seizure is a material event which is required to be disclosed as per Clause 6 of Para B in Schedule III read with Regulation 30 SEBI LODR Regulations and the same has not be done. Therefore, there is a violation on this score.
223. Noticee No. 7, the compliance officer of AL, at the time of alleged seizure had submitted that the said seizure of Bawal Property was not communicated to her formally either by the managerial personnel of the company or by the concerned department of the company. In addition, no communication was received from any external authority or from the officials of IFCI Ltd. relating to the event stated in the SCN. Hence, the Noticee had no information of the seizure of the Bawal property at any point in time. Further, the Noticee denied having any supervisory control over the said property or the activities carried out therein.
224. In support of the above submission, Noticee No.7 relied on the order of Adjudicating Officer of SEBI in the matter of DB Realty wherein vide SEBI order dated October 31, 2023, the compliance officer was given benefit of

doubt due to lack of material available on record to suggest that the material information was communicated to the compliance officer. The material information in the said matter was the non-fulfilment of the loan liability by one of the subsidiary of the listed company, DB Realty.

225. Regarding the disclosure, it was submitted by Noticee No.7 that the company was making the disclosures of material information regarding the closure of the premises and its attempt to resolve the issue. An extract of the Annual Report of AL for the year ended March 31, 2022 was reproduced in this regard.

226. Upon perusal of the said extract of the Annual Report, I note that the company did not categorically disclose the seizure of its Bawal Property by IFCI Ltd., which was alleged in the SCN.

227. It was also argued by Noticee No. 7 that the company being a juristic person can only be attributed with knowledge if it is shown that the information was formally communicated to the company. Any information/knowledge held individually by directors or KMPs cannot be equated to the knowledge of the company.

228. The argument of Noticee No.7 that the company was not informed about the seizure of the Bawal Property is not substantiated as I note that AL in its communication to SEBI (email dated February 24, 2024 and letter dated September 02, 2024), itself admitted that the seizure of its plant by IFCI Ltd. IFCI Ltd. also confirmed to SEBI that it took physical possession of Bawal Property on March 15, 2022. Further, I note that, the information held by the directors as to the seizure of the Bawal Property is equivalent to the knowledge of the Company.

229. The SEBI order relied upon by Noticee No.7 is not relevant in the present facts as the instant matter deals with the information regarding seizure of the registered office of a listed company. I note that alongwith being the registered office, the said Bawal property also acted as a primary place of

business operations of AL. The immediate dip in revenue from operations to 'nil' clearly demonstrates that the company's business activities came at a standstill due to such seizure by IFCI Ltd. Hence, the said information of seizure of Bawal property cannot be equated with the non-fulfilment of the loan liability by one of the subsidiary, as was the case in the SEBI order relied upon by Noticee No.7.

230. In view of the above, I am satisfied that Noticee No. 1 and 2 failed to disclose the seizure of AL's workplace/factory by IFCI Ltd. which was a material event as it disrupted AL's business operations. Hence, the compliance officer of Noticee No.1, Noticee No.7 is also liable as she failed to perform her duties as a compliance officer of AL in ensuring the compliance of the disclosure requirement.

231. AL has accordingly failed to provide adequate and timely information to the recognised stock exchange and investors. Noticee No.2, being the whole time director of AL, failed in overseeing the process of disclosures and communications, is also responsible for the said violation.

232. Noticee No. 7, being the compliance officer of AL, failed in ensuring conformity with the regulatory provisions applicable to AL in letter and spirit and also failed in co-ordinating with and reporting to SEBI, recognised stock exchange and depositories with respect to compliance with the rules, regulations and other directives of these authorities.

233. Consequently, Noticee No. 1 has violated Regulation 4(1)(d),(e),(g),(h), (i) read with Clause 6 of Part B in Schedule III read with Regulation 30 of LODR Regulations and Noticee No. 2 (being the Whole Time Director of AL) has violated Regulation 4(2)(f)(ii)(8) read with Clause 6 of Part B in Schedule III read with Regulation 30 of LODR Regulations. Noticee No. 7, the compliance officer of AL, has violated Regulations 6(2)(a) and (b) of LODR Regulations.

**IV. Whether Noticee No.8, 10, 11 and 12 made a delayed disclosure under SAST Regulations?**

**Allegation in brief:**

234. I note from the SCN that the promoters of AL namely, Sidhant (Noticee No.8), Arcotech Info Ltd. (Noticee No.10), Cloast Trade & Services Pvt. Ltd. (Noticee No.11) and Siddhivinayak Stockist & Trades Pvt. Ltd. (Noticee No.12) had pledged their shareholding in AL with JM Financial Products Limited ('JMFPL') in November 2017 against the loan amount of Rs.45 crores.

235. The loan agreement dated November 30, 2017 for the said loan amount was entered between AL, JMFPL and Mr. Arvind Kumar Saraf (Chairman of AL). Subsequently, due to failure to repay the loan amount by AL the pledged shares of the promoters of AL were invoked by JMFPL. Due to the said invocation, the shareholding of the promoters of AL declined to the extent of the quantity invoked. The SCN alleged that the said invocation led to the decline in the shareholding of four promoters of AL by more than 2% hence triggered the disclosure requirement under Regulation 31(2) of SAST Regulations.

