

SECURITIES AND EXCHANGE BOARD OF INDIA**ORDER**

**Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992
in the matter of First Financial Services Ltd.**

In respect of: -

Noticee No.	Name of the Noticees	PAN	Authorised Representative
1	First Financial Services Ltd.	AAACF1145J	Mr. Mustafa Doctor, Senior
2	Nirmal Singh Mertia	AKHPM8437G	Advocate, Mr. Vinay Chauhan, Advocate and Mr. K C Jacob, Advocate
3	S Krishna Rao	AGWPR3410R	Mr.Ketan Rupani, Chartered Accountant
4	Ponuswammy Natarajan	AAAPN9499G	In person
5	Prem Lata Nahar	AFAPN8764M	Mr.Ketan Rupani, Chartered Accountant
6	B P Jhunjhunwala	ACVPJ5021H	Mr.Prakash Shah, Advocate,
7	B P Jhunjhunwala - HUF	AACHB0680D	Vishal Garg
8	Anil Agrawal - HUF	AACHA9591E	Mr.Somasekhar Sundaresan,
9	Anil Agarwal (Karta)	ACTPA6034D	Counsel, Ms. Aarti Sathe, Advocate, Mr. Joby Mathew, Advocate, Mr. Balveer C Choudhary, Chartered Accountant
10	Gokul Securities Private Ltd.	AADCG7372B	Not appeared
11	Amit Hasmukhbhai Patel - HUF	AAEHA4171N	Mr.Prakash Shah, Advocate,

12	Amit Hasmukhbhai Patel (Karta)	AAIPP8042M	
13	Syncom Formulations (India) Ltd.	AAFCS6794R	Ms.Ankita Singhania, Advocate, Mr.Tushar Parekh, Advocate
14	Rajendra Kumar Agarwal - HUF	AAEHR7685G	Mr.Chetan R Shah, Advocate
15	Rajendra Kumar Agarwal (Karta)	AEUPA5643K	
16	Ritesh Agarwal - HUF	AAMHR6805C	
17	Ritesh Agarwal (Karta)	ADMPA2038F	
18	Shilpa Agarwal	AERPJ3347N	
19	Suresh Kumar Khandelia	ABSPK3417A	Mr.Ranjit Bhonsale, Advocate
20	Manju Khandelia	ABSPK3421A	
21	Brij Bhushan Singal	AEFPS6298M	Mr.Vinay Chauhan, Advocate, Mr.KC Jacob, Advocate
22	Neeraj Singal	ANRPS7986B	
23	Uma Singal	ANRPS7987A	
24	Bharatbhai Nathabhai Buha	AAWPB3665Q	Not appeared
25	Ashokbhai Nathabhai Buha	AECPB5885J	Not appeared
26	NK Agarwal & Sons	AAAHN5067J	Mr.Shreyans Jain, Company Secretary
27	Suresh Kumar Kalani	ADRPK7629M	Mr.Anant Upadhyay, Advocate
28	Mukesh Atal - HUF	AADHM9088H	Mr.Anant Upadhyay, Advocate
29	Mukesh Atal (Karta)	AAEPA0266A	
30	Balkishan Atal - HUF	AAEFB0727D	
31	Balkishan Atal (Karta)	AHNPA3020A	
32	Rajni Atal	AAEPA0263F	
33	Karuna Atal	ABHPA0900D	
34	Rajesh Atal	AAEPA0264C	
35	Santosh Manihar	ACSPM8149E	Mr.Anant Upadhyay, Advocate
36	Giriraj Prasad Manihar - HUF	AAAHG6195E	
37	Giriraj Prasad Manihar (Karta)	ACFPM8242D	
38	Anshul Jain	ALGPJ9222L	Mr.Shreyans Jain, Company Secretary

39	Ranisati Dealer Pvt. Ltd.	AADCR7368C	Not appeared
40	Padma Impex Pvt. Ltd.	AAACL4269P	Not appeared
41	Global Infratech & Finance Ltd.	AABCA4255H	Mr.Bharat Redi, Advocate
42	Comfort Fincap Ltd.	AABCP4792J	Mr. Somasekhar Sundaresan, Counsel, Ms. Aarti Sathe, Advocate, Mr. Joby Mathew, Advocate, Mr. Balveer C Choudhary, Chartered Accountant
43	Comfort Intech Ltd.	AAACC5567H	
44	Comfort Securities Ltd.	AABCC9625R	
45	Kuber Kamna Marbles Pvt. Ltd.	AABCK7530K	Not appeared
46	Tirupati Developers	AAEFT9675M	Mr. Ashok Bansal, Chartered Accountant
47	Advent Developers Pvt. Ltd.	AAFCA3158H	
48	Vision Steel Ltd.	AABCV8232B	Mr. R S Loona, Advocate, Yash Garach, Advocate
49	Marsh Steel Trading Ltd.	AADCM7569E	
50	Adhunik Transport Organisation Ltd.	AAACA4457G	Mr. Chetan R Shah, Advocate
51	NMC Industries Pvt. Ltd.	AACCN0703E	Not appeared
52	LAN Finance Pvt. Ltd.	AAACL1502F	Not appeared
53	Bina H Mehta	AFRPM2040L	Mr. Jayant Thakur, Chartered Accountant, Kishore Shah
54	Amrit Sales Promotion Pvt. Ltd.	AACCA3220D	Mr.Vinay Chauhan, Advocate, Mr.KC Jacob, Advocate
55	Bazigar Trading Pvt. Ltd.	AABCB3052B	
56	BSR Finance & Constructions Pvt. Ltd.	AABCB0636K	Mr.S K Dokania, Chartered Accountant
57	Cellour Marketing Pvt. Ltd.	AABCC0603M	Mr.Jaikishan Lakhwani, Advocate
58	Dhanlakshmi Brokers Pvt. Ltd.	AAECD4759L	Not appeared
59	HS Tradecom Pvt. Ltd.	AACCH8988B	Not appeared

60	Jaihanuman Multi Agencies Pvt. Ltd.	AABCJ6667L	Not appeared
61	Jayine Tradecom Pvt. Ltd.	AACCJ8342D	Not appeared
62	Kirit Vasudeo Dave	AHKPD0543J	Not appeared
63	Kripa Securities Pvt. Ltd.	AACCK2399D	Mr.Vinay Chauhan, Advocate, Mr.K C Jacob Advocate, Mr.Ajay Sureka, Director of Kripa Securities.
64	Life Line Marketing Pvt. Ltd.	AAACL5973G	Mr.Rajesh Khandelwal, Advocate
65	Nandan Kanan Iron & Steel Pvt. Ltd.	AABCN8968J	Not appeared
66	Navdurga Investment Consultants Pvt. Ltd.	AACCN9567A	Mr.Ketan Rupani, Chartered Accountant
67	Nityadhara Plaza Pvt. Ltd.	AADCN9427C	Not appeared
68	Pride Distillery Pvt. Ltd.	AACCM6582E	Not appeared
69	R C Suppliers Pvt. Ltd.	AABCR2904A	Mr.Arun Goenka, Chartered Accountant
70	Astabhuja Construction Pvt. Ltd.	AAKCA4137B	Not appeared
71	Raina Vyapaar Pvt. Ltd.	AABCR3482R	Mr.Arun Goenka, Chartered Accountant
72	Rajani Investment Pvt. Ltd.	AABCR2457G	Not appeared
73	Ritesh Commercial Holdings Ltd.	AABCR1974J	Mr.Abhishek Bansal, Advocate
74	Sanchay Tradecomm Pvt. Ltd.	AAPCS2005M	Not appeared
75	Stardox Vinimoy Pvt. Ltd.	AAECS0352C	Mr.Arun Goenka, Chartered Accountant
76	Surbhika Vyapaar Pvt. Ltd.	AAJCS0680C	Not appeared

1. Securities and Exchange Board of India (hereinafter "SEBI" or "the Board"), conducted an investigation into the trading and dealings in the scrip of First Financial Services Ltd. (hereinafter referred to as 'FFSL/the company') as it observed abnormal movement in the price and trading volume of the scrip on BSE during May 15, 2012 to March 31, 2014 (hereinafter referred to as the 'investigation period'). In this matter, SEBI had also received references from the Director General of Income Tax (Inv.) Delhi and the Principal Directors of Income Tax (Inv.) Kolkata and Chandigarh vide letters dated February 02, 2015, April 27, 2015 and August 24, 2015 mentioning that the scrip of FFSL was one of the scrips whose price was manipulated.

2. On the basis of preliminary investigation in the trading and dealings in the scrip two interim orders, dated December 19, 2014 and August 11, 2015, were passed by SEBI. These orders restrained 154 entities from accessing the securities market and prevented them from buying, selling or dealing in securities, either directly or indirectly, in any manner, till further direction. Thereafter, four confirmatory orders dated April 20, 2015, June 02, 2016, June 14, 2016 and August 25, 2016 were passed inter-alia confirming the directions against 149 entities and revoking the directions against 5 entities. Vide the said confirmatory order SEBI extended several reliefs to the entities who were restrained from accessing the market including the permission to sell the securities lying in their demat accounts as on the date of the interim order, other than the shares of the companies which are suspended from trading by the concerned stock exchange and deposit the sale proceeds in an interest bearing escrow account with a nationalised bank. Except FFSL all the entities were also allowed to utilise upto 25% of the value of their portfolio as on the date of the interim order for their business purposes and/or for meeting other exigencies.

3. FFSL filed an appeal against the aforesaid interim directions of SEBI before SAT. SAT vide order dated May 03, 2017 directed SEBI to pass appropriate order in the matter by November 15, 2017. Subsequently, SEBI sought extension of time for passing order in the matter and SAT vide Order dated November 30, 2017 extended the timeline for passing final order in the matter till March 31, 2018. Subsequently, after completion of the investigations, the interim directions were revoked against 91 entities vide revocation order dated September 6, 2017. On the basis of findings of investigation about the role of entities in the price manipulation of the scrip of FFSL, a Show Cause Notice dated September 29, 2017 (hereinafter referred to as 'SCN') has been issued

to 76 entities. This includes some entities against whom no directions were issued under the interim orders earlier.

4. Investigation revealed that the scrip of FFSL was suspended from trading on the Bombay Stock Exchange (BSE) from June, 2000 to July 08, 2011. After the revocation of suspension and before May 15, 2012, the scrip was traded on only two days July 8, 2011 and November 16, 2011 and the closing price of the scrip on these days was Rs.7.12 and Rs.5.10 respectively. During this period i.e (July 08, 2011 to May 15, 2012), the company made two preferential allotments of shares - one on December 08, 2011 (for 54,50,000 equity shares) and another on April 28, 2012 (for 22,50,000 equity shares) at a price of Rs. 20 each to 83 persons. These shares were under lock-in for one year from the date of respective allotment and after expiry of the lock-in most of these shares were sold in the market. After the preferential allotment and during the lock-in period, the price of the scrip witnessed steep rise with very low traded volume. The price of the scrip rose by 4824.3% during the period from May 15, 2012 to February 8, 2013. After the price rise period, the scrip was traded in high volume and most of the shares issued to preferential allottees were off-loaded in the market. This period was mainly between February 11, 2013 and December 12, 2013. On December 13, 2013 the shares of FFSL were sub-divided into ten equity shares of Re.1 each from one equity share of Rs.10 each. Subsequently, the scrip witnessed a fall in price. As regards financials of the company, it was observed that there was a marginal increase in profit during 2012-13. The company had registered a net profit of Rs. 0.32 crore, Rs. 0.48 crore and Rs. 0.07 crore for the financial year ended March 2012, March 2013 and March 2014 respectively. It has been further brought out in the SCN that the company did not utilise the money received by it on allotment of preference shares to the tune of Rs 15 crores for the purposes for which it was raised and most of the money were transferred back to allottees or were transferred to certain buyers in post lock-in period through multiple layers of transactions. It has been also mentioned that the company has funded some allottees to subscribe to its shares in the preferential allotments. On the basis of movement in price of the scrip, the investigation period has been divided into four patches as follows:

Patch	Period	Opening Price	Closing price	High Price/ Low price	Avg. no. of shares traded	Description
Patch-1	15/05/12-08/02/13	5.35	263.45	263.45	23	Steep Price rise with low volume
Patch-2	11/02/13-23/07/13	268.7	296	300	39,528	No sharp price rise with significant volume
Patch 3	24/07/13-12/12/13	295.5	178.45	176	43,282	Price fall pre-split
Patch-4	13/12/13-31/03/14	17.6	7.95	7.1	802,537	Price fall post-split

5. The investigation has found that Noticee Nos. 2, 3 and 4 {viz. Nirmal Singh Mertia (from July 26, 2011), S Krishna Rao (from June 5, 2010 to August 10, 2013) and Punuswamy Natarajan (September 26, 1991 to April 15, 2013)}, were the directors of FFSL (Noticee No. 1) during the relevant time. It has been alleged that out of the allotment proceeds of Rs 15 crores, a sum of Rs.6.57 crore was transferred back to the allottees indirectly through multiple layers of transactions and around Rs. 7.94 crore was transferred to entities connected to FFSL. During Patch 1, the price of the scrip was raised by Noticee Nos. 5 and 7, who were connected with the company. Subsequently, the preferential allottees were provided hugely profitable exit and several entities connected with the company played a key role in routing/re-routing of allotment proceeds through allegedly bogus commercial transactions. It has been also alleged that some allottees received funds indirectly from FFSL for the purpose of making investment in preferential allotment. FFSL also transferred fund received in preferential allotment to entities who were not preferential allottees and those entities primarily used these funds to purchase shares of FFSL from the market. Connections between these entities have been alleged on the basis of UCC data/ KYC data, MCA data and the pattern of fund movement as observed from bank statements which allegedly indicates that the transactions were pre-determined. It has been alleged that Noticee Nos. 2 to 53 were connected with the company and were involved in the aforesaid manipulative, deceptive and fraudulent acts. The investigation has also revealed that certain other connected entities, were also involved in routing/re-routing of the funds for the ultimate benefit of the allottees. Thus, it has been alleged that the preferential allotment was used as a façade by FFSL

to route allotment proceeds to certain allottees and other Noticees connected to the Company so as to provide beneficial exit to several company connected Noticees/allottees. It has been further brought out in the SCN that during Patch III and Patch IV, the price of the FFSL scrip has been depressed by certain Noticees connected to FFSL by placing sell orders at a price lesser than the Last Traded Price of the scrip and certain counterparties were connected to the company. It is alleged that during Patch 3, the intra-group trading of 25 Noticees (15 Noticees as sellers and 10 Noticees as buyers) contributed Rs. -230.90 (40.95%) to the negative LTP in 699 trades for 90,417 shares. Further, during Patch 4, the intra-group trading of 23 Noticees (15 Noticees as sellers and 8 Noticees as buyers) contributed to Rs.-30.46 (38.61%) to the negative LTP in 257 trades for 5,88,346 shares.

5. In the light of the facts revealed during investigation, it was alleged that FFSL and its connected entities perpetrated a fraudulent scheme which included the two tranches of preferential allotment, manipulative trades jacking up the price of the scrip, unexplained fund transfers between several connected entities and FFSL and profits made by those entities that exited subsequently. Thus, it was alleged in the SCN that the Noticees had violated the provisions of Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2), (a) and (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 [the **SEBI(PFUTP) Regulations** in short].

6. The SCN was delivered by speed post to all Noticees except eleven of them, namely, Gokul Securities Pvt. Ltd., Kirit Vasudeo Dave, Jaihanuman Multi Agencies Pvt. Ltd., Padma Impex Pvt. Ltd., Dhanlakshmi Brokers Pvt. Ltd., HS Tradecom Pvt. Ltd., Jayine Tradecom Pvt. Ltd., Rajani Investment Pvt. Ltd., Asthabhuja Constructions Pvt. Ltd., Adhunik Transport Organisation Ltd. and Nityadhara Plaza Pvt. Ltd. The SCNs issued to Gokul Securities Pvt. Ltd., Kirit Vasudeo Dave, Jaihanuman Multi Agencies Pvt. Ltd. and Adhunik Transport Organisation Ltd. were affixed at their last known address. The SCN issued to Dhanlakshmi Brokers Pvt. Ltd., HS Tradecom Pvt. Ltd., Jayine Tradecom Pvt. Ltd., Rajani Investments Pvt. Ltd., Asthabhuja Constructions Pvt. Ltd., Padma Impex Pvt. Ltd. and Nityadhara Plaza Pvt. Ltd. could not be served upon them. Hence service was effected through publication in the newspapers on

December 19, 2017. Publication with respect to Dhanlakshmi Brokers Pvt. Ltd., HS Tradecom Pvt. Ltd. and Jayine Tradecom Pvt. Ltd. was made in the Jaipur edition of Dainik Bhaskar and the Times of India. Publication with respect to Rajani Investments Pvt. Ltd., Asthabhuj Constructions Pvt. Ltd., Padma Impex Pvt. Ltd. and Nityadhara Plaza Pvt. Ltd was made in the Kolkata edition of Anand Bazar Patrika, Sanmarg and the Times of India.

7. After receipt of the SCN, several noticees, namely, Prem Lata Nahar, B P Jhunjhunwala, BP Jhunjhunwala HUF, Amit Hasmukhbhai Patel HUF, Amit Hasmukhbhai Patel, Anil Agarwal, Anil Agarwal HUF, Comfort Fincap Ltd., Comfort Intech Ltd., Comfort Securities Ltd., Syncom Formulations (India) Ltd., NMC Industries Pvt. Ltd., LAN Finance Private Ltd., and Cellour Marketing Pvt. Ltd. requested for inspection of documents. The entities were provided with an opportunity of inspection of documents. However, letters sent to LAN Finance Pvt. Ltd. and NMC Industries Pvt. Ltd. returned undelivered. Further, several other Noticees namely S Krishna Rao, Brij Bhushan Singhal, Syncom Formulations India Ltd., Uma Singal, Neeraj Singal, Brij Bhushan Singal, Kripa Securities Ltd., Navdurga Investment Consultants Pvt. Ltd., Bazigar Trading Private Ltd. and Ritesh Agarwal sought copies of several documents. It has been ascertained that those entities who requested for an opportunity of inspection and copy of documents were provided with the same. Amit H Patel and B P Jhunjhunwala had sought cross-examination of several persons. As the SCN did not place reliance on any oral statement made by any person for the purposes of the present proceedings, the request was not found relevant and hence was denied.