236. It was alleged that the abovementioned four Noticees had made the said disclosures after the lapse of time prescribed stipulated under SAST regulations and with a delay of 109 days. Therefore, it was alleged that Noticee No. 8, 10, 11 and 12 have violated Regulation 31(2) read with 31(3) of the SAST Regulations.

Submissions of Noticee No. 8, 10, 11 and 12

237. The above four Noticees in their replies have not contested the facts mentioned in the allegation and admitted the delay in making the above disclosure. However, it was argued that the delay was caused due to the factors beyond the control of the said Noticees. The submission was further substantiated and it was submitted that the alleged transaction (invocation

of pledge by JMFPL)) took place on 17.03.2020 during which the COVID-19 pandemic was gaining pace and nationwide lockdown was imposed. This severally disrupted routine business activities, including access to physical offices, essential documentation and communication infrastructure. This impeded the Noticees from complying with the regulatory requirements within the prescribed timeline.

238. Hence, it was submitted that any delay in regulatory compliance was not attributable to any wilful default, negligence, or disregard of statutory obligations, rather was direct and unavoidable consequence of the rapidly evolving circumstances arising from the COVID-19 pandemic. It was also submitted that during the relevant time, owing to the pandemic, SEBI had also issued multiple guidelines and circulars through which certain relaxations in relation to timelines for delayed disclosures and compliance requirements were provided.

239. The Noticees had also referred to an order issued by Ministry of Home Affairs ('MHA') dated March 24, 2020 vide which various restrictions were imposed due to the pandemic declared by World Health Organisation. Due to the said MHA order number of offices, including those of the Noticees No. 8, 10, 11 and 12 were non-operational

240. The Noticees have lastly stated that even though no specific relaxation was provided by SEBI for the disclosures of SAST regulations under Regulation 31 (2) and 31(3), the leniency and relief may be extended to the Noticees owing to the surrounding circumstances during that time and the violation being non intentional and non-deliberate.

### **Consideration**

241. I note from the material available on record that Noticee Nos. 8, 10, 11 and 12 were the promoters of AL and had pledged their shares in AL with JMFPL against a loan amount of Rs.45 crores taken in November 2017. There is no dispute on these facts.

242. I also note that the invocation of their pledge with JMFPL resulted in reduction of their shareholding in AL, a listed company, on March 17, 2024, as detailed in the table.

S. No.	Name of the Promoter entity	Quarter	% change in shareholding	Reason for change	%	Date of Transaction	Actual date of Disclosure
1	Sidhant Distributors Pvt. Ltd.	Jan – Mar 2020	Decrease of holdings from 19.69% in Dec 2018 to 4.96% in Mar 2020 i.e., decrease of 14.73%.	Invocation (JMFPL & Venus India Asset Finance Pvt Ltd)	14.73%	17.03.2020	13.07.2020
2	Arcotech Info Ltd.	Jan – Mar 2020	Decrease of holdings from 2.02% in Mar 2019 to 0% in Mar 2020 i.e., decrease of 2.02%.	Invocation (JMFPL)	2.02%	17.03.2020	13.07.2020
3	Cloast Trade & Services Pvt. Ltd.	Jan – Mar 2020	Decrease of holdings from 3.81% in Mar 2019 to 0% in Mar 2020 i.e., decrease of 3.81%.	Invocation (JMFPL)	3.81%	17.03.2020	13.07.2020
4	Siddhivinayak Stockist & Trades Pvt. Ltd.	Jan – Mar 2020	Decrease of holdings from 3.65% in Mar 2019 to 0% in Mar 2020 i.e., decrease of 3.65%.	Invocation (JMFPL)	3.65%	17.03.2020	13.07.2020

243. In the context of the above factual determinations, the question that arises is whether violation of 31(2) read with 31(3) of the SAST Regulations have been violated by the above four Noticees. The said provision states:

*“(2) The promoter of every target company shall disclose details of any invocation of such encumbrance or release of such encumbrance of shares in such form as may be specified”*

244. Regulation 31(3) of the SAST Regulations, prescribes the time for disclosing the above and it states the same needs to be disclosed within seven working days from the creation or invocation or release of encumbrance. In the instant matter, it was observed that the abovementioned four promoters of AL had made the requisite disclosure

after the prescribed period with delay. The fact that the disclosures were made after a delay of 109 days is not contested by the said four Noticees.

245. In view of the same, the allegation for the violation of 31(2) read with 31(3) of the SAST Regulations against Noticee Nos. 8, 10, 11 and 12 stands established.

246. However, I note that the SEBI circular referred by the above Noticees, while requesting relaxation due to prevailing COVID 19 restrictions at that time, only extended the timeline for the disclosure requirements under Regulations 30(1), 30(2) [now repealed] and 31(4) of SAST Regulations. As the disclosures under the said regulations were required to be made within seven days from the end of a financial year, the due date was extended to June 01, 2020 citing '*prevailing travel restrictions and various other logistical challenges*' due to the spread of COVID-19 pandemic.

247. The above SEBI circular is dated March 27, 2020 and came into force with immediate effect. In the instant case, the liability of making the said disclosure under SAST regulations against the abovementioned four Noticees started from March 17, 2020 onwards. In view of the prevailing circumstances due to the said pandemic, during the relevant time, and the fact that SEBI also acknowledged the operational difficulties in compliance to certain SAST provisions due to various restrictions in its circular dated March 27, 2020, the same may be considered a mitigating factor in the instant matter.

**V. *Whether the Noticees have violated the provisions as alleged in the SCN, and if so, whether any directions and/or imposition of penalty are warranted in the facts and circumstances of the case?***

**I. *Noticee No. 1, 8, 13 and 14***

248. Since the allegations of fictitious transactions are established between AL and NSPL to the extent that Rs. 9,37,77,985/-/- were diverted by AL through Good Value to benefit the promoter group entity, Sidhant who was

then issued preference shares of AL against the said funds over other equity shareholders of AL at the cost of AL's funds.

249. Therefore, the company, AL has acted fraudulently by showing the said transfer of funds as against purchase from NSPL during the FY 2018-19 and had also misstated its books to the extent of Rs. 9,37,77,985/-/- which were AL's own funds routed back to AL through NSPL and Good Value.

250. NSPL by aiding in the said fund diversion acted as a conduit and assisted AL in creating the chain of fund movement to picture the same as legitimate business transaction. Similarly, Good Value acted as intermediary and completed the chain of fund movement by passing on the funds back to AL from NSPL.

251. Hence, I note that both NSPL and Good Value aided and abetted AL in the diversion of funds to the extent of Rs. 9,37,77,985/- for the benefit of the promoter group entity, Sidhant.

252. Sidhant got benefitted at the cost of shareholders' of AL by receiving preference shares of AL against the funds of AL to the extent of Rs. 9,37,77,985/-/-.

253. From the above, I note that the charges of diversion of AL funds for the benefit of promoter group company of AL is proved against Noticee No.1, 8, 13 and 14.

### **Role of Directors of AL and Sidhant**

#### **II. Noticee No.2**

254. I note from the SCN that Noticee No.2, Mr. Radhanath Pattanayak, was the Whole Time Director/Executive Director of AL during the FY 2018-19 when the aforesaid diversion of funds of AL and allocation of preference shares to Sidhant took place. During his tenure, as established in

preceding paragraphs, the funds of AL were routed back to AL and the purchases of AL from NSPL were misrepresented.

255. For the allegations levelled against Noticee No.2 he had submitted that the onus of establishing that he was personally authorized, concealed, or benefitted from the alleged transactions lies with the regulator. Mere presumption that, by virtue of being WTD/ED, he “must have known” or “could not have been unaware” of the alleged transactions, is insufficient in law. Further, the compliance certificate issued was based on the inputs received from the financial heads of AL, the financial team and the statutory records. Hence, there was no element of falsity or deliberate misstatement attributable to him.

256. In view of the position Noticee No.2 held in AL during FY 2018-19, I note that Noticee No.2 was supervising all the activities of AL including sales and purchases, which is one of the key business functions of AL. Hence, the fictitious transactions, established in this order, could not have taken place without the prior approval or knowledge of him, who heads the corporate hierarchy of AL. Therefore, he was responsible for undertaking fictitious transactions which resulted in diversion of funds of AL, which AL received back in the guise of loan from its promoter entity Sidhant against which the preference shares were issued to Sidhant. Recording such transactions in the financial statements of AL as purchase from NSPL resulted in misrepresentation of the financials of AL for the FY 2018-19.

257. All the documents placed on record regarding the issuance of preference shares to Sidhant were signed by Noticee No. 2 which includes, Extract of the Extraordinary General Meeting of the members of AL held on March 29, 2019, the explanatory statement attached to the same (the issuance of preference shares to Sidhant was approved in the said EGM), the Extract of the minutes of Board Meeting of AL held on March 30, 2019, where the resolution for allotment of preference shares to Sidhant was approved.

258. Further, despite being aware of the said fictitious transactions, he provided certificate under Regulation 17(8) of LODR Regulations to the Board of Directors of AL. Vide the said certificate he certified that the financial statements of AL for FY 2018-19 do not contain any materially untrue statement and was providing true and fair view of the financials of AL. The said certification of Noticee No.2 was false and fraudulent in view of the findings of this order.

259. Being the whole time director of AL, as per LODR regulations, he was also responsible to oversee the disclosures that AL is responsible to make. As already established above that AL failed to disclose the seizure of its Bawal Property by IFCI Ltd., Noticee No.2 is also liable for the said failure.

### **III. Noticee No. 3 and 4**

260. I note from the SCN that Noticee No.3 was the Chairman and promoter of AL during the IP and also held the position of director of AL during the IP. Noticee No. 4, promoter of AL, also held the position of director of AL from September 28, 2015 to September 27, 2018. Additionally, Noticee No. 3 and 4 were the directors of the promoter company of AL, Sidhant, during the IP.

261. It was argued by Noticee No. 3 and 4 that mere signing of financial statements, particularly as Non-Executive Directors , does not in itself impose liability or indicate active involvement in the preparation or verification of the contents.

262. I note that the above submission of Noticee No.3 and 4 is not accepted due to the following reasons:

A. Noticee No. 3 and 4, in addition of being non-executive directors of AL during IP, were also the promoters of AL and, I note from the SCN that together they were holding appx 7% shareholding of AL.