8. BP Jhunjhunwala, Noticee No.6, vide his letter dated January 30, 2018 in addition to the request for cross-examination also sought copies of several documents including statements recorded by Department of Income Tax (DIT), statements/submissions made by entities Prem Lata Nahar, S Krishna Rao, Ashok Bothra and Kailash Purohit to SEBI, UCC and MCA database, off market data and Bank statements of Prem Lata Nahar establishing his connection with her. Vide the same letter, BP Jhunjhunwala had also sought details received by SEBI from BSE. It is observed that no adverse inference has been drawn against BP Jhunjhunwala in the present proceedings based on the statements recorded by DIT. It has been ascertained that copies of all the documents establishing his connection with Prem Lata Nahar including copies of bank

statements and MCA database and details received from BSE have already been provided to BP Jhunjhunwala as Annexure to SCN and the original copies of these documents were inspected by the authorised representatives of BP Jhunjhunwala on January 04, 2018. It is further observed that vide the same letter dated January 30, 2018, BP Jhunjhunwala has also sought documents pertaining to acquisition of FFSL shares by him. In this regard, it is noted that the present proceedings against BP Jhunjhunwala are not pertaining to any violation regarding acquisition of shares but is limited to the allegations of fraudulent dealing in shares under the Securities and Exchange Board of India (Prohibition of Fraudulent And Unfair Trade Practices Relating To Securities Market) Regulations, 2003, hereinafter referred to as the SEBI (PFUTP) Regulations, in short.

9. All the Noticees were granted an opportunity of hearing on February 2, 2018. The date of hearing was intimated to all the entities by post except eleven noticees. The date of hearing was intimated to Kirit Vasudeo Dave, Gokul Securities Pvt. Ltd., Jaihanuman Multi Agencies Pvt. Ltd. and Adhunik Transport Organisation Ltd. through affixure at their last known address. The notice of hearing was given to Rajani Investment Pvt. Ltd., Astbhuja Constructing Pvt. Ltd., Nityandhra Plaza Pvt. Ltd., Padma Impex Pvt Ltd., Jayine Tradecom Pvt. Ltd., HS Tradecom Pvt. Ltd. and Dhanlakshmi Brokers Pvt. Ltd. by publishing in Dainik Bhaskar Jaipur Edition, Anand Bazar Patrika and Sanmarg, Kolkata Editions and in the Times of India, Jaipur and Kolkata Editions on January 20, 2018. Hearing with respect to 27 entities got concluded on February 2, 2018. Several entities sought adjournment. Therefore, another opportunity of hearing was granted to the remaining 49 entities on February 8, 2018. The hearing notices were sent by post/email. On February 8, 2018, hearing with respect to 9 entities was completed. Those entities who could not be heard on February 8, 2018 and those who had requested for adjournment were granted an opportunity of hearing on February 26, 2018, March 1, 2018 and March 22, 2018. 14 entities were heard on February 26, 2018 and 2 entities were heard on March 1, 2018 and 2 more entities were heard on March 22, 2018. Thus, out of 76 Noticees, 61 were heard and 15 did not appear for hearing. As sufficient opportunity of hearing has been given to all entities and still 15 entities failed to appear, I am dealing with their issues on the basis of the material available on record.

10. The summary of the reply and submissions made by the Noticees during the hearing are as follows:

(a) First Financial Services Ltd. and Nirmal Singh Mertia (Noticee No. 1 & 2) replied vide letters dated October 13, 2017, October 31, 2017 and January 25, 2018;

- The preferential allotments were made by the company after obtaining requisite approvals from the shareholders and the exchange and they had also made requisite disclosures with respect to the preferential allotments.
- It has been denied that the preferential allotments were used as a façade which ultimately benefitted a few allottees and was never retained for utilisation as per the stated objects of the issue. They utilised the proceeds of the preferential allotments in the ordinary course of business.
- The amount raised through preferential allotment was utilised for repaying loans raised earlier, investment in securities and for giving loans etc. The amount utilised by FFSL for making investments are lying with FFSL in the form of securities in its demat account and majority of the loans given to borrowers have returned to the company. It has been submitted that as on February 19, 2018 an amount of Rs.377.04 lakh has been invested by FFSL in Mutual Funds, Rs.76.33 lakh in Fixed Deposits with banks, Rs.1,003.17 lakh has been invested in listed securities, Rs.155.92 lakh in unlisted shares and an amount of Rs.549.20 lakh is with others as loans and advances.
- Neither the company nor the directors have traded in the shares of the company. The company has no control over the trades of other persons and based on the manner of trading of certain persons during Patch-1 of the investigation period, the company cannot be faulted.
- It has been denied that the company and its directors are connected with various other entities, including Prem Lata Nahar and B P Jhunjhunwala.

- With regard to lower amount of rent charged, it has been submitted that what needs to be looked into is the return on property given on rent. It has been also submitted that the transactions with CIL, CFL & CSL were executed in the ordinary course of business.

(b) S Krishna Rao (Noticee No. 3) replied vide letters dated December 7, 2017 and March 1, 2018.

- He was appointed as a director of FFSL in June 2010 and resigned on August 10, 2013. During his tenure as director, he was overseeing compliance function and was not involved in any day to day activity of FFSL.
- It has been denied that he was involved in any wrongdoing or misconduct. He has not dealt in the shares of the company nor was part of alleged manipulation of the scrip.
- He was an independent director in Global Infratech and Finance Ltd. from February 7, 2011 to February 5, 2014. His directorship in Skyednetwork Pvt. Ltd., Radhasoami Securities Pvt. Ltd., Nandlal Vyapar Pvt. Ltd., Anurodh Merchandise Pvt. Ltd., Onesource Techmedia Ltd. and Carewell Consultants Pvt. Ltd. has no connection whatsoever with his directorship in Global Infratech and Finance Ltd. and FFSL.
- He was director in Onesource Techmedia Ltd. from May 20, 2008 to October 29, 2012 and then from November 10, 2014 to December 17, 2014. The shares of the company was admitted for trading on BSE SME platform from June 5, 2013 and any person could have held shares of the company.

(c) P Natarajan (Noticee No. 4) replied vide letter dated October 26, 2017.

- After sale of his stake in FFSL he continued as director of the company as per terms of the MOU dated May 27, 2010 (clause 1(a)). Two associates of Mr. BP Jhunjhunwala were inducted as additional director vide Board Meeting held on June

5, 2010 and he was made a non-executive director. All records of the company were taken away by Mr. Jhunjhunwala and registered office address of the company was also changed to the office address of BP Jhunjhunwala. After July 6, 2011 he did not attend any of the Board Meeting of FFSL as he did not receive any call or email or invitation for any of their board meetings.

(d) Prem Lata Nahar (Noticee No. 5) replied vide letters dated September 23, 2017, October 30, 2017, February 1, 2018 and February 2, 2018.

- She is a retail investor in the securities market and she invests and trades in shares of different sectors/ groups. During the period April 1, 2009 to December 31, 2014 her husband traded in shares of around 176 companies and as on December 31, 2014 she held shares of 50 companies.
- The reason for dealing in the scrip of FFSL are- (i) in August 2010, the company passed a resolution for major reconstruction by way of capital reduction which was subsequently approved by Hon'ble Madras High Court, (ii) FFSL was able to raise funds aggregating to Rs. 15.40 crores at a premium of Rs.10 per share by way of preferential allotment to 83 investors. This was an indication for the retail investor that the efforts of the management in reconstruction of the company are in the right direction and (iii) other company in the same sector (NBFC/Finance) were trading at a fairly high PE multiple despite very low or negative EPS.
- It has been submitted on the basis of analysis of order details that initially they wanted to purchase 1000 shares. However, as in the trade on August 9, 2012 only 10 shares could be purchased, so orders were placed at upper circuit limits to ensure that they are able to purchase shares from the market. Eventually, over a period of time she was able to purchase only 844 shares, which was subsequently sold.

(e) B P Jhunjhunwala and B P Jhunjhunwala - HUF (Noticee No. 6 & 7) replied vide letters dated November 30, 2017 and March 1, 2018.

- He has denied that he was part of any scheme allegedly devised by FFSL or any of its alleged connected entities. It has been also stated that he is not connected with Ms. Prem Lata Nahar and has never aided anyone or traded with any specific entity as alleged or otherwise.
 - BP Jhunjhunwala was director in Onesource Telemedia Ltd. before the investigation period and therefore no adverse inference can be drawn. Ashok Bothra was an Independent Director of FFSL for a period of 2 months only (May 24, 2011 to July 26, 2011), which is before the investigation period and he was an independent director of JMD Ventures from December 10, 2005 to December 4, 2014. JMD Ventures Ltd. and JMD Sounds Ltd. are not part of the present proceedings. They are not associated with the transactions between JMD Sounds and Prem Lata Nahar.
 - He had sold his shares in the normal course through automated screen based trading system of the stock exchange. During patch I, the sell orders were placed by him after a long time gap of pending buy orders and the order quantity were kept small as the price was rising and as a prudent investor he did not change his pattern of selling. During May/June, 2013 he decided to acquire controlling stake in Anugrah Jewellers Ltd. (presently known as Onesource Ideas Ventures Ltd) with a view to carry out his consultancy business under the banner of a listed company. For this purpose, he off-loaded his entire stake in FFSL during patch II and patch III.
 - It has been submitted that he is not connected with Prem Lata Nahar. With regard to matching of trades with Prem Lata Nahar, it has been submitted that there was substantial difference in order quantity and order time. Further, there were 18 other entities who were counterparties to his trades during Patch I who are not party to the present proceedings.
- (f) Anil Agarwal - HUF and Anil Agarwal (Noticee No. 8 & 9), Comfort Fincap Limited, Comfort Intech Ltd. and Comfort Securities Ltd. (Noticee No. 42, 43 and 44) filed written submissions vide letter dated February 16, 2018.

- Comfort Securities Ltd. is a stock broker registered with SEBI. Comfort Intech Ltd. (CIL) and Comfort Fincap Ltd. (CFL) are NBFCs registered with RBI and extends loans and financing to various customers of Comfort Securities Ltd. FFSL was a client of CSL and was regularly trading in securities through it.
- The proceeds of the preferential allotment used for payments to CFL, CIL and CSL were legitimate and genuine transactions.
- With regard to receipt of funds from FFSL out of proceeds of the first preferential allotment, it has been stated that CIL got a deposit of Rs.90 lakh from FFSL for a spa business. The spa business was run by FFSL for a period of two years until January 2014. The payment of Rs.30 lakh by FFSL to CFL was towards repayment of the funding/finance availed from CFL (which is an NBFC) in the regular course for trading in securities through CSL. In this regard copies of ledger of FFSL in the books of CIL, CFL and bank account statements have been furnished.
- With regard to receipt of funds from FFSL out of proceeds of the second preferential allotment, it has been stated that Rs.207.07 lakh was received by CSL towards purchase/trading in securities done by FFSL through CSL. It has been also stated that the amount of Rs.30 lakh was received by CIL towards repayment of loan. In this regard, copy of ledger statements of FFSL maintained with CSL and CIL have been furnished.
- FFSL, Ritesh Agarwal, Rajendra Agarwal, Shilpa Agarwal and Ranisati Dealers Pvt. Ltd. were clients of CSL. Adhunik Transport Organisation Ltd., FFSL and Ranisati Dealers had borrowed funds from CIL and CFL. There was no standalone loan agreement since payments and receipts were made in the ordinary course. The servicing of the loans and discharge of payment obligations for the trades done were routinely done on a running account basis. The certified extract of ledger of the clients in the books of CSL for the trades done has been submitted. Certified extract of the

ledger of Adhunik, FFSL, Ranisati and Lakshya in the books of CIL and CFL has been submitted.

- The assessment of CSL, CFL and CIL have been completed under section 143(3) of the Income Tax Act, 1961. It has been submitted that the tax department, by way of scrutiny assessments, on proper verification of all documents has taken a view that none of the transactions called in question in the SCN are bogus or non-genuine.
- Not a single trade of clients of CSL in Patch III has taken place below Rs.245/- and its clients have also traded in the scrip at price higher than the LTP. It has been also stated that CSL merely acted as a stock broker and there was no collusion or meeting of minds to depress the price of the scrip. Further, there were 8 other clients who sold shares during this period. However, there are no adverse findings against them.

(g) Gokul Securities Pvt. Ltd. has replied vide letter dated February 22, 2018.

- Mr. Ashok Soni and Ms. Chhaya Soni were appointed as directors on August 5, 2014 in Pazel International Ltd. (formerly: Rutron International Ltd.). It has been also stated that Mr. Ashok Soni and Ms. Chhaya Soni were appointed as directors in Gokul Securities Pvt Ltd. on March 21, 2014. These appointments were after the investigation period.
- The transfer of funds between Ranisati Dealers Pvt. Ltd. and Gokul Securities were done by former directors of Gokul, namely, Nitin Katwa and Ravi Katwa. They had done the transactions in their individual capacity.

(h) Amit H Patel – HUF and Amit H Patel (Noticee No. 11 & 12) have replied vide letters dated October 16, 2017, January 23, 2018 and March 7, 2018.

- The fund transaction between LAN Finance Pvt. Ltd. and other entities pertains to a period before he and his wife Rina Patel took a controlling stake in LAN. His wife

was appointed as a director in LAN after April 2012. In this regard, reply of LAN has also been relied upon.

- All shareholders of NMC Industries Pvt. Ltd. are family members of Amit H Patel. It is a closely held company of his family and it is not having any relationship with FFSL, Comfort group or any other alleged group entities. The fund transaction between NMC and Amit H Patel was regularly taking place as and when required. The ledger account statement Amit H Patel –HUF with NMC Industries Pvt. Ltd. for FY 2011-12 and 2012-13 supported by bank statement have been furnished.
- With regard to the receipt of Rs. 1.35 Crore from FFSL, it has been stated that Amit H Patel and his father late Hasmukh Patel had to transfer an amount of Rs.1.5 crore to FFSL for subscribing to the shares of FFSL. They paid an amount of Rs. 15 lakh from their bank account on December 5, 2011 to FFSL and requested NMC to pay the balance to FFSL, as they had receivables due from NMC. NMC paid the amount of Rs.1.35 crore directly to FFSL from its bank account no. 361101010036325 on December 5, 2011. FFSL did not accept the payment for application of shares as it was coming from a third person and refunded the amount on December 7, 2011 in the bank account of NMC (Account no. 361101010036100). NMC transferred the amount to Amit H Patel and Hasmukh Patel on December 7, 2011. It has been also stated that NMC paid the amount of Rs.1.35 to Amit H Patel – HUF from its own funds. Thus, it has been submitted that they have not received any fund from FFSL for investing in the shares of FFSL as alleged in the SCN.
- During March 2012, Amit H Patel and his family purchased shares in an NBFC called LAN Finance Pvt. Ltd. and his wife Reena A Patel was appointed as director of LAN on April 17, 2012. As regards the allegation that Mr. Shiv Ratan Agarwal, who was a director in Comfort Securities Ltd. was also a director in LAN. It has been submitted that Mr. Shiv Ratan Agarwal had resigned from LAN on July 31, 2008. The fund transactions between LAN and others as alleged in the SCN was prior to their taking controlling stake in the company and therefore no adverse inference of any

connection should be drawn. It has been also submitted that the transaction between LAN (an NBFC) and Tirupati Developers, Advent Developers Pvt. Ltd., Prefer Absan, Ranisati Dealers Pvt. Ltd., Suresh Khandelia, Manju Khandelia, NK Agarwal & Sons and Sangeeta Bhuwarka were bonafide loan transactions made in regular course of business. In this regard, copy of Ledger Statement and Bank statement as maintained with LAN have been submitted.

- With regard to receipt of Rs. 45 lakh by NMC from LAN on March 22, 2012, it has been submitted that it was part of NBFC activity of LAN.
 - With regard to fund transaction of Rs. 10,00,000/- between Amit H Patel and Syncom Formulations India Ltd., it has been stated that the amount was received on August 18, 2011 as an advance for sale of shop at Ghansoli, Navi Mumbai. However, the deal was cancelled and the amount was refunded on July 10, 2012.
 - They invested in the shares of FFSL on the basis of Information Memorandum provided by FFSL, which showed that FFSL were to provide financial services in niche areas and the funds raised were to be utilised for expansion of business of the company to other cities. Further, income from operations and total income of the company had increased many fold for the year ended March 31, 2011 vis-à-vis the year ended on March 31, 2010.
 - Their trading in the scrip of FFSL during the relevant period was done on the anonymous screen based trading platform of the stock exchange. The shares were sold in small lots over a long period of time to take the benefit of price fluctuations, if any. With regard to trading in Patch III and Patch IV, it has been submitted that almost 83% of their trades during patch III and 92% of their trades during patch IV had no impact on LTP.
- (i) Syncom Formulations (India) Ltd. (Noticee No. 13) has replied vide letter dated February 7, 2018.

- The transactions carried out by them during the investigation period were in the ordinary course of business. There was no way by which they could have known about the manipulative intent of FFSL and other entities allegedly connected with them.
- The transfer of Rs.33,50,000/- to Padma Impex Ltd. on February 2, 2011 was towards share application money for subscribing to the equity shares of the company. However, the company did not allot the shares and the money was refunded on April 13, 2011. Copy of share application form, Form 23AC, balance sheet of the company for 2011-12 and bank account statement have been relied upon.
- The amount of Rs.175 lakh was transferred to Ranisati Dealers on May 10, 2011, May 13, 2011 and May 16, 2011 as interest free loan on the personal guarantee of director of Ranisati, Mr.Brijesh Sharma. It has been submitted that the loan amount has been refunded by Ranisati during February 2014 to June 2014. In this regard, copy of confirmation of accounts with Ranisati has been submitted.
- The transfer of Rs.1.10 crore to BLC Trading & Agencies Pvt. Ltd. on February 21, 2011 was towards share application money for subscribing to the equity shares of the company. However, the company did not allot the shares and the money was refunded in June 2012. Copy of share application form, Form 23AC, annual reports of the company for 2010-11, 2011-12 and 2012-13 and bank account statement have been relied upon. With regard to other transactions with BLC, it has been submitted that Syncom had provided short term loan facility to BLC. A total of Rs.78,90,000/- was paid to them during the period May 1, 2012 to August 23, 2012 and the amount was refunded by them during the period June 13, 2012 to February 7, 2013. In this regard, bank account statement has been relied upon.
- With regard to receipt of an amount of Rs.10 lakh from Amit H Patel on July 12, 2012, it has been stated that the same was the refund of the earnest money paid to Amit H Patel on August 18, 2011 towards purchase of a shop in Ghansoli, Navi

Mumbai. The money was in terms of MOU signed between them and the deal was cancelled as the size of the premises was not found to be sufficient.

- Transfer of Rs.25,00,000/- to Ms. Sangita Bhuwalka was towards purchase of a flat in Kolkata. The company changed its mind and cancelled the deal. The amount was refunded by Sangita Bhuwalka on February 5, 2013 and August 29, 2013. In this regard copy of MOU, confirmation of accounts and bank statement have been submitted.
 - Transactions with Gokul Securities during June 5, 2012 to March 31, 2015 were in the nature of loan advanced to them and repayment of some of the funds by them. In total, an amount of Rs. 85,00,000/- was lent and received back.
 - The fund transactions with Advent Developers was in the nature of unsecured loan advanced to them at the rate of interest of 12% p.a. A total sum of Rs.85,00,000/- was transferred in three tranches on May 26, 2011, June 2, 2011 and June 25, 2011. The money has been repaid with interest in 2015-16. In this regard, copy of confirmation of accounts and bank statement have been furnished.
 - They were not holding any share of FFSL before April 28, 2012. They invested in the preferential allotment of the company after analysing the financials of the company for the financial years 2009-10 and 2010-11, which showed substantial increase in sales and profit. The shares were acquired with the intention to hold it for long term and reap the benefit of price discovery process of the exchange, as the scrip was suspended from trading for a long time.
 - The quantum of trades executed by them in the scrip and its impact on LTP is so miniscule that it cannot be said that they were manipulative.
- (j) Rajendra Kumar Agarwal –HUF, Rajendra Kumar Agarwal, Ritesh Agarwal – HUF, Ritesh Agarwal, Shilpa Agarwal and Adhunik Transport Organisation Limited (Noticee Nos. 14 to 18 and 50) have replied vide letter dated February 14, 2018.

- Adhunik Transport Organisation Ltd. is a privately managed company by Agarwal family. Rajendra Kumar Agarwal and Ritesh Agarwal are the directors of the company. The family members had regular fund transaction with Adhunik.
- They have not applied for shares in any other preferential allotment. They applied for preferential allotment of the shares of FFSL on the basis of advice given by one Sushil Singhanian. Rajendra Kumar Agarwal – HUF, Ritesh Agarwal – HUF and Shilpa Agarwal paid for the preferential allotment from their own account, though money was received from Adhunik Transport, which is their family owned company and with which they regularly have fund transactions. They do not have any direct or indirect relationship with FFSL.
- The amount of Rs.25,00,000/- received from CFL by Adhunik on November 5, 2011 were loan transactions and the money was repaid to CFL in December 8, 2011 from its own funds. A copy of ledger of CFL in the books of Adhunik and certificate for TDS deducted on interest have been furnished. Thus, it has been submitted that the amount received from CFL was repaid four months before the preferential allotment and they have used their own funds to apply for shares.
- The amount of Rs.1 crore received from CIL by Adhunik in the month of October 2011 was also loan transaction and the same was repaid by Adhunik in a span of around three months during December 27, 2011 to January 18, 2012. A copy of ledger of CIL in the books of Adhunik along with certificate for TDS deducted on interest and copy of the bank account statement evidencing receipt and payment has been furnished.
- With regard to fund transferred by Adhunik to Ranisati Dealer Pvt. Ltd., it has been submitted that the same was repayment of loan which they had taken from Ranisati at appropriate rate of interest in 2012 in tranches starting from May 30, 2012 and ending on June 19, 2012. A copy of ledger account of Ranisati Dealer in the books of Adhunik for the period April 1, 2012 to March 31, 2014 has been furnished.

- They have sold shares on the stock exchange platform and 91% of the shares sold by them had no impact on LTP.

(k) Suresh Kumar Khandelia and Manju Khandelia (Noticee No. 19 & 20) replied vide letter dated January 13, 2018 and filed further submissions vide letter dated February 12, 2018.

- They are regular investors in securities market. Suresh Khandelia normally takes lead for making investment decisions in the securities market on his behalf and on behalf of his wife.
- Mr. Anil Agarwal is his brother-in-law and by virtue of this relationship he was included in the category of 'promoter and promoter group' of Comfort Fincap Ltd. In this regard, reliance has been placed upon regulation 2(zb)(ii) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Their shareholding in Comfort Fincap Ltd. was 1.84% which they sold in the open market in October 2013. The value of their shareholding of CFL in May 2012 vis-à-vis total market value of their holding was around 11.50%.
- Mr. Anil Agarwal informed them about the preferential allotment of FFSL in September 2011. Relying upon his advice, they decided to invest in the scrip of FFSL, which was a small proportion of their total investment in the market.
- They borrowed Rs.50 lakh from Ranisati Dealer Pvt. Ltd. on July 12, 2012 in the normal course of business. The loan was repaid in four and a half months' time on December 1, 2012. Copy of ledger account and bank account statement has been filed. It has been also submitted that funds were borrowed from Ranisati nearly ten months after their application for preferential allotment.
- They had entered into an agreement for sale of their flat situated at Goregaon (West), Mumbai with LAN Finance Limited on September 5, 2011. The amount of Rs.40 lakh received from LAN (on September 3 and 11, 2011) was with respect to advance for sale of the flat. Later on, due to some mutual disagreements between them the

deal was called off, and they repaid the funds received from LAN back to them in December 2011. The fund transaction happened much prior to the beginning of the investigation period. It has been also submitted that at the time when they transacted with LAN, they were in touch with Vishwanath Agarwal, Director of LAN. It has been submitted that as per details available on MCA website, Rina Amit Patel (wife of Mr. Amit Patel) became director of LAN on April 17, 2012, which is nearly five months after they repaid the advance received towards sale of flat.

- They had applied for the preferential allotment of FFSL from their savings. Allegation regarding source of funds is totally unfounded. Apart from applying in the preferential issue of FFSL, they had also applied for shares in the preferential issue of Artech Power Products Ltd. and Comfort Fincap Ltd.
- They sold all the shares of FFSL in and around February – March 2013 in the open market on the electronic, faceless trading platform of stock exchange.

(l) Brij Bhushan Singal, Neeraj Singhal and Uma Singal (Noticee No. 21, 22 & 23) have replied vide letters dated October 28, 2017, December 18, 2017 and February 9, 2018.

- Brij Bhushan Singal is the husband of Uma Singal and Neeraj Singal and Sanjay Singal are their sons. Ritu Singal is their daughter-in-law. They have been regularly investing in securities market and the amount of investment made by them in the preferential allotment of FFSL was miniscule compared to their overall portfolio. All investment decisions of the family are taken by Mr. Neeraj Singal, who is the Vice-Chairman, Managing Director and Chief Executive Officer of Bhushan Steel Limited.
- The entities had purchased shares on the basis of information and feedback received from various professionals, friends and other persons who are actively involved and having adequate knowledge of the securities market. Further, FFSL was a listed company on BSE and it was seeking investors for its growth plans. The issuance of shares on preferential basis was in consonance with applicable SEBI regulations and

Listing Agreement norms. The shares allotted by FFSL were listed and traded on the stock exchange.

- They sold their shares in the market through their broker Religare Securities Limited after the expiry of the lock in period as the price of the shares of FFSL had increased from Rs.5.35 (as on January 2012) to Rs. 285/- (as on March 18, 2013). It has been stated that they were not aware as to who were trading in the shares of FFSL or who were purchasing their shares.
- It has been submitted that they do not have any link with FFSL, its promoters/directors and other persons mentioned in the SCN. There is nothing to connect them to other entities. They had no role to play in the trading done by BP Jhunjhunwala and Ms. Prem Lata Nahar or the utilisation of issue proceeds by FFSL.
- With regard to transfer of Rs.1.5 crore by FFSL to Marsh Steel Trading Ltd. and Vision Steel Ltd. in September 2011, it has been stated that there was a family dispute between Brij Bhushan Singal, Uma Singal and Niraj Singal (younger son) on the one side and Sanjay Singal (elder son) and his family members on the other side. In this connection, litigations before various courts were filed in the years 2006 and 2007 which has been detailed in the reply. These disputes were finally settled by way of a compromise on November 14, 2011 and the terms of settlement were fully implemented by February 2012. Appropriate disclosures in this regard were also made to the exchanges at that time. Post settlement, the complaints/ litigations filed before various forums were withdrawn. It has been also stated that owing to the family dispute, Brij Bhushan Singal, Uma Singal, Niraj Singal and Ritu Singal had no role to play in the affairs of Marsh Steel Trading Ltd. and Vision Steel Ltd. in which Aarti Singal (wife of Sanjay Singal) was a director. In view of the family dispute, they were not aware about the fund transactions of FFSL with Marsh Steel Trading Ltd. and Vision Steel Ltd. which took place before the settlement of family dispute and therefore it has been submitted that the same may not be made a basis to allege that they are connected with FFSL. Similarly, with regard to fund transfers between

Bhushan Power & Steel Ltd. and Ranisati Dealer Ltd. and Asthabhuja Construction Pvt. Ltd. during March 2012 it has been submitted that Bhushan Power and Steel was solely run by Sanjay Singal and they will not be able to answer about the transaction. The disclosure regarding Sanjay Singal and Aarti Singal as promoters of Bhushan Steel Ltd. till September 2011 was out of compulsion as they were continuously being disclosed as promoter of Bhushan Steel Ltd. by virtue of their relationship and shareholding in the company from a time much prior to the dispute.

- With regard to fund transaction between Neeraj Singal and Pine Animation Ltd., it has been stated that Rs.80,00,000/- was paid as consideration amount for allotment of 8,00,000 preference shares on December 12, 2012 and Rs.40,00,000/- towards subscription of 4,00,00 preference shares on March 15, 2013.

(m) Vision Steel Limited and Marsh Steel Trading Limited (Noticee Nos. 48 & 49) have replied vide letters dated February 22, 2018 and March 22, 2018.

- Though, Aarti Singal belonged to Singal Family but at the relevant time there was a long festering family dispute going on since 2006 between Sanjay Singal (husband of Aarti Singal who was controlling various companies including Bhushan Power and Steel Ltd.) on the one side and Brij Bhushan Singal and Neeraj Singal on the other side. The family dispute between both the groups also manifested itself in prolonged litigation over various matters before various courts.
- Subsequently, on November 14, 2011 a settlement was reached and corporate announcement was also made to the stock exchanges in this regard. All litigations were withdrawn and transfer of shareholdings between the groups got completed by February 2012. Consequent upon complete exit of Sanjay Singal group from Bhushan Steel Ltd., the quarterly disclosure for the quarter March 2012 was filed and Sanjay Singal Group entities were removed from the promoter group of Bhushan Steel Ltd.

- It has been submitted that there existed material dispute during the relevant period. Therefore, it cannot be alleged that Aarti Singal and Brij Bhushan Singal group are connected.
- The amount of Rs.100 lakh received by Marsh Steel Trading Ltd. from FFSL on September 16, 2011 and December 14, 2011 was towards capital contribution in the company. The company had allotted 40,000 equity shares to FFSL on December 31, 2011 and requisite filings with regard to the allotment was also made with the Registrar of Companies. The amount of Rs.50 lakh received by Vision Steel Limited from FFSL on September 16, 2011 was towards capital contribution in the company and the company allotted 20,000 equity shares on December 13, 2011 to FFSL. Requisite filings in this regard were made with RoC. FFSL is still holding these shares. It has been also stated that funds received by them were invested in Bhushan Power and Steel Ltd.

(n) Bharatbhai N Buha and Ashokbhai N Buha (Noticee No. 24 & 25) replied vide separate letters dated February 21, 2018.

- Bharatbhai N Buha has submitted that he was an independent director of Rutron International Ltd. during the period October 10, 2011 to February 7, 2013. Both of them have denied any nexus with FFSL.
- It has been submitted they have traded on the anonymous trading platform of stock exchange and most of their trades (85% sale trade of Bharat Buha and 90% sale trade of Ashok Buha) had no impact on LTP.

(o) NK Agarwal & Sons (Noticee No. 26) has replied vide letters dated February 22, 2018 and March 1, 2018.

- It has been submitted that he invests in securities regularly. At the relevant point of time, on the basis of market information and discussion with others he came to know

that FFSL was going to allot shares on preferential basis and the investment therein would be gainful in future. Therefore, they invested in the shares of FFSL.

- The payment of Rs.20,00,000/- for the shares of FFSL were made by him on March 21, 2012 and shares were allotted to him on June 13, 2012. Subsequently, they sold the shares on the stock exchange platform at the prevailing market price without knowing anything about the counterparty.
- NK Agarwal & Sons is an HUF and Nirmal Kumar Agarwal is the Karta. The fund transaction of Nirmal Kumar Agarwal with LAN Finance Pvt Ltd. and Rutron International Ltd. were loans obtained from them. These loans have been repaid with interest. Statements confirming the accounts with LAN and Rutron have been submitted. It has been also submitted that the amount for making payment for the preferential allotment was taken from one Damodar Das Agarwal, which is reflected in the bank statement.

(p) Suresh Kumar Kalani (Noticee No. 27) has replied vide letter dated February 8, 2018.

- He is a retail investor and he invested in the preferential allotment of FFSL after coming to know about the preferential allotment from his brother and by studying the information memorandum provided by FFSL. The shares were sold subsequently on the stock exchange platform.
- With regard to receipt of funds from BLC Trading and Agencies Ltd., it has been stated that the same was on account of sale of shares of Facts Enterprises Ltd. An amount of Rs.20,00,000/- was transferred on April 1, 2012 and Rs.4,00,000/- on June 30, 2012.

(q) Mukesh Atal - HUF, Mukesh Atal, Balakrishan Atal - HUF, Balkrishan Atal, Rajni Atal, Karuna Atal, Rajesh Atal (Noticee Nos. 28 to 34) have replied vide letters dated December 11, 2017, January 18, 2018 and February 20, 2018.

- Rajesh Atal, Balakrishnan Atal, Karuna Atal, Rajni Atal and Mukesh Atal are family members and share the same address along with Mukesh Atal - HUF and Balkrishnan Atal - HUF. Except for Balkrishnan Atal and Mukesh Atal all others were allotted shares of FFSL on preferential allotments.
 - They are retail investors and the decision to invest in the preferential allotment of FFSL was taken by Mukesh Atal after discussing about it with other family members. They had made applications in March 2012 (second preferential allotment) and the allotment was made in April 2012. Payment for the allotment was made in March 2012 through account payee cheque. Copy of bank account statements have been furnished. Later, they sold shares in open market on the stock exchange platform.
 - With regard to fund transaction between Mukesh Atal and Minimum Shares and Securities Pvt. Ltd., it has been stated that in and around August 2012, Mukesh Atal and his wife Ms. Karuna Atal finalised a deal to purchase a plot of land in Gurgaon for which they needed funds urgently. Mukesh Atal took loan from Minimum and transferred the same to his wife's account, which was then utilised to make payment for the purchase of plot of land. Copy of sale deed dated September 10, 2012 and bank account statement showing transactions have been furnished. It has been submitted that Rs. 25 lakh received from Minimum was used to buy property and it was not used to buy any share of FFSL. Further, it has been submitted that the funds received from Minimum were returned to them in due course.
 - No allegation has been levelled against Minimum that it had received funds from FFSL or that it has violated any provision of SEBI Act and rules and regulations made thereunder. It has been submitted that they are neither connected to FFSL or its promoters/directors nor have received any part of the allotment proceeds from FFSL, either directly or indirectly.
- (r) Santosh Manihar, Giriraj Prasad Manihar - HUF and Giriraj Prasad Manihar (Noticee No. 35, 36 & 37) have replied vide letter dated February 7, 2018.

- Giriraj Prasad Manihar has not purchased any share of FFSL in his personal capacity. The shares were purchased by him in his capacity as Karta of Giriraj Prasad Manihar - HUF only. Ms. Santosh Manihar is his wife and he takes investment decisions in the family.
 - He decided to invest in the shares of FFSL after going through the information memorandum provided by the company. The payment for the preferential allotment was made from the bank accounts of HUF and Santosh Manihar on March 23, 2012. The shares were later sold on the stock exchange platform.
 - With regard to fund transaction between Mukesh Jain and Giriraj Prasad Manihar-HUF, it has been stated that the same was a loan transaction in which he had lent Rs.50,00,000/- to Mukesh Jain on November 19, 2013. The loan amount and interest was paid back by him in full by March 19, 2014. TDS on accrued interest was also paid. The loan was given long after the preferential allotment and he was not aware that Mukesh Jain had also invested in the shares of FFSL.
 - With regard to fund transaction of Rs.50,00,000/- between Mukesh Jain and Santosh Manihar in November 2013, it has been stated that the same was on account of loan given to Mukesh Jain and the amount was paid back by him in March 2014. TDS was also deducted by Mukesh Jain on the amount of interest paid and the account has been settled in full.
- (s) Anshul Jain (Noticee No. 38) has replied vide letters dated February 8, 2018 and March 1, 2018.
- In and around February – March 2012, his father Shri Mukesh Jain informed him about the preferential allotment of FFSL and how the first preferential allotment was fully subscribed. Therefore, he decided to apply for shares in the preferential issue which was made in April 2012.

- His father (Mukesh Jain) had availed loan of Rs.50,00,000/- each from Santosh Manihar and Girraj Prasad Manihar in November 2013 which was repaid in full along with interest in March 2014. These loans were facilitated through M/s. Maheshawari Associates, on which brokerage was also paid. The Bank statement showing payments made to Maheshwari Associates and the Ledger Account Statement of these entities in the books of Mukesh Jain and Bank account statements showing refund of loan amount along with interest and TDS deducted have been furnished. It has been submitted that the loan was taken in November 2013 whereas the payment for preferential allotment was made much earlier.
- With regard to alleged contribution in depressing the price of the shares of FFSL in Patch III, it has been submitted that he is not connected to any entity and the contribution of his trades to negative LTP is very negligible. Out of 156 trades executed from his account, negative LTP contribution has been observed only with respect to 2 trades.