B. Noticee No. 3 was the Chairman of AL during the FY 2018-19 and proposed to the Board of AL for allotment of 3500000 preference shares to Sidhant. (Minutes of Board Meeting of AL dated March 30, 2019)

B. Noticee No. 3 and 4 were the directors of Sidhant who is part of the promoter group of AL as well as the beneficiary of the said diverted funds.

C. Noticee No.3 and 4 were also the shareholders of Sidhant where, during the FY 2018-19, their shareholding stood at Noticee No.3 (86.47%) and Noticee No.4 (8.04%).

263. Hence, from their position and shareholding, both in AL and Sidhant , during the period when the said diversion of Rs. 9,37,77,985/- from AL took place i.e. April – June 2018 and the preference shares were allotted by AL to Sidhant i.e. March 30, 2019. Upon considering all the above factors the submission of Noticee No. 3 and 4 cannot be accepted that they were merely non-executive directors of AL and hence cannot be held liable or indicate active involvement in the preparation or verification of the contents.

264. For the above submission, I note that Noticee No. 3 though was non-executive directors of AL was also the signatory of the Financial Statements of AL for FY 2018-19 where the financials of AL are found to be misrepresented due to diversion of funds and misrepresentation of purchase from NSPL to the extent of Rs. 9,37,77,985/- .Further, Noticee No. 3 and 4 were also directors of the beneficiary promoter company, Sidhant, where Noticee No. 3 was holding the position since July 23, 2011 and Noticee No.4 is director since November 21, 2013 in addition to holding majority shares. Being part of the management of the listed company and the certifying authority of the financial statements, based on which the investors, both present and potential, make their investment decisions, these Noticees cannot plead ignorance and are bound to adhere to the highest standard of care while certifying such key documents.

265. Hence, I note that, Noticee No. 3 and 4 were part of the management of both AL (whose funds were diverted) and Sidhant (the beneficiary of the diverted funds). Additionally, they were promoters of AL during the IP, when the said diversion is observed. In view of the same, their argument that they were discharging their functions in good faith relying on the representations made by professionals cannot be accepted as they were closely linked to both the corporate bodies.

266. Hence, I note that Noticee No.3 and 4, being directors and promoters of AL, are responsible for the diversion of funds of AL for the benefit of Sidhant during FY 2018-19. Further, Noticee No. 3 being the signatory of the financials of AL for the FY 2018-19 has also fraudulently misrepresented the financial statements of AL to the extent of the said diversion.

#### **IV. Noticee No.9**

267. Noticee No. 9 in her submission had stated that she seized to hold the position of director in Sidhant from December 02, 2017. In this regard, a resignation letter dated December 02, 2017 of Ms. Renu Saraf written to the Board of Directors of Sidhant and FORM NO. DIR – 12, filed with MCA for Sidhant was shared where it is mentioned that Noticee No.9 seized to be associated with Sidhant from December 02, 2017. Attached to the said MCA filing, the board resolution of Sidhant was also submitted.

268. From the said resolution, I note that in the Board of Directors meeting of Sidhant held on December 04, 2017, passed a resolution wherein the resignation of Ms. Renu Saraf was accepted. The above MCA filing was digitally signed by Mr. Arvind Kumar Saraf on December 21, 2017.

269. In view of the submissions of Noticee No. 9, it is established that she seized to be the Director of Sidhant from December 02, 2017. Hence, the allegations levelled against Noticee No.9 in the SCN are not established

as the diversion of AL funds for the benefit of Sidhant was observed to be initiating from April 04, 2018, i.e. subsequent to Noticee No.9's resignation.

**Role of CFOs of AL**

**V. Noticee No. 5 and 6**

270. It was alleged that Noticee No.5 and 6 were the CFO of AL during the IP and had falsely provided the compliance certificate to the Board of Directors of AL under Regulation 17(8) of SEBI LODR Regulations which states that:

*“(8)The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II.”*

271. Noticee No.5, Mr. Akshay Kumar Biswal was the 'Chief Finance Officer' ('CFO') of AL for the period November 27, 2017 to September 27, 2018. Noticee No.6 is the CFO of AL since June 01, 2019. It was alleged that during the tenure of these Noticees, the financial statements of AL were misrepresented and since they were head of finance such transactions could not have taken place without their approval or knowledge.

272. Further, it was alleged that Mr. Akshay Kumar Biswal and Mr. Arvind Dadheech had signed the financial statements of AL for FY 2017-18 and FY 2019-20 respectively.

273. However, from the discussions in the preceding paragraphs of this order, the misrepresentation of financial statements of AL are proved only for the FY 2018-19. I note from the SCN that neither Noticee No. 5 or 6 who are charged for issuing false compliance certificate under Regulation 17(8) of LODR Regulations, had issued the said certificate for the said financial year.