(t) Ranisati Dealer Pvt. Ltd. (Noticee No. 39) has not filed any reply.

(u) Padma Impex Pvt. Ltd. (Noticee No. 40) has replied vide letter dated February 22, 2018.

- The fund transaction between Bina H Mehta (director of Padma Impex Ltd.) with FFSL was in her personal capacity.

(v) Global Infratech & Finance Ltd. (Noticee No. 41) has replied vide letter dated February 27, 2018.

- Global Infratech and Finance Limited is a NBFC registered with RBI. As part of their business activity they had provided a loan of Rs.21,00,000/- to FFSL in two tranches i.e. Rs.11,00,000/- on August 24, 2011 and Rs.10,00,000/- on August 26, 2011. FFSL returned those loans within a period of 15 days in two tranches i.e. Rs.2,00,000/- on September 3, 2011 and Rs. 19,00,000/- on September 7, 2011.

- They invested in the shares of FFSL considering the past record of the company about giving good returns to the investors.

(w) Kuber Kamna Marbels Pvt. Ltd. (Noticee No. 45) has replied vide letter dated February 28, 2018.

- Kuber Kamna Marbels Pvt. Ltd. received Rs.1.25 crore in instalment as unsecured loan from Comfort Intech Ltd. on February 1, 2012, February 4, 2012 and February 15, 2012 in the ordinary course of business and the same was used by it in its day to day business. The loan amount was repaid within one month on February 18, 2012, March 14, 2012 and March 17, 2012. Copy of Ledger of CIL in the books of Kuber has been furnished.
- It has been also submitted that the amount of Rs.1.05 crore received from FFSL was also an unsecured loan, which was received in the ordinary course of business and was utilised by it for its business purpose and repaid to FFSL on June 4, 2013, July 2, 2013 and August 13, 2013. Copy of ledger of FFSL in the books of Kuber has been furnished. Similarly, an amount of Rs. 70 lakh was received from BPJ Holdings Pvt. Ltd. on February 17, 2012 and the same was duly repaid on September 13, 2012 and September 14, 2012.

(x) Tirupati Developers and Advent Developers Pvt. Ltd. (Noticee No. 46 & 47) have replied vide letters dated February 19, 2018.

- They have not carried out any trade in the shares of FFSL neither they were allotted any shares in preferential allotment.
- With regard to fund transaction, Tirupati Developers has submitted that it received a sum of Rs.5 lakh from FFSL as unsecured loan for a term of one year at the interest rate of 12% p.a. vide loan agreement dated March 20, 2012. The loan amount has not been repaid, however interest on loan has been paid. Copy of loan agreement and TDS certificate has been submitted. It has been also submitted that delayed payment

or extension of loan agreement without enabling clause can not invalidate the agreement. It has also been stated that transfer of Rs.5 lakh to LAN on March 21, 2012 was repayment of the loan of Rs.5 lakh taken from LAN on July 11, 2011 at a rate of interest of 12% for a period of one year. In this regard copy of Ledger of LAN in the books of Tirupati and TDS certificate dated June 4, 2012 has been submitted.

- It has been also stated that Tirupati had taken unsecured loan of Rs.60 lakh from Syncom Formulations (India) Limited in May 2011 for a period of five years. Interest at the rate of 12% p.a. was payable on the loan amount and they have paid the same. In this regard copy of certificates showing tax deducted at source of Rs.61,808/- dated June 4, 2012 and Rs.72,000/- dated June 6, 2013 have been submitted.
- Similarly, Advent Developers Pvt. Ltd. in its reply has stated that a sum of Rs.40 lakh was received from FFSL as unsecured loan for a term of one year at the interest rate of 12% p.a. in the ordinary course of business. They have not repaid the loan amount, however interest has been paid. Copy of loan agreement dated March 20, 2012 and TDS certificate for financial years 2011-12 to 2016-17 have been submitted. It has been also stated that transfer of Rs.40 lakh to LAN on March 21, 2012 was on account of repayment of the loan of Rs.40 lakh taken from LAN on July 13, 2011 at 12% rate of interest for a period of one year. In this regard copy of Ledger of LAN in the books of Advent and TDS certificate dated May 30, 2012 has been submitted
- Advent has also stated that they had taken an unsecured loan of Rs.85 lakh from Syncom Formulations (India) Limited in May-June 2011 for a period of five years. Interest at the rate of 12% p.a. was to be paid on the loan amount and they have repaid the loan. In this regard copy of ledger of Syncom in the books of Advent and TDS certificates for amount of tax paid to Income Tax Department have been submitted.
- It has been denied that they are connected with FFSL or played any role in routing/re-routing of funds for the benefit of preferential allottees. It has been submitted that

the loans were obtained by them in the ordinary course of business. They have also furnished audited accounts of Tirupati Developers and Advent Developers Pvt. Ltd. for the year ended March 31, 2012 and an affidavit to the effect that the transactions were loan transactions.

(y) NMC Industries Pvt. Ltd. (Noticee No. 51) has replied vide letters dated December 7, 2017 and March 7, 2018.

- NMC Industries (N Manoharlal & Co.) is an integrated rail road company which specialises railway track materials and accessories. It has been stated that it is a family owned company of Mr. Amit H Patel and it is not connected with FFSL or Comfort Group companies.
- With respect to the receipt of Rs. 45 lakh on March 22, 2012 from LAN Finance Pvt. Ltd., it has been submitted that it was one of the routine business loans. The loan was given by LAN out of their own funds and not from the funds of preferential allotment. In this regard, bank account statement of LAN Finance Private Limited has been relied upon. It has been also submitted that loan taken from LAN was properly serviced and interest was paid thereon on regular basis.
- With respect to the allegation that FFSL transferred Rs.1.35 crore on December 7, 2011 to NMC Industries Pvt. Ltd., it has been submitted that on December 5, 2011 Amit H Patel HUF and Hasmukh B Patel HUF requested them to transfer amounts totalling to Rs.1.35 to FFSL towards preferential allotment. However, FFSL refused to accept payment for preferential allotment as it was received from third party and refunded the same to NMC on December 7, 2011. Subsequently, the said amount was transferred to Amit H Patel HUF and Hasmukh B Patel HUF. It has been submitted that the financing was done from the funds belonging to them. In support of their claim, bank account statements have been relied upon.

(z) LAN Finance Pvt. Ltd. (Noticee No. 52) has replied vide letters dated December 7, 2017 and March 7, 2018.

- It has been submitted that LAN Finance Private Limited was incorporated in 1996 and they hold a certificate of registration from Reserve Bank of India dated May 21, 2001 to act as Non-banking Finance Company (NBFC). They are in the business of lending. They had infused capital in the company by issuing 3.95 lac equity shares of Rs. 10/- each to new shareholders on March 30, 2012. On April 17, 2012, due to change in structure of the company, Mrs. Reena Patel, wife of Amit Patel, was appointed as director of the company. It has been submitted that the transfer of funds by Tirupati Developers and Advent Developers to LAN as mentioned in the SCN pertains to a period prior to the appointment of Mrs. Reena Patel as director of LAN.
- With regard to receipt of Rs. 5 lakh from Tirupati Developers on March 21, 2012, it has been submitted that the same was a refund of an amount of Rs. 5 lakh lent to Tirupati on July 11, 2011. It has been also submitted that they had charged an interest of Rs.41,753/- on the said loan and TDS of Rs.4,175/- was deducted by Tirupati Developers.
- With regard to fund transfer of Rs.40 lakh on July 13, 2011 to Advent Developers Pvt. Ltd., it has been submitted that LAN had advanced the same to Advent which has been paid back by Advent on March 21, 2012. It has been also submitted that they had charged an amount of Rs.3,31,397/- as interest and on the said loan repayment, TDS of Rs.33,140/- was deducted by Advent.
- NMC Industries is a client of LAN to whom they lent money as part of their NBFC activity. The company had sufficient funds as it had issued fresh shares, the amount of Rs.45 lakh was lent to NMC on March 22, 2012 out of their own funds.
- With regard to fund transaction with Prefer Abasan Pvt. Ltd. it has been stated that LAN had transferred Rs.90 lakh to them in January 2012 and the same was returned by them in February, 2012. Copy of ledger confirmation and relevant bank statement have been submitted.

- With regard to receipt of Rs.1 crore on September 21, 2011 from Ranisati Dealers Pvt. Ltd., it has been stated that the same was received as share application money and it was refunded to them on September 23 and 24, 2011. Copy of ledger confirmation and bank statement has been furnished.
- With regard to transfer of funds from LAN to Suresh Khandalia and Manju Khandalia, it has been stated that the same was lent to them as advance for purchase of property. The deal was cancelled as the company did not require it for residential premises and the amount advanced was also returned by Khandalias on December 12 & 15, 2011.
- With regard to fund transactions of LAN with Sangeeta Bhuwalka and NK Agarwal & Sons, it has been stated that the company had given advance to them on September 10, 2011 and December 30, 2011 respectively. As the interest amount was not being paid by them therefore they were asked to refund the loan amount. NK Agarwal & Sons repaid the amount on April 13, 2012 and May 22, 2012. Sangeeta Bhuwalka repaid the amount on May 12, 2012. It has been submitted that these loans were also given before the appointment of Mrs. Reena Patel as director of the company.

(aa) Bina H Mehta (Noticee No. 53) replied vide letters dated November 22, 2017 and March 5, 2018.

- With regard to the allegation that FFSL had transferred funds to Padma Impex Pvt. Ltd. in which she was one of the directors, it has been submitted that she was merely a non-executive director of the company from February 20, 2010 to November 6, 2012. She was not aware or concerned with the transactions carried out by Padma Impex.
- With respect to her shareholding in Padma Impex, it has been stated that she purchased shares of Padma on January 18, 2011 and sold them by November 4, 2012, which is well before the trades executed by Padma Inmpex Pvt. Ltd. on the shares of FFSL from February 12, 2013.

- She had a running loan account with FFSL. The fund transfer by FFSL to her was a loan received by her in her personal capacity in the ordinary course of business. The loan amount was repaid by her to the company. No formal loan agreement was executed as the loan was for short term and repayable on demand. Copy of ledger statement of FFSL in the books of Bina H Mehta has been furnished. It has been also submitted that the full loan amount of Rs.2.42 crore and other own and borrowed funds were used by her for investing in the preferential issue of Odyssey Corporation Ltd. The money was not transferred to any preferential allottee, directly or indirectly, including Padma Impex or Ranisati Dealer Pvt. Ltd. In this regard copy of bank statement has been relied upon.

(bb) Amrit Sales Promotion Private Limited (Noticee No. 54) replied vide letter dated November 17, 2017. Further submissions have been made vide letter dated February 9, 2018.

- With regard to fund received by Amrit Sales Promotions Pvt. Ltd. from Blue Circle Services Ltd., it has been stated that the same was on account of payment of dividend made by Blue Circle Services Ltd. The payment of Rs.11,700/- was received by Amrit Sales on November 2, 2012. In this regard, corporate announcement about declaration of dividend made by Blue Circle Services Ltd. to the stock exchange has been relied upon.
- With regard to funds transaction between Amrit Sales Promotion Pvt Ltd. on one side and Symphony Merchants Pvt. Ltd., Bazigar Trading Pvt. Ltd., Burlington Finance Ltd. and Manimudra Vincom Pvt. Ltd. on the other side, it has been stated that these companies are NBFCs and Amrit Sales had taken interest bearing loans from them on various dates which was repaid during the financial year. It has been also stated that these fund transactions were in the ordinary course of business and such transactions between these entities are there even prior to and post the investigation period.

- During patch III, spread over 120 days, the allegation of contributing to negative LTP is limited to 2 days. It has been also submitted that they had purchased 51,000 shares on multiple days and the alleged quantum is 600 shares which constitutes merely 1.18% of their trading in the patch. It has been also submitted that purchases cannot be alleged to have resulted in creation of negative LTP.
- During patch IV they have only sold shares between January 7, 2014 and January 27, 2014 in the price range of Rs.8.39 to Rs.8.14.

(cc) Bazigar Trading Pvt. Ltd. (Noticee No. 55) replied vide letters dated November 17, 2017 and February 9, 2018.

- Bazigar Trading Pvt. Ltd. is registered with RBI as an NBFC. They are primarily engaged in the trading in securities. With regard to trading in the shares of FFSL, it has been mentioned that they bought shares (58,000) in the second patch (price range of Rs.268/- to Rs.296/-) from the market and sold during the fourth patch (price range of Rs.17.7 to Rs.7/-). The shares were bought and sold at the prevalent market price through the screen based anonymous trading mechanism of the stock exchange.
- At the time when they entered into the market to buy the shares of FFSL, the charts were showing bullish signal based upon technical data (which included price rise and traded volume). Further, there were rumours in the market of potential takeover by a big corporate house which already had investment in the company.
- It has been denied that they are part of any group or connected with FFSL or any of its promoters and directors, preferential allottees or any of the alleged persons /entities who have dealt in the shares of FFSL during the investigation period.
- With regard to trading in patch 4, the allegation of contributing negative LTP is limited to only 2 trades out of 35 trades and the negative price impact of Rs.0.15 is insignificant. Further, 32 trades are on zero LTP.

- With regard to fund transaction with Amrit Sales Promotion Pvt. Ltd., it has been submitted that as an NBFC, they had regular fund transaction with Amrit Sales Promotion in the ordinary course of business even before the period of investigation and even afterword.

(dd) BSR Finance & Constructions Pvt. Ltd. (Noticee No. 56) has submitted that:

- BSR is a 24 year old company and its shares are listed on stock exchange. The company has made only 4-5 purchase transactions in the shares of FFSL and there is no other transaction with any other person mentioned in the SCN. The company has made huge loss by trading in the shares of FFSL.

(ee) Cellour Marketing Pvt. Ltd. (Noticee No. 57) has replied vide dated February 26, 2018.

- They are trading in the stock market since a long time through their stock broker GRD Securities Limited.
- It has been stated that GRD Enclave Pvt. Ltd., GRD Capital Markets Ltd., Falcon Holdings Pvt. Ltd., GRD Securities Ltd. are group companies of Drolia family. It has been stated that Waltare Investments Pvt. Ltd. was an erstwhile group company.
- Waltare Investments Pvt. Ltd. operates from an office premise situate in the same building in which office of Life Line Marketing Pvt. Ltd. Is also situated. However, office of Waltare is on 3rd Floor and that of Life Line is on 1st Floor. It has been also submitted that more than 80 offices operates from the said building.
- With regard to receipt of Rs.1500/- from Blue Circle Services Ltd., it has been submitted that the same was dividend received towards shareholding in Blue Circle Services Ltd. It has been denied that they had any nexus with Blue Circle Services Ltd.
- Out of around 4 lakh shares sold by the the entity only one transaction for 50 shares had negative LTP of 0.1. The remaining shares were sold in 33 trades with zero LTP

impact. The shares were sold at Rs.0.05 less than the market price as there were no trades for almost 41 minutes. Further, these trades were carried out in the ordinary course of business on the automated and faceless trading platform of stock exchange.

(ff) Dhanlakshmi Brokers Pvt. Ltd. (Noticee No. 58) has replied vide letter dated February 19, 2018.

- Dhanlakshmi Brokers Limited and HS Tradecom Pvt. Ltd. do not have any nexus or connection with each other. With regard to common address of one director of each company, it has been stated that Rakesh Srivastava (Director of Dhanlakshmi Brokers Limited) and Punita Srivastava (Director of HS Tradecom Pvt. Ltd.) are related to each other. Punita Srivastava is sister-in-law of Rakesh Srivastava and she used his address as she was living at the residence of her sister.
- They are not connected with FFSL. The fund transactions with BLC Trading & Agencies Ltd., Global Infratech and Finance Ltd as alleged in the SCN were done in the regular course of business.

(gg) HS Tradecom Pvt. Ltd. (Noticee No. 59) has replied vide letter dated February 20, 2018.

- Dhanlakshmi Brokers Limited and HS Tradecom Pvt. Ltd. do not have any nexus or connection with each other. With regard to common address of one director of each company, it has been stated that Rakesh Srivastava (Director of Dhanlakshmi Brokers Limited) and Punita Srivastava (Director of HS Tradecom Pvt. Ltd. are related to each other and used the same address.
- HS Tradecom and Jayine Tradecom are two different companies having distinct directors. At the time of incorporation, as both these companies were formed by same company secretary, namely, Ms. Shefali Khandelwal, therefore common email ID.

(hh) Jaihanuman Multi Agencies Pvt. Ltd. has not replied.

(ii) Jayine Tradecom Pvt. Ltd. (Noticee No. 61) has replied vide letter dated February 21, 2018.

- The common email id with HS Tradecom was due to fact that same company secretary has incorporated these companies.
- The fund transactions with entities mentioned in the SCN was in the regular course of business.

(jj) Kirit Vasudeo Dave (Noticee No. 62) has replied vide letter dated February 18, 2018.

- He is an investor who has traded in many scrips during 2011-2014 and he has no connection with any person related to FFSL or the preferential allottees or any other person mentioned in the SCN.
- He is proprietor of M/s. Texchem Enterprises which is a shareholder in Nandlal Vyapaar Pvt. Ltd. Merely because he is a shareholder in Nandlal Vyapaar Pvt. Ltd. in which S Krishna Rao, BP Jhunjhunwala, BPJ Holdings Pvt. Ltd and Onesource Techmedia Ltd. are also shareholders, it cannot be said to be a basis of connection so as to draw adverse inferences.

(kk) Kripa Securities Pvt. Ltd. (Noticee No. 63) has replied vide letters dated November 3, 2017, December 14, 2017 and February 8, 2018.

- They are registered with SEBI as a Stock Broker of NSE and BSE and Depository Participant of NSDL. They have been actively trading in their proprietary account since last 17 years and there was nothing unusual about trading in the shares of FFSL. They have traded in the scrip of FFSL independently, without acting in concert with anybody. They have not traded during Patch III and IV with manipulative intent.
- The entity has also furnished a certificate from chartered accountant to the effect that they had used their own source of funds for purchasing the shares of FFSL and the

deployment of the entire proceeds from the sale of shares were for their internal purpose only.