274. Accordingly, the allegations levelled against Noticee No. 5 and 6 are not proved.

Regarding invocation of PFUTP Regulations, following was argued by Noticee Nos. 1, 2, 3, 4 and 14:

- I. NSPL had submitted that Regulations of PFUTP cannot be invoked as Regulation 4(1) of PFUTP Regulations requires the person to be '*dealing in securities*' or act '*in connection*' with securities. Hence, direct or indirect dealing in securities is required for the application of above provision. However, NSPL in the instant matter has not remotely dealt/associated to securities and/or securities market. In addition, NSPL is an unlisted company. The company did not deceive any person dealing in securities nor did it make any false or misleading representation in connection with securities.
- II. Noticee No. 1 and 2 have also argued that since there is no allegation that the transactions impugned affected securities pricing, investor decisions or market integrity, which is the mischief sought under Regulation 4(1) of PFUTP, the violation of the same cannot be alleged.
- III. Noticee No. 3 and 4 argued that the requirement for attracting liability under PFUTP Regulations which includes intent to defraud, active participation, or inducement of investors are clearly not satisfied in the present case, particularly for the said Noticees who were merely acting in their limited capacity as Non-Executive Director.

### **Consideration**

275. I note that the allegations against the above Noticees is regarding the diversion of funds of a listed company (Noticee No.1 and 2) and for aiding and abetting the said diversion.

276. Before examining the statutory provisions in detail, it is necessary to emphasize the foundational role of information in the securities market. One of the core regulatory tools in securities regulation is the mandate of disclosure of information to investors. The regulatory framework proceeds on the premise that investors take buy sell or hold decisions based on publicly available information, including financial statements, disclosures of material events and other mandated disclosures. Disclosure of financial statements, therefore, is not an end in itself, but a mechanism to ensure informed decision-making and market integrity.

277. When the law mandates disclosure of information, it simultaneously recognises the mischief that can be played upon such information. Market integrity can be undermined not only by manipulative trading, but also by false, misleading, selective or incomplete information. Such distorted information may influence investor behaviour by inducing purchase, sale, or even the decision to continue holding a security, irrespective of whether such influence ultimately culminates in an executed transaction. It is in this regulatory context that the PFUTP Regulations treat information-based misconduct as a species of fraud.

278. This regulatory design is reflected in the statutory language itself. Section 12A of the SEBI Act, 1992 prohibits the use of any manipulative or deceptive device or any scheme or artifice to defraud in connection with the issue, purchase or sale of securities, as well as in connection with dealing in securities.

279. Section 12A of the SEBI Act, 1992 read as follows:

*“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;”*

280. The provision does not restrict its application to cases involving an actual purchase or sale of securities by the person charged. What is material is the nexus of the conduct with securities and the securities market.

281. This breadth is further clarified by the definition of “*dealing in securities*” under the PFUTP Regulations, which extends beyond buying, selling or subscribing to securities to also include “*otherwise transacting in any way in any security*”. This expression contains two important limbs: “*in any way*” and “*in securities*”. The Regulation consciously employs the phrase “*transacting in any way in securities*” and not “*transaction of securities*”. The statutory premise is that transactions in securities may take multiple forms, not all of which involve the execution of a trade. Dissemination of information relating to a security, making representations concerning ownership or control, or advising investors to acquire, dispose of or even refrain from holding a security are all modes of transacting in relation to securities, provided such conduct bears a nexus to the securities market.

282. The test, therefore, is not whether there has been a transaction of securities, but whether the impugned conduct is in connection with securities.

283. Once this statutory construction is appreciated, it becomes evident that information-based fraud itself constitutes “*dealing in securities*” within the meaning of the PFUTP Regulations. It is relevant in this context to quote the judgement of Hon’ble Supreme court in ***SEBI Vs. Kanaiyalal Baldevbhai Patel*** ((2017) 15 SCC 1)

*“25. The definition of ‘dealing in securities’ is broad and inclusive in nature. Under the old regime the usage of term ‘to mean’ has been changed to ‘includes’, which prima facie indicates that the definition is broad. Moreover, the inclusion of term ‘otherwise transacting’ itself provides an internal evidence for being broadly worded so as to include situations such as the present one.”*

284. Secondly, the definition of ‘*fraud*’ itself under Regulation 2(1)(c), apart from containing a general definition, also deems certain specific acts as

*'fraudulent'* by mentioning them in a list of nine items, some of which are as follows:

*"(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;*

*(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."*

285. It is in this regulatory context that the PFUTP Regulations, by way of a specific and inclusive definition, treat knowing misrepresentation as a species of fraud. The definition of fraud does not require that the perpetrator must himself enter into a purchase or sale of securities. The informational fraud is complete once a person makes a representation knowing it to be false, or makes such representation recklessly without regard to its truth.

286. The absence of an actual transaction in securities by the perpetrator does not dilute the fraudulent character of the act. This is because the act of making a false or misleading representation, with the knowledge or recklessness, falls within the expansive expression "otherwise transacting in securities" under the PFUTP Regulations.

287. It is entirely possible that a fraudulent misrepresentation is made, yet no investor is ultimately induced to buy or sell securities as a consequence of such misrepresentation. However, the regulatory framework treats such conduct as fraud. This is a deliberate design of the Regulations, recognising that market integrity is compromised the moment false information is injected into the public domain, irrespective of whether the misrepresentation results in an identifiable victim transaction.

288. The same reasoning applies to the contention advanced on behalf of NSPL that no dealing in securities took place since it did not trade in securities. The applicability of Section 12A of the SEBI Act, 1992 and the PFUTP Regulations does not depend on the trading in the securities.