- It has been denied that they are part of any group of 'connected entities'. It has been stated that they do not have any link/connection with FFSL, any of its promoters/directors or preferential allottees. They do not have any financial transaction with FFSL or with persons who have dealt in the shares of FFSL.
- Kripa Securities Ltd. and Kripa Commodities Pvt. Ltd. share certain common directors but operationally both these entities are separate and have different teams etc. Kripa Commodities had taken unsecured loans from Goldstar Tracom Pvt. Ltd. in the ordinary course of business on commercial terms in the year 2010-2011, which was repaid along with interest within 60 days. It has been also stated that in a similar way small amounts were borrowed from Goldstar on few other occasions. Copy of transaction details along with various TDS certificates have been submitted along with the reply.
- They sold shares in patch III in order to cut down on further loss. Subsequently, as the price fell further, they again purchased shares in February- March 2014 and a part of their holding was sold during the period August-November 2014. Further, in 109 out of 115 trades the LTP variation was zero. During patch IV they had bought 17,29,500 shares and sold 6,43,640 shares of FFSL. It has been submitted that they traded in the ordinary course and it was part of their regular portfolio management. It has been also submitted that had they intended to create negative LTP they would not have purchased any share during the relevant time. Further, out of 141 trades only 11 trades had negative LTP involving 12,229 shares (out of 6,56,641). They continue to hold 13,70,070 shares of FFSL in their demat account. Further, at the relevant time they were not aware that Comfort Securities Ltd. acted as stock broker for intragroup negative LTP trades.

(ll) Life Line Marketing Pvt. Ltd. (Noticee No. 64) has replied vide letter dated February 22, 2018.

- The address of Waltare Investment Pvt. Ltd. and Life Line Marketing Pvt. Ltd. appears same as one building number has been given in the address whereas in reality they are having separate offices in the same building at different floors. There are many other offices in the building as well.
- Fund transaction with Maruti Enterprises was genuine as they are an NBFC and they entered into a loan transaction with them. Ledger statements of Maruti Enterprises in the books of Life Line confirmed by Maruti Enterprises have been furnished. There is no other fund transaction of Lifeline with others.
- They were not allotted shares of FFSL in preferential allotments, they had purchased the shares on the exchange platform. Further, out of 6 trades done by them, only one trade had negative LTP of 0.05%, which is miniscule.

(mm) Nandan Kanan Iron & Steel Pvt. Ltd. (Noticee No. 65) has not replied.

(nn) Navdurga Investment Consultants Pvt. Ltd. (Noticee No. 66) has replied vide letter dated December 11, 2017.

- With regard to allegation of depressing price during patch IV, the entity has submitted that out of 96 trading days during the patch, the alleged 5 trades pertains to only 3 days (December 23, 24, and 30 of 2013). It has been also submitted that as per trade log they have executed many trades (approximately 100 or more) on these days and percentage of their trades which have contributed to negative LTP is very miniscule (0.56%) compared to the day's trade in the stock market.
- They have not aided anyone or traded with any specific entity as alleged in SCN. All their transactions in the scrip of FFSL were executed through the anonymus screen based trading system of the stock exchange.

(oo) Nityadhara Plaza Pvt. Ltd. and Astabhuja Construction Pvt. Ltd. (Noticee No. 67 & 70) have not replied.

(pp) Pride Distillery Pvt. Ltd. has replied vide letter dated February 22, 2018.

- Jagdish Purohit was a director of the company during June 18, 2012 to July 2, 2013. Just by having one common director in common with JMD Sounds Ltd, and that company having shareholding in a company which shares director with FFSL, they cannot be said to be connected with FFSL.

(qq) RC Suppliers Private Limited, Raina Vyapaar Private Limited and Stardox Vinimay Private Limited (Noticee No. 69, 71 & 75) have replied vide letters dated October 31, 2017.

- The commonality of directors and address is limited to RC Suppliers, Raina Vyapaar, and Stardox inter-se. It does not and never did extend to any of the entities of the First Financial Group.
- These entities are NBFCs engaged primarily in the business of finance and investment. They purchased the shares of FFSL on the stock exchange platform with a view to make good profit. The fall in the price of the scrip meant loss to them.
- It has been submitted that they did not have any fund transaction or off-market transaction with First Financial group entities.
- They purchased the shares of FFSL in 2013 as the prices were going up and subsequently sold those shares. Stardox contribution to LTP is -0.5%, traded quantity is 1,700 shares out of 48,835 shares (i.e. 3.48%) and number of trades is 1 out of 645. Similarly, more than 92% of the trades done by Raina Vyapaar had no negative LTP and more than 85% of the trades done by R C Suppliers had no negative LTP. Therefore, it has been denied that they traded in the scrip with manipulative intent to depress the price of the scrip.

(rr) Ritesh Commercial Holdings Limited (Noticee No. 73) has replied vide letter dated March 1, 2018.

- Shareholding of Dynamic Portfolio in Ritesh Commercial Holdings Ltd. may not be relevant to establish connection with FFSL as Dynamic Portfolio has been discharged.
- They purchased the shares of FFSL from the market as the share price were rising and looked very promising. The shares were sold after 8-9 months.

(ss) Rajani Investment Private Limited, Sanchay Tradecom Pvt. Ltd. and Surbhika Vyapaar Pvt. Ltd. (Noticee Nos. 72, 74 & 76) have not replied.

Consideration of issues:

Upon a perusal of the SCN and replies/submissions made by the Noticees in writing or during personal hearing, it appears that the relevant issues can be taken up for consideration under the following broad heads:

Market Manipulation - Exorbitant Price Rise (15/05/2012 – 08/02/2013)

11. It has been alleged that the preferential allotment was followed by abnormal and huge rise in price of the scrip by trading of entities connected to the company. During the period May 15, 2012 to February 08, 2013 (referred to in the SCN as Patch I), the price of the scrip opened at Rs. 5.35 on May 15, 2012, it reached a high of Rs. 263.45 on February 08, 2013 and closed at Rs. 263.45 on February 8, 2013, i.e. an increase of Rs. 258.1 (4824.3%) during this period. The investigation has revealed that a total of 124 trades for 2,653 shares were executed in the scrip of FFSL on BSE during this patch of 115 trading days, wherein 22 entities bought and 26 entities sold shares of FFSL. It was observed that on 107 days only single trades were executed in the scrip. It has been alleged that the price of the scrip increased with singular trades by entities connected with FFSL, namely, Prem Lata Nahar (Noticee No. 5) on the buy side and B. P Jhunjhunwala HUF (Noticee No. 7) on the sell side. These entities were top contributors to the price rise by continuously placing buy/sell orders above Last Traded Price (LTP).

12. Prem Lata Nahar and BP Jhunjhunwala have denied that they are parties to the alleged fraud or connected with each other or to the company. As regards trading behavior, Prem Lata Nahar has submitted that she was interested in acquiring 1000 shares of FFSL and as she was able to buy only 10 shares on first day of trade, she continued to place orders at upper circuit limits which eventually resulted in her acquiring 844 shares during the period. B P Jhunjhunwala has submitted that the sell orders were placed by him after a long time gap of pending buy orders and that the order quantity was kept small as price was rising and as a prudent investor he did not change his trading pattern.

13. With regard to connection of BP Jhunjhunwala and FFSL, it is noted that BP Jhunjhunwala had agreed to acquire 58.08 % paid-up share capital of FFSL by entering into a MoU with P Natarajan (promoter and director of FFSL) on May 27, 2010. Subsequently, S Krishna Rao was appointed as a director of FFSL on June 5, 2010. It has been brought out in the SCN that BP Jhunjhunwala or his family members served as common directors along with S Krishna Rao in several other companies namely, Skyed Network Pvt. Ltd., Carewell Consultants Pvt. Ltd., Radhasaomi Securities Pvt. Ltd., and Onesource Techmedia Ltd. It is also noted from the reply of FFSL that the company decided to come up with preferential allotment on July 26, 2011 and eventually 77 lakh shares at the rate of Rs.20 per share were issued and allotted on December 8, 2011 and April 28, 2012.

14. With regard to BP Jhunjhunwala, it has been brought out in the SCN that the demat statement of BP Jhunjhunwala HUF revealed that it was holding 21,140 shares of FFSL as on May 22, 2012. However, from the order book analysis, it was observed that despite there being large buy demand (ranging from 1,250 shares to 28,050 shares), BP Jhunjhunwala HUF repeatedly placed sell orders for small quantities of shares in the range of 5 shares and 10 shares regularly and occasionally 25 shares (5 shares to 25 shares) at increasingly higher prices each day for 88 out of 89 days when he had traded. During this period, the price of the scrip increased from Rs. 7.14 on July 3, 2012 to Rs. 253.25 on February 6, 2013. Such a trading pattern in an illiquid scrip like FFSL, indicates that BP Jhunjhunwala HUF, after having acquired substantial stake in FFSL played a major role in manipulating the price of the scrip, thereby resulting in 78.55% contribution in positive as well as net LTP through his trades as seller during this period.

15. Investigation revealed that one of the buyers namely, Prem Lata Nahar (hereinafter referred to as Prem Lata) contributed Rs. 74.94 increase in positive LTP in 34 trades for 785 shares. It was observed that all the 34 trades of Prem Lata were the first trades and for each trade the buy order was placed before the sell order with the buy order quantity being more than the sell order quantity. Further, from the analysis of the trade log it has been observed that in 31 (inadvertently mentioned as 32 in SCN) of 34 trades of Prem Lata Nahar has matched with trades of BP Jhunjhunwala HUF. These trades constituted 90.05% of the trades of Prem Lata Nahar and they contributed to Rs. 67.49 increase in positive LTP. Thus, BP Jhunjhunwala HUF contributed Rs. 202.73 to the net positive LTP in 89 trades for 620 shares and Rs. 202.73 to market positive LTP in 88 trades for 615 shares. It is observed that almost all of his trades had positive LTP impact and his 31 trades matched with Prem Lata Nahar. The sell trades of BP Jhunjhunwala HUF during the patch contributed to 78.55% increase in the total positive as well as net LTP.

16. It has been brought out in the SCN, that Prem Lata Nahar contributed to an increase of Rs. 74.94 in the price of the scrip by placing buy order above LTP in 34 trades for 785 shares. The positive LTP contribution of her buy trades in the scrip was 29% of the total market LTP. The extracts of her trades with BP Jhunjhunwala HUF are as follows:

	Batch Date	Seller Name	Trade price	LTP Difference	LTP Percentage	Trade Value	LTP at Buy Order Entry	LTP at Sell Order Entry	Trade Quantity	Sell Order Quantity	Buy Order Quantity
1.	09.08.2012	BPJ HUF	17.05	0.81	4.99	170.50	16.24	16.24	10.00	10.00	1000.00
2.	28.08.2012	BPJ HUF	20.70	0.98	4.97	103.50	19.72	19.72	5.00	5.00	1000.00
3.	30.08.2012	BPJ HUF	21.73	1.03	4.98	108.65	20.70	20.70	5.00	5.00	1000.00
4.	03.09.2012	BPJ HUF	22.80	1.07	4.92	114.00	21.73	21.73	5.00	5.00	1000.00
5.	11.09.2012	BPJ HUF	26.30	1.25	4.99	131.50	25.05	25.05	5.00	5.00	1000.00
6.	14.09.2012	BPJ HUF	28.95	1.35	4.89	144.75	27.60	27.60	5.00	5.00	1000.00
7.	20.09.2012	BPJ HUF	31.85	1.50	4.94	318.50	30.35	30.35	10.00	10.00	1000.00
8.	28.09.2012	BPJ HUF	35.05	1.65	4.94	350.50	33.40	33.40	10.00	10.00	1000.00
9.	04.10.2012	BPJ HUF	36.80	1.75	4.99	368.00	35.05	35.05	10.00	10.00	1000.00
10.	12.10.2012	BPJ HUF	42.50	2.00	4.94	1062.50	40.50	40.50	25.00	25.00	1000.00

11.	17.10.2012	BPJ HUF	49.10	2.30	4.91	245.50	46.80	46.80	5.00	5.00	1000.00
12.	19.10.2012	BPJ HUF	51.55	2.45	4.99	515.50	49.10	49.10	10.00	10.00	1000.00
13.	31.10.2012	BPJ HUF	62.55	2.95	4.95	312.75	59.60	59.60	5.00	5.00	1000.00
14.	01.11.2012	BPJ HUF	65.65	3.10	4.96	656.50	62.55	62.55	10.00	10.00	1000.00
15.	05.11.2012	BPJ HUF	72.30	3.40	4.93	361.50	68.90	68.90	5.00	5.00	1000.00
16.	07.11.2012	BPJ HUF	75.90	3.60	4.98	379.50	72.30	72.30	5.00	5.00	1000.00
17.	09.11.2012	BPJ HUF	83.60	3.95	4.96	418.00	79.65	79.65	5.00	5.00	1000.00
18.	15.11.2012	BPJ HUF	89.50	1.75	1.99	447.50	87.75	87.75	5.00	5.00	1000.00
19.	16.11.2012	BPJ HUF	91.25	1.75	1.96	912.50	89.50	89.50	10.00	10.00	1000.00
20.	23.11.2012	BPJ HUF	100.60	1.95	1.98	503.00	98.65	98.65	5.00	5.00	1000.00
21.	27.11.2012	BPJ HUF	102.60	2.00	1.99	513.00	100.60	100.60	5.00	5.00	1000.00
22.	03.12.2012	BPJ HUF	106.70	2.05	1.96	1067.00	104.65	104.65	10.00	10.00	1000.00
23.	05.12.2012	BPJ HUF	110.95	2.15	1.98	554.75	108.80	108.80	5.00	5.00	1000.00
24.	12.12.2012	BPJ HUF	120.05	2.35	2.00	1200.50	117.70	117.70	10.00	10.00	1000.00
25.	14.12.2012	BPJ HUF	124.85	2.40	1.96	624.25	122.45	122.45	5.00	5.00	1000.00
26.	17.12.2012	BPJ HUF	127.30	2.45	1.96	1273.00	124.85	124.85	10.00	10.00	1000.00
27.	19.12.2012	BPJ HUF	132.35	2.55	1.96	661.75	129.80	129.80	5.00	5.00	1000.00
28.	20.12.2012	BPJ HUF	134.95	2.60	1.96	674.75	132.35	132.35	5.00	5.00	1000.00
29.	21.12.2012	BPJ HUF	137.60	2.65	1.96	1376.00	134.95	134.95	10.00	10.00	1000.00
30.	26.12.2012	BPJ HUF	143.15	2.80	2.00	1431.50	140.35	140.35	10.00	10.00	1000.00
31.	28.12.2012	BPJ HUF	148.90	2.90	1.99	744.50	146.00	146.00	5.00	5.00	1000.00

17. All the 34 trades of Nahar were the first trades of the day and for each trade the buy order was placed at around 9:15 am. i.e., before the sell order, with a buy order quantity of 1000 shares. It is also noted from the trade log that she had continuously placed buy orders at higher prices ranging from Rs. 17.05 to 157.90 in large quantities for shares of a company which was trading at around Rs. 5 per share just 3-4 months ago and such high price was neither justified by the financials of the company nor by any corporate announcement made by the company during the

relevant period. The explanation provided by her that she wanted to buy 1000 shares of FFSL in the reply does not justify such exuberance shown on her part.

18. I note that BP Jhunjhunwala HUF was consciously putting less number of shares for sale on each trading day even when there was considerable buying pressure. In tandem with the sell order pattern of BP Jhunjhunwala HUF, Prem Lata Nahar was putting in buy orders which were at substantially higher price than the LTP or the closing price of the previous day. The trading pattern between both BP Jhunjhunwala HUF and Prem Lata Nahar shows that their intention was to artificially pump up the scrip price over a period of time.

19. From the trading pattern, it is evident that BP Jhunjhunwala (acting through BP Jhunjhunwala HUF) and Prem Lata Nahar acted in concert to manipulate the market through their trades in FFSL. Further, B.P. Jhunjhunwala (karta of BP Jhunjhunwala HUF) has traded subsequent to the price rise in greater volume and sold 35,412 shares for a total value of Rs. 1,03,45,773.50. As to the reason for him to have off-loaded his entire stake in FFSL, subsequent to the price rise period, BP Jhunjhunwala stated that the shares were sold during May/June, 2013 to acquire controlling stake in Anugrah Jewellers Ltd. (presently known as Onesource Ideas Ventures Ltd.) with a view to carry out his consultancy business under the banner of a listed company. This explanation does not appear bonafide as FFSL, in which he had acquired substantial stake, was also a listed company and it was in the financial services business. The admission of Prem Lata Nahar that she wanted to acquire 1000 shares of FFSL along with the fact that she assisted BP Jhunjhunwala to hike the price of the scrip through her daily first trades, would show elements of pre-meditated design, which can happen only between entities that know each other and were connected. Thus, I find that Prem Lata Nahar and B P Jhunjhunwala HUF traded/dealt with the FFSL scrip with a manipulative intent to increase the price of the scrip and have violated the provisions of the SEBI(PFUTP) Regulations as alleged in the SCN.

Routing and re-routing of funds by FFSL

20. It has been alleged in the SCN that out of the total allotment proceeds of around Rs 15 crore, funds to the tune of Rs 6.57 crore have been directly/indirectly transferred back to the allottees. Further, approximately a sum of Rs 7.94 crore was transferred to entities having connections with FFSL directly/indirectly. On the basis of analysis of movement of funds, it has been alleged that the transactions were pre-determined as the funds received as proceeds of preferential allotments were immediately transferred to various entities and the company did not retain any funds for fulfilling the objectives stated at the time of allotments. The investigation revealed that the allottees who were found to have directly or indirectly received funds from the company were entities connected to each other or to the company. These Noticees made significant gains (Rs. 67.79 crore) by the sale of shares post the lock-in period of one year, through on-market trades.