289. It is necessary to point out here that by entering into fictitious purchase of goods, AL portrayed a wrong picture before public shareholders regarding the commercial activity undertaken by it which will ultimately paint incorrect picture of the financials of AL.

290. Therefore, in the present case, the allegation is not founded on trading activity but on misrepresentation of the financial statements of a listed company due to fictitious purchase and sales. True and fair disclosure of financials are mandated precisely because they convey material information regarding financial health of the listed company, which can influence investor perception and market behaviour. Misrepresentation of such information constitutes fraud under the PFUTP Regulations. Accordingly, the contention of NSPL that the absence of trading activity renders the provisions of Section 12A of the SEBI Act, 1992 and the PFUTP Regulations inapplicable is untenable and cannot be accepted. Similarly, the contention that since the actions of AL did not affect securities pricing, investor decisions or market integrity hence provision of Regulation 4(1) of PFUTP regulations cannot be invoked is premised on a narrow interpretation of the provision.

291. In this context, I find it necessary to emphasize once again on the necessity for investors and public shareholders of a company to know the actual financials of the company. The objective of every company is to maximize profit and make its business profitable through genuine business dealings. For a company like Noticee No.1 which generates its revenue by its business transactions it becomes important that these transactions are legitimate and not mere book entries and blank fund movements. Therefore, public investors and shareholders invest or remain invested in a company after evaluating its financial performance.

292. With regard to allegation of violation of Regulation 4(2)(f), (k) and (r) of PFUTP Regulations, I note that the said provisions are invoked where some false or misleading information is disclosed to the public in reckless or careless manner which has the potential to influence the decision of investors in securities markets. In the present case, the information was disclosed in the form of financial statements of AL.

293. It is established, in the preceding paragraphs, that the financial statements of AL for the FY 2018-19 contained misleading figures to the extent that purchase of AL from NSPL for Rs.9,37,77,985/- were wrongly reported and were mere fund movement between AL and NSPL without underlying transfer of goods. Since Noticee No.4 was the director of AL only till September 27, 2018, and I note from the SCN, that the financials of AL for FY 2018-19 was not signed by him, the violation of Regulations 4(2)(f), (k) and (r) of PFUTP Regulations is not attracted against him.

294. In view of the discussion above, the following violations are established:

- 1.1. **Noticee No.1** has violated Regulations 4(1), 4(2) (f), (k) and (r) of the PFUTP Regulations and Regulations 4(1) (c), (e), (g) and (h) of LODR Regulations and hence it is liable for penalty under Section 15HA of SEBI Act, 1992 and appropriate directions.
- 1.2. **Noticee No.1** has violated Regulations 4(1) d),(e),(g),(h),(i) read with Clause 6 of Para B in Schedule III read with Regulation 30 of LODR Regulations and hence is liable for penalty under Section 15A(b) and 15HB of SEBI Act, 1992 and appropriate directions.
- 1.3. **Noticee No.2** has violated Regulations 4(1), 4(2) (f), (k) and (r) of the PFUTP Regulations and is liable for penalty under Section 15HA of SEBI Act, 1992 and appropriate directions.
- 1.4. **Noticee No. 2** has violated Regulation 4(2)(f)(ii)(8) read with Clause 6 of Para B in Schedule III read with Regulation 30 & Regulation 17(8) of LODR Regulations and is liable for penalty under Section 15A(b) and 15HB of SEBI Act, 1992 and appropriate directions.

- 1.5. **Noticee No. 3** has violated Regulations 4(1), 4(2)(f), (k) and (r) of the PFUTP Regulations and is liable for penalty under Section 15HA of SEBI Act, 1992 and appropriate directions.
- 1.6. **Noticee No. 4** has violated Regulations 4(1) of the PFUTP Regulations and is liable for penalty under Section 15HA of SEBI Act, 1992 and appropriate directions.
- 1.7. **Noticee No. 7** has violated Regulations 6(2) (a), (b) of LODR Regulations and is liable for penalty under Section 15A(b) of SEBI Act, 1992.
- 1.8. **Noticee No. 8, 10, 11 and 12** have violated Regulation 31(2) read with Regulation 31(3) of SAST Regulations and are for penalty under Section 15A(b) of SEBI Act, 1992.
- 1.9. **Noticee No. 8, 13 and 14** have violated Regulations 4(1) of the PFUTP Regulations and are liable for penalty under Section 15HA of SEBI Act, 1992 and appropriate directions.

295. On the question that whether any direction and/or penalty needs to be imposed. Upon a comprehensive examination of the material available on record, the submissions of the Noticees, and the findings recorded hereinabove, it stands conclusively established that the funds of the listed company, AL, were diverted in a structured and non-transparent manner for the benefit of its promoter entity, Sidhant, through issuance of preference shares at the cost of the integrity of the securities market.

296. The role of Noticee No. 2, the Whole Time Director of AL, was central to the execution of the aforesaid diversion. As a key managerial person entrusted with fiduciary responsibility, Noticee No. 2 was duty-bound to ensure that corporate funds were deployed prudently, transparently, and in compliance with the provisions of the SEBI Act and the regulations framed thereunder. Instead, the findings demonstrate active participation in the structuring and implementation of the impugned transactions.

297. Noticee Nos. 3 and 4, being promoter, Non-Executive Directors of AL and simultaneously directors of Sidhant, occupied positions of trust on both sides of the transaction. The diversion of AL's funds resulted in direct or indirect benefit to Sidhant, a promoter company, thereby enriching entities under their control. Such conduct reflects a breach of fiduciary duty, abuse of position, and a deliberate subversion of corporate governance norms expected of directors of a listed company.

298. The involvement of NSPL and Good Value is also borne out from the record. The material on record establishes that these entities facilitated and aided the execution of the impugned transactions. Their conduct squarely falls within the ambit of aiding and abetting the diversion of funds of a listed company, thereby attracting liability under the provisions of PFUTP Regulations. Their participation materially enabled the wrongful acts.

299. The gravity of the misconduct is compounded by the misrepresentation of financial statements by Noticee Nos. 2 and 3. The falsification and misstatement of financials of AL were not mere accounting irregularities but constituted fraudulent conduct within the meaning of the PFUTP Regulations. Financial statements form the backbone of investor decision-making. Manipulating such disclosures undermines market transparency and erodes investor confidence, striking at the very foundation of the securities market.

300. Equally serious is the established failure of AL and its Compliance Officer to disclose the material event concerning the seizure of its Bawal Property (which also functioned as its registered office) by IFCI Ltd. due to non-payment of dues. The seizure of a company's principal operational asset and registered office is a material event having a direct bearing on its financial position, operational continuity, and investor perception. Non-disclosure of such an event constitutes violation of the disclosure framework under the LODR Regulations. Timely and accurate disclosure is the cornerstone of a fair and transparent securities market. Suppression

of such material information deprived investors of critical knowledge necessary for informed decision-making.

301. The cumulative effect of the above acts such as diversion of funds to a promoter entity, fraudulent misrepresentation of financial statements, aiding and abetting by connected entities, and suppression of material events demonstrates a concerted pattern of conduct designed to mislead investors and misuse the corporate structure of a listed entity for promoter benefit.

302. Accordingly, I find that Noticee No. 1, 2, 3, 4, 7, 8, 10, 11, 12, 13 and 14 are liable to be imposed with appropriate penalty under the provisions mentioned in the previous issue. Further, I find that appropriate directions need to be issued for such violations established in this order.

**VI. *If the above issues are determined in the affirmative what directions, if any, including the amount of monetary penalty, is required to be imposed on the Noticee(s)?***

303. The details of the penal provisions, the Noticees mentioned in preceding paragraph, are liable for the violations observed in this order are discussed in subsequent paragraphs.

304. Section 15A(b) of SEBI Act, 1992, provides for penalty for failing to furnish information within the time specified as required under SEBI Act or any regulations made thereunder which shall not be less than one lakh rupees and may extend to one lakh rupees for each day during which the failure continues subject to the maximum of one crores rupees.

305. Section 15HA of the SEBI Act, 1992, provides for penalty for fraudulent and unfair trade practices which shall not be less than Rs.5 Lakhs but which may extend to Rs.25 Crores or 3 times the amount of profits made out of such practices, whichever is higher.

306. Section 15HB of SEBI Act, 1992, provides for penalty where no separate penalty has been provided, which shall not be less than Rs.1 Lakhs but which may extend to Rs.one crores rupees.

307. While determining the quantum of penalty under the SEBI Act, it is important to consider the factors stipulated in section 15J of the SEBI Act which are as follows: -

- (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.

308. I have considered the provisions of Section 15J of the SEBI Act, which mandate that while adjudging the quantum of penalty under Section 15-I or Sections 11 or 11B, due regard shall be had to the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default; the amount of loss caused to investors; and the repetitive nature of the default.

309. In the present matter, it is noted that Sidhant has derived an unfair advantage by virtue of the preferential allotment, which was funded out of the monies of AL. The use of AL's funds in a manner that enabled preferential allotment confers a benefit that was not otherwise available in the ordinary course and, therefore, constitutes an unfair advantage within the meaning of Section 15J(a).

310. With regard to the second factor under Section 15J, though there is no material on record to demonstrate a directly quantifiable loss suffered by any specific investor or group of investors, it cannot be ignored that diversion or misuse of the Company's funds is inherently detrimental to the interests of shareholders. Such diversion notionally diminishes the value of the Company and thereby affects investor interest. Nevertheless, in the

absence of cogent material enabling computation of an apportioned or quantifiable loss to identifiable investors, the factor under Section 15J (b) cannot be applied in precise monetary terms.

311. As regards the repetitive nature of the default under Section 15J (c), no material has been placed on record to show that the Noticees have engaged in similar violations on earlier occasions so as to establish a pattern of repeated non-compliance. Accordingly, the element of repetition does not aggravate the quantum of penalty in the present case.

312. Insofar as the delay in disclosure under the SAST Regulations is concerned, it is observed that the delay was of 109 days and occurred during the pandemic period, when several disclosure timelines were granted relaxations or extensions in view of extraordinary circumstances. Though no such relaxation was granted in respect of the disclosure obligation covered in the instant matter, the surrounding circumstances prevailing during the pandemic period cannot be completely disregarded while adjudging penalty.