Profits Table:

Sl. No.	Name of the allottee	No. of shares allotted	Value of shares allotted	No. of shares sold	Value of shares sold	Profit (Rs.)
1.	Anil Agrawal -HUF	250000	5000000	250000	72570303.9	67570303.9
2.	Amit H Patel - HUF	375000	7500000	2175000	68661167.34	61161167.3
3.	Brij Bhushan Singal	225000	4500000	225000	65749627.15	61249627.2
4.	Neeraj Singal	225000	4500000	225000	64835210.5	60335210.5
5.	Suresh Kumar Khandelia	112500	2250000	112500	31245539.45	28995539.5
6.	Manju Khandelia	100000	2000000	100000	27897219	25897219
7.	Uma Singal	75000	1500000	75000	22178900	20678900
8.	Hashmukhbhai B Patel - HUF	375000	7500000	1535000	22025296.9	14525296.9
9.	Gokul Securities Private Limited	300000	6000000	300000	81397816.8	75397816.8
10.	Suresh Kumar Kalani	100000	2000000	100000	29456462	27456462
11.	N K Agarwal & Sons	100000	2000000	100000	29379910	27379910
12.	Syncom Formulations (India) Limited	100000	2000000	100000	24963016	22963016
13.	Ritesh Agarwal - HUF	75000	1500000	75000	21931342.5	20431342.5
14.	Rajendrakumar Agarwal - HUF	75000	1500000	75000	21902905	20402905
15.	Shilpa Agarwal	75000	1500000	75000	21843584.5	20343584.5
16.	Rajni Atal	50000	1000000	50000	14728900	13728900
17.	Karuna Atal	50000	1000000	50000	14718700	13718700
18.	Rajesh Atal	50000	1000000	50000	14718580	13718580
19.	Bharatbhai Nathabhai Buha	50000	1000000	50000	14703370.7	13703370.7
20.	Mukesh Atal -HUF	50000	1000000	50000	14702000	13702000
21.	Bal Kishan & Sons (HUF)	50000	1000000	50000	14693300	13693300
22.	Anshul Jain	50000	1000000	50000	14597500	13597500
23.	Ashokbhai Nathabhai Buha	50000	1000000	50000	14590647.5	13590647.5
24.	Santosh Manihar	25000	500000	25000	7355600	6855600
25.	Giriraj Prasad Manihar - HUF	25000	500000	25000	7318400	6818400
Total		3012500	60250000	5972500	738165299.2	677915299

21. It has been brought out in the SCN that Anil Agarwal, who is the director/promoter of Comfort Group comprising of Comfort Fincap Ltd. (CFL), Comfort Intech Ltd. (CIL) and Comfort Securities Ltd (CSL) was also a preferential allottee in FFSL. Suresh Kumar Khandelia and Manju Khandelia, the other promoters of CFL were also allotted shares in preferential allotment. Investigation has revealed that these entities (referred to as “Comfort Group”) have played key roles as (a) recipient of allotment proceeds (b) facilitator for transfer of allotment proceeds to other entities (c) broker to the trades of FFSL and various entities connected with FFSL. Apart from Comfort group entities, certain other entities which includes allottees viz, Brij Bhushan Singal, Neeraj Singal, Uma Singal, Rajendra Kumar Agarwal HUF, Ritesh Agarwal HUF, Shilpa Agarwal, Amit H Patel (HUF) and certain buyers viz, Padma Impex Pvt Ltd. (through Bina H Mehta), Global Infratech & Finance Ltd, Ranisati Dealer Pvt Ltd were also alleged to have received funds, directly/indirectly out of allotment proceeds of FFSL. It has been alleged that Kuber Kamna Marbles Pvt. Ltd., Tirupati Developers, Advent Developers Pvt. Ltd., Vision Steel Ltd., Marsh Steel Trading Ltd., Adhunik Transport Organisation Ltd., NMC Industries Pvt. Ltd. and LAN Finance Pvt. Ltd. have played a significant role in the routing/ re-routing of the funds for the ultimate benefit of allottees. Santosh Manihar, Girija Prasad Manihar - HUF, Bharatbhai Nathbhai Buha, Ashokbhai Nathbhai Buha, Mukesh Atal- HUF, Rajni Atal, Karuna Atal, Rajesh Atal, NK Agarwal & Sons, Anshul Jain, Suresh Kumar Kalani, Gokul Securities Pvt. Ltd. and Syncom Formulations Ltd. were preferential allottees. It has been alleged that the fund transactions of these entities were not commercial in nature though the noticees asserted that they were genuine.

22. FFSL and Nirmal Singh Mertia have denied the allegation and submitted that the amounts raised through preferential allotments were utilised for repaying loans raised earlier, investing in securities and for giving loans etc. It has been also submitted that as on February 19, 2018, the amount utilised by FFSL for making investments are lying with FFSL in the form of securities in it's demat account and majority of the loans given to borrowers have returned to the company. In this regard, it is observed that in order to determine the violations alleged against the noticees, the relevant issue to examine is how the fund transactions took place during the time of preferential allotment and whether those transactions were genuine. The return of the transferred funds back

to the company, in the absence of any other evidence supporting the genuineness of the transaction would implicate the company along with such transferors or transferees.

23. As stated in the interim order, FFSL in the notices for Extraordinary General Meetings dated August 25, 2011 and March 12, 2012, had disclosed to its shareholders and public that the purpose of the fund raising through preferential allotments was to meet the following requirements:-

- a) To expand the segment of Corporate Advisory Service like exploring refinancing alternatives of the clients and advising better sources of funds available.
- b) To enter in to the spectrum of Loan / Debt Syndication, which is the need of the hour for all corporate and to provide a comprehensive suite of advisory services packaged with resource raising.
- c) To enter in to segment of arranging Equity Placement / Strategic partners for corporate clients.
- d) To expand the geographies of the company by penetrating to the major clients such as Mumbai and Delhi by opening the branches therein.

24. During investigation, the company submitted details of the entities to whom proceeds of the preferential allotments were transferred. The details of such transferee entities and the amount transferred to them are as follows:

Transfer of Proceeds by FFSL- 1st Preferential Allotment

Sl. No.	Name of the entity	Amount (Rs in lacs)	Date of bill/transaction	Utilised towards object
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1	Marsh Steel Trading Ltd	100	16/09/2011 and 14/12/2011	Investment in unquoted shares
2	Vision Steel Ltd	50	16/09/2011	
3	Noble Express Services Pvt Ltd.	5	20/09/2011	
4	Malpani Alloys Extructions P. Ltd.	10	07/09/2011	
5	Comfort Intech Ltd.	90	14/12/2011	Deposit in Spa
6	Comfort Fincap Ltd.	30	03/10/2011	Repayment of loan taken
7	Asianlak Capital and Finance Ltd. (now known as Global Infratech and Finance Ltd.	19	07/09/2011	
8	Dixon Export and Finance Pvt. Ltd. (now "Radhasoami Resources Ltd.")	27	07/09/2011	
9	Kaizen Cold Formed Steel Pvt. Ltd.	44	07/09/2011, 23/09/2011 and 27/09/2011	
10	Bina Himanshu Mehta	242	08/09/2011, 09/09/2011, 12/09/2011 and 14/09/2011	Loans and Advances given
11	Parikh group (Chetan S Parikh HUF, Pankaj S Parikh, Vinod S Parikh, Kajal P Parikh, Dhara V Parikh, Dipal C Parikh, Megha P Parikh)	436.8	09/09/2011, 12/09/2011, 14/09/2011, 16/09/2011, 20/09/2011, 26/09/2011, 03/10/2011	
12	Annurodh Mercantile Pvt. Ltd.	20	07/09/2011	
13	Green Vista Finance	4	14/09/2011	
	Total	1077.8		

Transfer of Proceeds by FFSL- 2nd Preferential Allotment

Sl. No.	Name of the entity	Amount (Rs in lacs)	Date	Utilised towards object
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1	Comfort Securities Ltd.	207.07	13/03/2012, 20/03/2012, 28/03/2012, 29/03/2012	Purchase
2	Comfort Intech Ltd	30*	04/05/2012	Repayment of loan taken
3	Kuber Kamna Marbles Pvt Ltd.	105	13/03/2012 and 16/03/2012	Loans and Advances given
4	Tirupati Developers	5	20/03/2012	
5	Advent Developers Pvt Ltd	40	20/03/2012	
6	Chiraag Suppliers	50	22/03/2012	
7	Sangita Bhuwalka	5	24/03/2012	
	Total	442.07		

Note: *The total amount transferred to Comfort Intech Ltd. on 04/05/2012 was Rs. 75 lakh.

25. Investigation revealed the following details pertaining to the utilization of the allotment proceeds by FFSL:

- a) The funds raised by the preferential allotment were never retained by the company for expansion of its business or to execute its future plans as disclosed in the special resolutions for approval of the preferential allotments. The funds received as proceeds of preferential allotments were subsequently transferred by FFSL to various other entities as loans or investments. FFSL had some pre-existing connections or financial transactions with these entities even prior to the preferential allotment. Moreover, the entities with whom FFSL was connected through fund transfers were otherwise connected to one another through fund transfers amongst themselves. For the purpose of this order, the transfer of funds between various Noticees, as admitted by them, before and after the preferential allotment of FFSL is tabulated below for a quick perspective while setting out the background of the matter, as it is relevant for consideration of the issues herein. The entity-wise details of the fund transfers and the context of such transfers along with the explanation provided by the Noticees are elaborately dealt with subsequently in this order.

Fund transfers – FFSL

Date	Transferor	Transferee	Amount	Remarks
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14/07/2010	CIL	Ranisati Dealers	90 lakhs	
14/07/2010	Rani Sati	Suresh Khandelia	50 lakhs	Explained as Loans
14/07/2010	Rani Sati	Manju Khandelia	40 lakhs	Explained as Loans
03/08/2010& 09/08/2010	CFL	Ranisati Dealers	90 lakhs	Explained as Loans
29/03/2011	CIL	FFSL	4 crores (3.75 actually disbursed)	Loan for 12 months with 9% interest
30/04/2011	FFSL	CIL	3.75 crores + 9.22 lakhs interest	Repayment of loan given on 29/03/2011. Interest paid was much lower than given in loan agreement.
15/07/2011	CFL	FFSL	90 lakhs	Loan
12/08/2011	CFL	Ranisati Dealers	2.20 crores	Loan
25/08/2011	FFSL	Marsh Steel	50 lakhs	Investment
21/09/2011	CFL	Ranisati Dealers	1 crore	Loan
03/10/2011 & 13/12/2011	FFSL	CFL	90 lakhs	Repayment of loan
07/12/2011	FFSL	NMC Industries	1.35 crores	Loan
07/12/2011	NMC Industries	Hashmukhbhai Patel	72 lakhs	Loan
08/12/2011	NMC Industries	Amit B Patel	63 lakhs	
14/12/2011	FFSL	CIL	1 crore	Security deposit for property
01/02/2012	CIL	Kuber Kamna	1.25 crores	Loan
01/03/2012	Kuber Kamna	CIL	1.25 crores	Repayment of loan

01/03/2012	FFSL	Kuber Kamna	20 crores	
12/03/2012	FFSL	Marsh Steel	50 lakhs	Investment
20/03/2012	FFSL	Tirupathi Developers	5 lakhs	Loan
20/03/2012	FFSL	Advent	40 lakhs	Loan
20/03/2012	FFSL	Tirupathi Developers	5 lakhs	
20/03/2012	FFSL	Advent	40 lakhs	
21/03/2012	Tirupathi Developers	LAN Finance	5 lakhs	
21/03/2012	Advent	LAN Finance	40 lakhs	
22/03/2012	LAN Finance	NMC Industries	45 lakhs	
06/02/2014	CIL	FFSL	1 crore	Repayment of deposit amount
15/07/2015	CIL	Ranisati Dealers	12 crore	Loan for 1 year

- b) The above table shows that FFSL and Comfort Group entities (CIL, CFL) and certain other Noticees, namely Ranisati Dealer, Suresh and Manju Khandelia, Kuber Kamna, Hashmukhbhai Patel etc. had entered into a series of fund transfers, which were styled as advances and repayments of loans and the Noticees shown above were either transferors or transferees in each of these transactions. These instances of transfer of funds raise doubts regarding the genuineness of the preferential allotment of FFSL as well as the genuineness of the loan transactions. It is also observed that certain transferors and transferees in these fund movements made huge gains by selling FFSL scrip, as shown later in this order.
- c) There was no receipt of advisory fee in the P&L account of FFSL for the period 2011-12 and 2012-13, which implies that the company did not enter into any corporate advisory or any other fee based activities, though resolved in the EGMs.

- d) As per the balance sheet of FFSL for the FYs 2011-12 and 2012-13, the company had no fixed assets and no capital work in progress in those years. Hence, the company did not meet its stated objective of expansion of geography by opening branches in Mumbai and Delhi.
- e) The Annual Report of FFSL indicated that the company was basically into trading or investment activities of its related/connected companies during the IP which is again not supported by the above resolution of arranging equity placement, Loan /Debt syndication etc.

26. It is noted from the above details of fund transfers that capital raised through the issue of preferential allotment was not utilised for the purpose of opening of new offices for rendering financial services. Further, the Board of FFSL in its meeting on September 12, 2015 passed a resolution for ratification of alteration / variation of utilization of proceeds of preferential allotments by FFSL in 2011 and 2012 and for alteration in the object clause of its Memorandum of Association. It is also noted that this alteration was done subsequent to the observations made in the interim order dated December 19, 2014 about non- utilization of the proceeds of the preferential allotments as per the objectives disclosed. The ratification after 3 years of allotment is in itself an admission that FFSL failed to utilize the allotment proceeds towards the disclosed purposes.

Entitywise consideration of financial transactions with FFSL (preferential allottees and other connected entities)

Anil Agarwal, Comfort group and other connected entities

27. It is noted from the SCN that Anil Agarwal is the director/promoter of CFL, CIL and CSL and Anil Agarwal - HUF was one of the preferential allottees of FFSL. Suresh Kumar Khandelvia and Manju Khandelvia were co-promoters of CFL during the relevant time and shared close relationship with Anil Agarwal and were amongst the preferential allottees. The SCN mentions that CFL, CIL and CSL received Rs 3.57 crore directly from FFSL out of the allotment proceeds

and Rs 1.05 crore indirectly through Kuber Kamna Marbles Pvt Ltd. (Noticee No. 45), which had received the amount from FFSL out of allotment proceeds. Hence, it is alleged that a significant portion of allotment proceeds i.e, Rs 4.62 crore was indirectly routed to Anil Agarwal, the Karta of Anil Agarwal (HUF). It has also been mentioned that the Comfort group entities under the control of Anil Agarwal transferred around Rs.4.65 crore to FFSL by way of allegedly bogus commercial transactions before the latter's preferential allotments in 2011 and 2012.

28. Anil Agarwal, Anil Agarwal-HUF, CFL, CIL and CSL have filed a common reply. It has been submitted that Comfort Securities Ltd. is a stock broker registered with SEBI. Comfort Intech Ltd and Comfort Fincap Ltd. are NBFCs registered with RBI engaged in the business of advancing loans to various customers of Comfort Securities Ltd. FFSL was a client of Comfort Securities Ltd. and was regularly trading in securities through it. It has been contended that the fund transactions were in the course of business and are genuine.

29. With regard to receipt of funds from FFSL out of proceeds of the first preferential allotment, it has been stated that CIL got a deposit of Rs.90 lakh from FFSL for a spa business. CIL entered into a commercial lease agreement with FFSL on December 14, 2011 at a monthly rent of Rs 15,000, which was terminated in January 2014. The spa business was run by FFSL for a period of two years until January 2014. After termination of the lease the security deposit was refunded by CIL to FFSL on February 06, 2014, March 07, 2014, April 28, 2014 and April 30, 2014. The SCN mentions that FFSL paid an abnormally high security deposit of Rs 1 crore (on December 14, 2011 and January 28, 2012) for a property worth Rs 15,000/- as monthly rent. With regard to the lower amount of rent charged, it has been submitted by FFSL that what needs to be looked into is the overall return on property given on rent and not merely the amount of rent. In this regard, it is observed that parties are free to contract and they may enter into such an agreement. However, while it is observed that the payment of such high amount of security deposit is claimed by FFSL to be towards lease of a property for doing the business of spa, FFSL included this new business in its objects clause only on June 07, 2012, i.e. almost after 6 months of the lease agreement. Further, the SCN mentions that no rent was paid by CIL for the period December 2011 to March 2012 and for March 2013 and no details of receipt of maintenance charges by CIL for periods other than for June 2013, August 2013, October 2013 and November 2013 were

provided. Thus, rent and maintainance charges for the premises were not paid by FFSL for several months. Besides this, it is also noted from the 'Term' clause of the lease agreement dated December 14, 2011 that the initial term of lease was 11 months with an initial rent of Rs 15,000, with an option of renewal of the lease for a further period of 11 months subject to the rent being increased by 10% every time. However, the rent received till January 2014 is shown as Rs 15,000 only. These circumstances, coupled with abnormally high security deposit for a property for which monthly rent is Rs.15,000/- indicate that the transfer of Rs.90 lakh from the allotment proceeds was not for the purpose for which they are being claimed to be.

30. With regard to receipt of funds from FFSL out of proceeds of the second preferential allotment, it has been stated that Rs.207.07 lakh was received by CSL towards purchase/trading in securities done by FFSL through CSL. During the period July 1, 2011 to March 31, 2014, FFSL paid Rs 5,27,40,737/- to CSL and received Rs. 50,92,778/- from them. During this period, net purchase of securities by FFSL through CSL was for an amount of Rs. 4,72,39,135.55. It has been mentioned in the SCN that most of the purchases by FFSL through CSL were in the scrip of Luharuka Media and Infra Ltd (i.e for a net purchase value of Rs. 4,71,77,696.45). The investigation has revealed that Luharuka Media and Infra Ltd. had connections with the Comfort group entities as Mr. Anil K. Nevatia, one of the directors of CFL and CIL, was a director in Splash Media & Infra Ltd (now known as Luharuka Media and Infra Ltd). Further, in his capacity as a Chartered Accountant, Mr. Anil K. Nevatia had submitted the valuation certificate of FFSL to BSE for pricing of the equity shares of FFSL issued on preferential basis. Investigations show that Anil Agrawal -HUF along with CIL and CFL became promoters of Luharuka Media & Infra Ltd pursuant to an open offer in 2014. Additionally, it was observed from the Annual Report of FFSL for the FY 2011-12 and 2012-13, that a significant portion of the investment by FFSL in listed shares was in the scrip of Splash Media and Infra Ltd. Thus, in the FY 2011-12, FFSL had invested Rs. 4,73,96,702 (74.95% of the total investment in listed shares) in Splash Media and Infra Ltd. and in the FY 2012-13, FFSL had invested Rs. 3,19,65,299 (53.31% of the total investment in listed shares) in Splash Media and Infra Ltd.