313. Accordingly, having taken into account (i) the unfair advantage derived through the preferential allotment funded from AL's monies, (ii) the absence of quantifiable disproportionate gain or specifically ascertainable investor loss on record, (iii) the lack of material indicating repetitive default, and (iv) the mitigating circumstances surrounding the delay in disclosure during the pandemic period, an appropriate and proportionate penalty has been considered for imposition.

314. In view of the above, I find that necessary directions are required to be issued and appropriate penalty is required to be imposed on Noticee No. 1, 2, 3, 4, 7, 8, 10, 11, 12, 13 and 14.

## DIRECTIONS

315. Accordingly, in exercise of powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2) ) read with Section 19 of SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 do hereby pass the following directions, in the interest of investors and market integrity:

- a. AL is directed to undertake steps to recover the amount of **Rs. 9,37,77,985/- (Nine crores thirty seven lakhs seventy seven thousand nine hundred and eighty five rupees)** from Sidhant along with interest at the rate of 12% p.a., calculated from March 30, 2019, till the date of this order. Simultaneously, Sidhant is directed to repay the amount mentioned above to AL within three months from the date of the order.
- b. Both AL and Sidhant upon complying with the direction at point (a) shall submit a compliance report alongwith the proof of transfer of funds within 15 days from the date of expiry of the period mentioned in direction (a) above.
- c. Following Noticees are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the following period, from the date of this order:

Name of Noticee	PAN	Period of Debarment
Arcotech Limited	AAACS2437G	<b>6 months (Six months)</b>
Mr. Radhanath Pattanayak	AFRPP7293L	<b>6 months (Six months)</b>
Mr. Arvind Kumar Saraf	AJVPS2259K	<b>6 months (Six months)</b>
Mr. Rishabh Saraf	BUDPS4226G	<b>2 months (Two months)</b>
Sidhant Distributors Pvt. Ltd.	AADCS5936R	<b>6 months (Six months)</b>
Good Value Products Limited	AABCG1526H	<b>1 month (One month)</b>
Nihon Sales Private Limited	AAACN4203D	<b>1 month (One month)</b>

- d. If the above 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 above

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

- e. In addition, in exercise of powers conferred upon me under sections 11(4A) and 11B(2) of SEBI Act, 1992, the following Noticees are hereby imposed with the penalties as provided below:

<b>Noticee No.</b>	<b>Name of the Noticee</b>	<b>Penal Provision</b>	<b>Amount (in Rupees)</b>
1.	Arcotech Limited	Section 15A(b), 15HA and 15 HB of SEBI Act, 1992	<b>10,00,000/- (Ten lakhs)</b>
2.	Mr. Radhanath Pattanayak	Section 15A(b), 15HA and 15 HB of SEBI Act, 1992	<b>10,00,000/- (Ten lakhs)</b>
3.	Mr. Arvind Kumar Saraf	Section 15HA of SEBI Act, 1992.	<b>7,00,000/- (Seven lakhs)</b>
4.	Mr. Rishabh Saraf	Section 15HA of SEBI Act 1992.	<b>5,00,000/- (Five Lakhs)</b>
7.	Ms. Nidhi Jain	Section 15A(b) of SEBI Act, 1992	<b>1,00,000 (One Lakh)</b>
8.	Sidhant Distributors Pvt. Ltd.	Section 15HA and 15A(b) of SEBI Act, 1992.	<b>6,00,000/- (Six Lakhs)</b>
10.	Arcotech Info Ltd.	Section 15A(b) of SEBI Act, 1992.	<b>1,00,000/- (One Lakh)</b>
11.	Cloast Trade & Services Pvt. Ltd.	Section 15A(b) of SEBI Act, 1992.	<b>1,00,000/- (One Lakh)</b>
12.	Siddhivinayak Stockist & Trades Pvt. Ltd.	Section 15A(b) of SEBI Act, 1992.	<b>1,00,000/- (One Lakh)</b>
13.	Good Value Products Limited	Section 15HA of SEBI Act, 1992.	<b>5,00,000/- (Five Lakhs)</b>
14.	Nihon Sales Private Limited	Section 15HA of SEBI Act, 1992.	<b>5,00,000/- (Five Lakhs)</b>

316. The Noticees shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

317. The Noticee(s) shall forward details of the online payment made in compliance with the directions contained in this Order to the Division Chief, CFID SEC-5, SEBI, SEBI Bhavan II, Plot no. C -7, "G" Block, Bandra Kurla

Complex, Bandra(E), Mumbai-400 051” and also to e -mail id: [tad@sebi.gov.in](mailto:tad@sebi.gov.in) in the format as given in table:

Case Name	
Name of the Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank details in which payment is made	
Payment is made for: Penalty or Disgorgement	

318. This order shall come into force with immediate effect.

319. A copy of this order shall be sent to the Noticees, all the recognized Stock Exchanges, Depositories Registrar, Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

N. MURUGAN Digitally signed by N. MURUGAN  
Date: 2026.02.27 22:04:02  
+05'30'

**Date: February 27, 2026**  
**Place: Mumbai**

**N. MURUGAN**  
**QUASI-JUDICIAL AUTHORITY**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**