31. Thus, it is noted that majority of the funds transactions of FFSL with CSL was for buying scrip of a company which had close connection with the Comfort group entities and subsequently, became a part of the Comfort group under the control of Mr Anil Agarwal.

32. This shows that FFSL is connected to Anil Agarwal- the promoter of Comfort Group companies and that it transferred substantial amounts upto (Rs.4,71,77,696.45) to CSL for investing in Splash Media in which Anil Agarwal and his group companies CIL and CFL were promoters.

33. With regard to payment of Rs.30 lakh by FFSL to CFL, it has been stated that the same was towards repayment of the funding/finance availed from CFL (which is an NBFC) in the regular course for trading in securities through CSL. It has been also stated that the receipt of Rs.30 lakh by CIL from second preferential allotment was towards repayment of loan. Copies of ledger of FFSL in the books of CIL, CFL and bank account statements have been furnished. In this regard it is noted that the noticees have not disputed the fund transactions and the ledger statement and bank statements also go to corroborate the same. Noticees have not provided any document to show that these were genuine loan transactions or any other detail to show the purpose for which the loans were availed.

34. It has been mentioned in the SCN that apart from the fund transactions, post the preferential allotment, certain fund transactions between CIL, CFL and CSL on one side and FFSL on the other have been observed even prior to the preferential allotment. It has been mentioned in the SCN that CIL had transferred a total of Rs 3.75 crore to FFSL during the Financial Years 2010-2011 and 2011-2012. In this regard, it was stated by CIL during the investigations that FFSL entered into an agreement with CIL on March 29, 2011 for grant of loan of Rs. 4 crore to it at a rate of interest of 9% p.a. Out of this amount, CIL disbursed a total of Rs 3.75 crore to FFSL during the financial years 2010-2011 & 2011-2012. (i.e. Rs 1 crore on March 31, 2011, Rs 1.9 crore on February 25, 2012 and Rs 85 lakh on February 29, 2012).

35. The SCN mentions that the date from which the interest has been charged and the amount of interest claimed to be paid by FFSL to CIL does not match with the terms of the agreement. With respect to the discrepancy in the starting date for calculation of interest on the amount of Rs 1 crore disbursed on March 31, 2011, it was submitted by CIL during the investigation that the said amount was earmarked on March 04, 2011 and March 07, 2011 itself, based on a decision on March 04, 2011 to lend to FFSL and , therefore the interest has been calculated from March 4, 2011. However, no supporting documents in this regard have been provided by CIL.

36. CFL had transferred to FFSL an amount of Rs 50 lakh on July 20, 2011 and an amount of Rs 40 lakh on July 27, 2011 (total amount Rs.90 lakh). In this regard, it has been mentioned in SCN that CFL had entered into a loan agreement with FFSL on July 15, 2011 for grant of loan of Rs 90 lakh to FFSL at an interest rate of 9% p.a. for a period of 6 months. The said loan was repaid with interest between October 03, 2011 and December 13, 2011. It was observed that the above agreement does not mention the purpose for which the loan was being taken by FFSL. Thus, it is observed that the transfer of funds remains unexplained and the transaction of lease, investment, loan etc., set up later also does not convincingly point towards genuine transactions.

37. Admittedly there have been fund transfers from CIL and CFL to FFSL and from FFSL to CSL. While the amounts availed from CIL and CFL are stated to be loans given to FFSL, the funds transferred to CSL are shown as amounts given by FFSL for trades to CSL, as its broker. I find that the movement of funds inter-se the Comfort Group entities, FFSL, Anil Agarwal and Anil Agarwal HUF show that they are connected as a group with the company. It is relevant to note that Anil Agarwal – HUF is an allottee.

38. FFSL had transferred Rs.1.05 crore to **Kuber Kamna Marbles Pvt Ltd** as loans and advances in March 2012 and the investigation has revealed that this amount was further transferred by Kuber Kamna Marbles Pvt. Ltd. to CIL. Kuber Kamna Marbles Ltd. has stated that the amount was received from FFSL as an unsecured loan which was repaid to FFSL on June 4, 2013, July 2, 2013 and August 13, 2013. Kuber Kamna has submitted copy of ledger of FFSL in the books of Kuber and stated that this amount was used for its business purpose. However, no further details have been provided and the investigation has revealed that this amount has further moved from

Kuber Kamna to CIL. CIL has stated that this amount was transferred by Kuber Kamna to it in March 2012 towards repayment of a loan of Rs 1.25 crore which Kuber Kamna Marbles Pvt Ltd had taken from it in February 2012. However, no loan agreement has been submitted by CIL in support of its submission nor any interest was paid by Kuber Kamna Marbles Pvt Ltd to CIL in this regard. Therefore, the transaction does not appear to be a genuine loan transaction. It was also observed that an amount of Rs. 70 lakh was received by Kuber Kamna from BPJ Holdings Pvt. Ltd. on February 17, 2012. Kuber Kamna has stated that this amount was duly repaid to BPJ Holdings on September 13, 2012 and September 14, 2012.

39. With regard to the fund received by CIL it has been mentioned in SCN that the fund moved further from CIL to Ranisati Dealers Pvt. Ltd. and from Ranisati Dealers Pvt. Ltd. to Suresh Khandelia and Manju Khandelia. It was also observed during the investigation from the quarterly shareholding details of CFL filed with BSE that Mr. Suresh Khandelia and Ms. Manju Khandelia were promoters of CFL. Further, these two persons were together allotted 2,12,500 shares of FFSL in the preferential allotment for an amount of Rs.42,50,000/-.

40. **Ranisati Dealers Pvt. Ltd.** has not filed its reply or appeared for hearing. CIL in its reply has stated that Ranisati Dealers Pvt. Ltd. was one of the clients of Comfort Securities Ltd. and this along with many other clients of CSL had borrowed fund from CIL and CFL. There was no loan agreement since payments and receipts were made in the ordinary course of business. The servicing of loans and discharge of payment obligations for the trades were done routinely on running account basis.

41. With regard to above submission, it is noted from the SCN that CFL granted loans of Rs.55 lakh and Rs.35 lakh to Ranisati Dealers Pvt. Ltd. on August 03, 2010 and August 09, 2010 respectively and Rs 2.20 crore and Rs 1 crore on August 12, 2011 and September 21, 2011. CFL had received an amount of Rs 1.22 crore from Ranisati Dealer on December 21, 2011. CFL was unable to provide any details of the said loans to Ranisati Dealer in 2010-2011. CFL was also not able to provide supporting documents relating to fund transfers of Rs 2.20 crore and Rs 1 crore on August 12, 2011 and September 21, 2011 respectively to Ranisati Dealer Pvt. Ltd. respectively and a fund receipt of Rs 1.22 crore from Ranisati Dealer on December 21, 2011, Further, although

CFL has claimed that the above payments and receipt of funds to/from Ranisati Dealer were pursuant to a loan to the latter and repayment of same, it has been observed from the ledger statements furnished by CFL that no interest was received from Ranisati Dealer in this regard.

42. It is also noted that, CIL had received funds to the tune of Rs 1.20 crore out of allotment proceeds of FFSL in December 2011 and May 2012. CIL transferred Rs 90 Lakh to Ranisati Dealer Pvt. Ltd. on July 14, 2012 and on the same day Ranisati Dealer Pvt. Ltd transferred Rs 50 lakh to Suresh Kumar Khandelia and Rs 40 Lakh to Manju Khandelia.

43. Further, it has been observed from the bank statement of Ranisati Dealer Pvt Ltd. that apart from fund transactions with CFL and CIL, Ranisati also had fund transaction with Anil Agarwal. In May 2012 Anil Agarwal transferred funds to Ranisati Dealer Pvt Ltd. Anil Agarwal - HUF transferred funds to Ranisati Dealer Pvt Ltd on March 11, 2013, April 16, 2013, April 17, 2013, April 22, 2013 and April 25, 2013. Entire funds received in April 2013 from Anil Agarwal (HUF) by Ranisati Dealer Pvt Ltd was transferred to its broker, CSL. Further, Ranisati Dealer Pvt Ltd was observed to be one of the major buyers in the scrip of FFSL when the preferential allottees started selling their shares in the market after the lock-in period.

44. Thus, there were several transactions between Anil Agarwal, Comfort group entities and Ranisati Dealers Pvt. Ltd. before and after the preferential allotment and during the period when preferential allottees had sold shares in the market. These transactions have not been explained properly by the entities. Thus, these transactions can not be said to be for genuine commercial transactions. Ranisati Dealer Pvt Ltd, has also acted as buyer to certain preferential allottees in the scrip of FFSL and had fund transactions with CIL and CFL. In this regard, no credible evidence such as copy of loan agreement, bank account statement etc in support of claim of money lent to Ranisati Dealer Pvt Ltd by CIL and CFL is given. Further, the SCN mentions that contradictory statements were given by CIL regarding any relation and fund transfers with Ranisati Dealer Pvt Ltd.

45. With regard to **Suresh Kumar Khandelia and Manju Khandelia**, it is observed that they have received funds twice from Ranisati Dealers Pvt. Ltd. CIL had transferred Rs 90 Lakh to

Ranisati Dealer Pvt. Ltd. on July 14, 2012 and on the same day, Ranisati Dealer Pvt. Ltd transferred Rs 50 lakh to Suresh Kumar Khandelia and Rs 40 Lakh to Manju Khandelia. It has been submitted by the entities that they have borrowed Rs.50 lakh from Ranisati Dealers Pvt. Ltd. on July 12, 2012 and the loan was repaid in four and a half months time on December 1, 2012. It is observed that no explanation for receipt of Rs.40 lakh has been provided. Further, it is also noted that this is approximately the same amount which was invested by them in the preferential allotment.

46. It has been alleged that Mr. Suresh Khandelia and Ms. Manju Khandelia were shown as promoters and shareholders of CFL in the exchange filings; therefore they are connected with comfort group entities and through them with FFSL. It has been submitted by Suresh Khandelia and Manju Khandelia that their names were included in the category of ‘promoter and promoter group’ of CFL by virtue of their relationship with Anil Agarwal, who is his brother-in-law. It has been also stated that Khandelias invested in the preferential allotment of FFSL in September 2011 on the basis of advice and information received from Anil Agarwal. Therefore, it can be concluded that these entities are connected with comfort group and FFSL. It has been noted earlier that comfort group entities had received large amount of funds from FFSL out of the preferential allotment and transferred back the allotment proceeds to Khandelias through Ranisati Dealers Pvt. Ltd.

47. As far as the fund transactions of Comfort Group with FFSL, Ranisati and the Khandelias are concerned, I note that the fund transfers may have been with ulterior motives. I do not find a requirement for a conduit in between, in the form of Ranisati Dealers Pvt. Ltd. or Kuber Kamna Marbles Pvt. Ltd. for FFSL or CIL or CFL to transfer funds to the Khandelias. Most of the fund transfers remain complex as it is made over to several entities all of which is sought to be explained or covered up by FFSL and certain noticees as loans or investments. The overall series of fund flow, linked to the preferential allotment made to Anil Agarwal HUF, Suresh and Manju Khandelias and the presence of Ranisati Dealers on the buy side of the exit period, undisputedly confirms the fact that the market mechanism has been misused by these entities to their advantage, in two ways – (i) by way of subscription to FFSL’s preferential allotment @ Rs.20 and

exit during price rise and (ii) by camouflaging the real motives of the buyers, who are so connected.

48. Rajendra Kumar Agarwal HUF, Ritesh Agarwal HUF and Shilpa Agarwal: It has been mentioned in the SCN that Rajendra Kumar Agarwal and Ritesh Agarwal, (directors of Adhunik Transport Organisation Pvt Ltd.) along with Shilpa Agarwal received funds to the tune of Rs 15 lakh each from Adhunik Transport Organisation Ltd between March 22, 2012 to March 27, 2012 for making investments in the second preferential allotment of FFSL. The HUFs of the directors of Adhunik (Rajendra Kumar Agarwal and Ritesh Kumar Agarwal) and Shilpa Agarwal were allottees in the preferential allotments made by FFSL and they were allotted 2,25,000 shares of FFSL for an amount of Rs.45 lakh. It has been also mentioned that Adhunik Transport Organisation Ltd had received Rs.25 lakh from CFL on November 05, 2011, which in turn had received funds to the tune of Rs.30 lakh from FFSL out of allotment proceeds on October 03, 2011. Apart from the above, there were various fund transfers of CIL with Adhunik Transport Organisation Ltd during the investigation period. It has been alleged that allotment proceeds to the tune of Rs.25 lakh were indirectly transferred by FFSL to Rajendra Kumar Agarwal HUF, Ritesh Agarwal HUF and Shilpa Agarwal.

49. In this regard, Rajendra Kumar Agarwal, Ritesh Agarwal and Shilpa Agarwal have submitted that they have not subscribed to any other preferential allotment except the preferential allotment of FFSL. They had paid for the preferential allotment from their own account, though money was received from Adhunik Transport Organisation Ltd. It has been submitted that Adhunik Transport is their family owned company and they regularly have fund transactions with Adhunik. With regard to the amount of Rs.25,00,000/- received from CFL by Adhunik on November 5, 2011, it has been submitted that the same was a loan transaction and the money was repaid to CFL in December 8, 2011. A copy of ledger of CFL in the books of Adhunik and TDS certificate for tax deducted on interest have been furnished. It has been submitted that the amount received from CFL was repaid four months before the preferential allotment and they have used their own funds to apply for shares. With regard to the amount of Rs.1 crore received from CIL by Adhunik in various tranches in the month of October 2011, it has been submitted those were loan

transactions and the money was repaid by Adhunik in a span of around three months during December 27, 2011 to January 18, 2018. A copy of ledger of CIL in the books of Adhunik along with certificate for TDS deducted on interest and copy of the bank account statement evidencing receipt and payment has been furnished. This would at best explain repayment of loan by Adhunik to CIL and CFL. It has been observed in the SCN that funds were received by Ranisati Dealer Pvt Ltd from Adhunik Transport Organisation Ltd (companies connected to allottees viz, Rajendra Kumar Agarwal HUF, Ritesh Agarwal HUF, Shilpa Agarwal) on April 25, 2013, May 16, 2013, May 27, 2013, May 30, 2013, June 11, 2013, June 24, 2013, June 26, 2013, June 27, 2013, July 02, 2013, July 05, 2013, July 11, 2013, July 15, 2013, July 18, 2013, July 23, 2013 and July 29, 2013. These funds were further transferred to CSL, the broker for Ranisati Dealer Pvt Ltd. It is observed that Ranisati was one of the clients of CSL and these preferential allottees were having several fund transactions with Ranisati which were transferred to CSL, broker of Ranisati which was one of the major buyers when preferential allottees were selling.

50. With regard to the fund transfer by Adhunik to Ranisati, it has been submitted that the same was on account of repayment of loan which they had taken from Ranisati at appropriate rate of interest in 2012 in tranches starting from May 30, 2012 and ending on June 19, 2012. With regard to this transaction though a copy of print of ledger account of Ranisati Dealer in the books of Adhunik for the period April 1, 2012 to March 31, 2014 has been furnished, loan agreement or other supporting documents were not furnished.

51. On an evaluation of the role played by the Agarwal group members (Rajendra Kumar Agarwal and HUF, Ritesh Agarwal and HUF ad Shilpa Agarwal) and Aadhunik, it appears that though part of the transactions are sought to be explained as loan transactions, the flow of funds from Adhunik to CSL, the broker of Ranisati Dealers stands unaddressed. It is pertinent to note that Ranisati Dealers Pvt. Ltd. was a major buyer in the market when the preferential allottees were exiting. In all, the facts go to show that these entities were also part of the fraudulent scheme of FFSL and Comfort Group entities.

52. **Comfort Securities Ltd.:** It has been observed that a significant portion of the allotment proceeds were transferred through Comfort group entities through multiple layers and rerouting

of funds to ultimately benefit allottees. FFSL, Ritesh Agarwal, Rajendra Agarwal, Shilpa Agarwal and Ranisati Dealers Pvt. Ltd. were clients of CSL. Ranisati Dealers Pvt Ltd. was one of its clients who was the counterparty buyers to the sale of shares by allottees during post lock-in period. It was observed from the trade log in the scrip of FFSL for the investigation period, that CSL was the top broker for both the buy side as well as sell side during the period. The buy value of the trades of CSL as broker was Rs. 37,97,98,806 (13% of the market buy value) and the sell value of the trades of CSL as broker was Rs. 40,98,86,352 (14% of the market sell value). There were a total of 179 brokers on the buy side and 182 brokers on the sell side. Thus it is observed that CSL had a significant contribution to the trades in FFSL as trading member during the investigation period. Further, the occurrence and timing of such transactions, when seen with the findings regarding Comfort group entities being directly or indirectly the recipient of the allotment proceeds and facilitating other allottees / buyers during the IP, cannot be a mere coincidence. Hence, it is observed that CSL played a significant role as a broker to help preferential allottees connected to FFSL and Comfort group entities who traded in the shares of FFSL during the investigation period to off load their shares at hugely profitable price.

Amit H Patel – HUF and other connected entities

53. FFSL had transferred Rs 5 lakh to Tirupati Developers and Rs 40 lakh to Advent Developers Pvt Ltd, out of allotment proceeds on March 20, 2012. Tirupati Developers and Advent Developers Pvt. Ltd. further transferred Rs 5 lakh and Rs 40 lakh respectively to LAN Finance Pvt Ltd on March 21, 2012. LAN Finance Pvt Ltd thereafter transferred Rs 45 lakh to NMC Industries Pvt Ltd on March 22, 2012. It has been mentioned in the SCN that LAN Finance Pvt Ltd has Reena Amit Patel, wife of Amit H Patel, as a director and it also had fund transactions with Amit H Patel. Further, Amit H Patel -HUF was an allottee in FFSL and Amit H Patel is a director in NMC Industries Pvt Ltd. It has been alleged that allotment proceeds to the tune of Rs 45 lakh were indirectly transferred to Amit H Patel (karta of Amit H Patel HUF), FFSL's preferential allottee.

54. **Tirupati Developers and Advent Developers Pvt. Ltd.** have submitted that they had received Rs. 5 lakh and Rs. 40 lakh respectively, from FFSL as unsecured loan for a term of one

year at the rate of interest of 12% p.a. They have not repaid the loan amount though they have been paying the interest on the loan amount. Copy of loan agreement dated March 20, 2012 and TDS certificate for tax deducted on interest paid to the FFSL for financial years 2011-12 to 2016-17 have been furnished. The entities have also furnished audited accounts for the years ended on March 2012. It has also been submitted that they have not carried out any trade in the shares of FFSL. From the documents produced by Tirupati and Advent, I find that connecting them to the market fraud alleged in the SCN would be farfetched.

55. NMC Industries Pvt. Ltd.: It has been mentioned in the SCN that LAN Finance Pvt. Ltd. transferred the amount of Rs. 45 lakh received from Tirupati and Advent to NMC Industries Pvt. Ltd. on March 22, 2012. In this regard it has been submitted by NMC that it was one of the routine business loan availed in the course of its business. It has been also submitted that the loan taken was properly serviced and interest paid thereon on a regular basis.

56. It is noted that NMC is a family owned company of Amit H Patel and his family members. The SCN mentions that NMC Industries Pvt Ltd had received funds to the tune of Rs 1.35 crore from FFSL on December 07, 2011, which was transferred to Amit H Patel (Rs 63 lakh) and his father late Hasmukhbhai Patel (Rs 72 lakh) on December 07 & 08, 2011. An amount of Rs 1.5 crore was invested by Amit H Patel and Hasmukhbhai Patel in the preferential allotment of FFSL. It has been alleged that out of the above 1.5 crores, Amit H Patel - HUF received Rs 1.35 crore indirectly from FFSL for the purpose of investing in latter's preferential allotment. With respect to the allegations, it has been submitted by Amit Patel that on December 5, 2011 Amit H Patel HUF and Hasmukh B Patel HUF requested NMC to transfer amounts totalling to Rs.1.35 to FFSL towards preferential allotment. However, FFSL refused to accept payment for preferential allotment as it was received from third party and refunded the same to NMC on December 7, 2011. To substantiate the refund by FFSL, bank statements of NMC (Union Bank, Darukhana Branch) was produced. Subsequently, the said amount was transferred to Amit H Patel HUF and Hasmukh B Patel HUF. It has been submitted that the finances for the preferential allotment was arranged from their own funds which was received from NMC as it was due to them. In support of their claim Bank Account Statements have been relied upon.

57. With respect to Amit H Patel, it has been also mentioned in the SCN that he had transactions with Syncom Formulations (India) Ltd. With regard to transaction of Rs.10,00,000 between Amit H Patel and Syncom, it has been stated by Syncom as well as Amit H Patel that Rs. 10 lakh was given by Syncom to Amit H Patel on August 18, 2011 as earnest money towards purchase of a shop in Ghansoli, Navi Mumbai in terms of an MoU signed between them. The deal was cancelled by Syncom as the size of the shop was not found to be sufficient. The money was refunded by Amit H Patel on July 12, 2012. Copy of MOU and copy of confirmation of accounts between Amit H Patel have been furnished.

58. From the documents and the submissions, it does not appear that FFSL had funded Amit H Patel and his father for subscribing to the preferential allotment of shares or that he subsequently received allotment proceeds. He has also submitted that he and the entities connected to him do not have any relationship with Comfort Securities Ltd. or FFSL. With regard to the query as to what made him invest in the shares of FFSL, it has been submitted that they invested in the shares of FFSL on the basis of Information Memorandum provided by FFSL, which showed that FFSL were to provide financial services in niche areas and the funds raised was to be utilised for expansion of business of the company to other cities. Further, income from operations and total income of the company had increased many fold for the year ended March 31, 2011 vis-à-vis year ended on March 31, 2010. I do not find that sufficient material has been brought out by the investigation to establish connection of the Amit H Patel group, which includes, Amit H Patel and AHP HUF and NMC Industries Pvt. Ltd. and are accordingly dealt with in the directions.

59. In this connection it is also noted that LAN is an NBFC, which is into lending business. With regard to receipt of Rs.45 lakh by LAN Finance Pvt. Ltd. from Tirupati Developers and Advent Developers Pvt. Ltd (Rs.5 lakh from Tirupati and Rs.40 lakh from Advent) on March 21, 2012, it has been submitted that these were loan transactions made much before the preferential allotment. With regard to receipt of Rs. 5 lakh from Tirupati Developers on March 21, 2012, it has been submitted that the same was refund of the amount of Rs. 5 lakh lent to Tirupati on July 11, 2011. It has been also submitted that an interest of Rs.41,753/- accrued on the said loan and TDS of Rs.4,175/- was deducted and paid by Tirupati Developers. Similarly, with respect to Rs. 40 lakh received by LAN on March 21, 2012 from Advent it has been stated that the same was

refund of the loan advanced to Advent on July 13, 2011. It has been also submitted that an interest of Rs.3,31,397/- accrued on the said amount and TDS of Rs.33,140/ was deducted and paid by Advent. It has been also submitted that the transaction took place much before the appointment of Mrs. Reena Patel, wife of Amit Patel, as director of LAN on April 17, 2012. It is observed that the transactions took place in the course of business of NBFC activity and the TDS certificates on interest levied on the borrower along with ledger copies and bank statements have been produced. I find that there is no scope to link LAN to the scheme allegedly perpetuated through FFSL preferential allotment done in 2011 and 2012. I also find that Tirupathi Developers and Advent Developers have not had any role in the alleged market fraud.

60. **Syncom Formulations (India) Ltd.** was also one of the preferential allottees of FFSL. It was allotted 1,00,000 shares for Rs.20,00,000/-. It has been alleged in the SCN that Syncom had fund transactions with entities connected to FFSL, which employed fraudulent and manipulative scheme to provide hugely profitable exit to the preferential allottees.

61. Syncom has submitted that the fund transactions were carried by them in the ordinary course of business and that they were not aware about the manipulative intent of FFSL and entities allegedly connected with them. With respect to the amount of Rs.175 lakh transferred to Ranisati Dealers on May 10, 2011, May 13, 2011 and May 16, 2011 by Syncom, it has been stated that they were interest free loans given to Ranisati on the personal guarantee of director of Ranisati, Mr. Brijesh Sharma. The loan amount has been refunded by Ranisati during February 2014 to June 2014. In this regard, it is noted that no loan agreement for the transaction has been furnished by Syncom and it transferred Rs.1.75 Crore to Ranisati without any collateral and documentations. It has been observed earlier that Ranisati Dealer Pvt Ltd had several fund transfers with Comfort Group entities which is connected to FFSL.

62. Syncom also had fund transactions with **Gokul Securities Ltd.** It has been stated by Syncom that the fund transaction during June 5, 2012 to March 31, 2015 were in the nature of loans advanced to them and repayment of some of the loan by them. In total, an amount of Rs. 85,00,000/- was lent and received back. It is noted that no document evidencing loan has been furnished. Further, Gokul Securities was also a preferential allottee of the shares of FFSL and

the directors of Gokul Securities Ltd., namely, Nitin T Katwa and Ravi T Katwa were observed to be having fund transactions with Ranisati Dealer Pvt. Ltd. Gokul Securities has not denied this. It is observed that Syncom and Gokul Securities had fund transactions with Ranisati Dealers Pvt. Ltd. who was one of the entities buying the shares when preferential allottees were exiting from the company. Syncom has failed to explain fund transactions done with Ranisati and Gokul Securities Ltd. The very fact that it advanced huge amounts of Rs.1.75 crore and Rs. 85 lakh to these entities without any document along with the fact that Ranisati, Gokul and Syncom traded in the shares of FFSL, shows that these entities are connected in the scheme through Ranisati and FFSL. Thus I hold Syncom and Gokul Securities liable for the violations alleged in the SCN.

63. Bina H Mehta and Padma Impex Pvt. Ltd.: FFSL transferred a significant part of the allotment proceeds i.e, Rs 2.42 crore to Bina Hemanshu Mehta on various dates in September 2011. Bina Mehta is also connected to Padma Impex Ltd. In her reply, she stated that she had a running loan account with FFSL and no formal loan agreement was executed between her and FFSL as the loan was for short term and repayable on demand. The loan amount was received by her in her personal capacity and the amount was repaid by her to the company. It has been also submitted that the full loan amount of Rs.2.42 crore and other own and borrowed funds were used by her for investing in the preferential issue of Odyssey Corporation Ltd. In this regard copy of bank statement has been relied upon.

64. It is observed that no loan agreement was executed and as observed from the bank statement, the amount was paid back after a long time. Further, though it has been stated that the money was utilized for purchasing shares of Odyssey Corporation Ltd., no evidence has been submitted to show that the shares were actually allotted. Further, bank statement shows that a sum of Rs.30,48,550/- was received back from Odyssey on October 5, 2011. Therefore, it cannot be said that the transactions between FFSL and Bina Hemanshu Mehta were for genuine commercial purpose and money was utilized by her for her own purposes. It is also noted that Bina Hemanshu Mehta was a director in Padma Impex Pvt. Ltd. until November 2012 and was also one of the three shareholders of Padma Impex Pvt. Ltd. (the others being Ranisati Dealer Pvt Ltd and one Rakesh Bansal). FFSL had also transferred funds to Padma Impex Pvt. Ltd. Padma Impex has stated that the money was received by Bina H Mehta in her personal capacity. However, it is

noted that Padma Impex Pvt. Ltd. and Ranisati Dealers Private Limited who are connected with Bina H Mehta and Comfort group entities were amongst top buyers in the shares of FFSL when the preferential allottees started selling after the lock-in period. Bina H Mehta had a connection with FFSL is evident from the huge fund transactions between them. Also the fact that Padma was one of the top buyers of the FFSL shares from the market when preferential allottees were selling and she was a connected to Padma Impex shows her connection to the scheme. Thus, I find Bina H Mehta and Padma Impex to have violated the provisions of SEBI (PFUTP) Regulations, as alleged in the SCN.

65. Global Infratech and Finance Ltd.: FFSL transferred Rs 19 lakh out of the allotment proceeds to Asianlak Capital & Finance Ltd (now known as Global Infratech & Finance Ltd), which is one of the top buyers when preferential allottees were exiting. Global Infra has submitted that the transaction was a loan transaction. No supporting documents have been furnished. It is observed that S Krishna Rao, director of FFSL, was also a director of Global Infratech & Finance Ltd from 2011- 2014. Thus, the entity is connected to FFSL and it was amongst the top buyers when preferential allottees were exiting. Thus, it had received preferential allotment proceeds and helped in providing profitable exit to preferential allottees. Further, FFSL stated that it had given a loan of Rs.19 lakh to Global Infratech and Finance Ltd. Global Infratech itself being an NBFC carrying on the business of loans and advances, availing loan from FFSL also raises doubt. It is noted that proper explanations are not forthcoming from Global Infratech with respect to the fund transfer and the association of Krishna Rao in both the companies, shows the role that has been played by Global Infra in respect of the fund transfers.

66. Bharatbhai Nathbhai Buha and Ashokbhai Nathbhai Buha are preferential allottees of the shares of FFSL. They sold shares subsequent to the lock-in period and made huge gains. It has been mentioned in the SCN that Bharatbhai N Buha was director of Rutron International Ltd. which had fund transactions with Padma Impex Pvt. Ltd. It has been submitted by the entities that Bharatbhai N Buha was an independent director of Rutron International Ltd. during the period October 10, 2011 to February 7, 2013. Both of them have denied any nexus with FFSL. From the trade logs, it is seen that the Buhas were connected to one of the top buyers, Padma and was trading as preferential allottee and hence are part of the scheme.

67. **NK Agarwal & Sons:** NK Agarwal & Sons is a HUF and Nirmal Kumar Agarwal is the Karta. NK Agarwal & Sons was one of the preferential allottees of shares of FFSL and later exited at very high price. It has been observed in the SCN that Nirmal Kumar Agarwal had fund transfers with Rutron International Ltd., which is an entity in which Bharatbhai N Buha was a director and LAN Finance Pvt Ltd. It has been submitted by NK Agarwal that the fund transaction with LAN Finance Pvt Ltd. and Rutron International Ltd. were loans obtained from them. These loans have been repaid with interest. Statements confirming the accounts with LAN and Rutron has been submitted. Based on the circumstances, I find that there is no scope for any adverse findings against NK Agarwal & Sons.

68. **Giriraj Manihar and HUF, Santosh Manihar and Anshul Jain:** These persons are allottees in the preferential allotment of FFSL. Giriraj Manihar and Santosh Manihar are related to each other and Santosh Manihar had fund transactions with Prefer Abasan Pvt. Ltd. Anshul Jain's father Mukesh Jain had fund transactions with Santosh Manihar and Giriraj Manihar. With regard to fund transaction between Mukesh Jain on one side and Giriraj Prasad Manihar and Santosh Manihar on the other, it has been stated that the transactions were loans in which Manihars had lent Rs.1,00,00,000/- to Mukesh Jain in November 2013. The loan amount and interest was paid back by Mukesh Jain in full by March 19, 2014. TDS on accrued interest was also paid. It has been also submitted that the loan was given long after the preferential allotment and he was not aware that Mukesh Jain had also invested in the shares of FFSL. Anshul Jain has also stated that these loans were facilitated through a broker, M/s. Maheshwari Associates and they have also paid brokerage on the loan amount. They did not know Manihars before the loan transactions and they do not have any direct or indirect connection with FFSL or any of its directors. The investigation report does not make out any strong case against these entities. It is a fact that they are allottees to shares in preferential issue of FFSL who sold shares and made profits after the lock-in period. However, in the absence of any other connection with FFSL or with any other entity that has participated in the alleged fraud, I do not find it necessary to proceed against these four entities.

69. **Suresh Kumar Kalani:** He was one of the preferential allottees and he had received funds from BLC Trading and Agency Pvt. Ltd. The SCN mentions that BLC had fund transactions with

Ranisati Dealer Pvt Ltd., which in turn had fund transactions with Comfort Fincap Ltd., Comfort Intech Limited, Padma Impex Pvt Ltd., Syncom Formulations (I) Ltd which were connected with FFSL. Suresh Kalani has submitted that the receipt of funds from BLC Trading and Agencies Ltd. was on account of sale of shares of Facts Enterprises Ltd. An amount of Rs.20,00,000/- was transferred on April 1, 2012 and Rs.4,00,000/- on June 30, 2012. It has been also stated that he invested in the preferential allotment of FFSL after coming to know about the preferential allotment from his brother and by studying the information memorandum provided by FFSL. The proof evidencing the fund transfer shows that the transfer of funds are genuine and there was no involvement of Suresh Kalani in the alleged fraud.

Singal Group

70. Brij Bhushan Singal, Neeraj Singal, Uma Singal, Marsh Steel Trading Ltd. and Vision Steel Trading Ltd.: The SCN mentions that Brij Bhushan Singal, Neeraj Singal and Uma Singal were preferential allottees. FFSL transferred Rs 1 crore and Rs. 50 lakh to Marsh Steel Trading Ltd and Vision Steel Ltd respectively by way of investments in these companies on September 19, 2011. One entity named Aarti Singal, a relative of Brij Bhushan Singal, Neeraj Singal, Uma Singal and Ritu Singal (hereinafter referred to as 'the Singals') was a director in Marsh Steel Trading Ltd and Vision Steel Ltd during the relevant period. It has been mentioned in the SCN that as per the disclosures made on BSE, Aarti Singal was a promoter in Bhushan Steel Ltd till quarter ending September 30, 2011 along with Sanjay Singal, Brij Bhushan Singal, Neeraj Singal, Uma Singal and Ritu Singal. Therefore, it was alleged that these entities are connected among themselves and the aforesaid transfer of Rs 1.50 crore out of the allotment proceeds towards investments in Marsh Steel Trading Ltd. and Vision Steel Ltd resulted in an indirect transfer of allotment proceeds to the Singal group allottees.

71. Marsh Steel Trading Ltd. and Vision Steel Trading Ltd. have submitted that the amount of Rs.100 lakh received by Marsh Steel Trading Ltd. from FFSL on September 16, 2011 and December 14, 2011 was towards capital contribution in the company. The company had allotted 40,000 equity shares to FFSL on December 31, 2011 and requisite filings with regard to the allotment was also made with the Registrar of Companies. Similarly, with respect to the amount

of Rs.50 lakh received by Vision Steel Limited from FFSL on September 16, 2011, it has been submitted that the amount was towards capital contribution in the company and the company allotted 20,000 equity shares on December 13, 2011 to FFSL. Requisite filings in this regard were made with RoC. It has been also stated that funds received by them were invested in Bhushan Power and Steel Ltd.

72. Brij Bhushan Singal, Neeraj Singal, Uma Singal have submitted that there was a festering family dispute between Brij Bhushan Singal and Niraj Singal (younger son) on the one side and Sanjay Singal (elder son) and his family members on the other side. In this connection litigations before various courts were filed in the years 2006 and 2007. These disputes were finally settled by way of a compromise in November 14, 2011 and terms of settlement were fully implemented by February 2012. Appropriate disclosures in this regard were also made to the exchanges at that time. Post settlement, the complaints and litigations filed before various forums were withdrawn. It has been also stated that owing to the family dispute, Brij Bhushan Singal, Uma Singal, Niraj Singal and Ritu Singal had no role to play in the affairs of Marsh Steel Trading Ltd. and Vision Steel Ltd. in which Aarti Singal (wife of Sanjay Singal) was a director. It has been submitted that since material disputes existed during the relevant period, it can not be alleged that the funds received from FFSL by Marsh Steel Trading Limited and Vision Steel Limited, which are controlled by Mr. Sanjay Singal and his family members, came to Brij Bhushan Singal group.

73. With regard to the fund transaction between Neeraj Singal and Pine Animation Ltd., it has been submitted that Rs.80,00,000/- was paid as consideration amount for allotment of 8,00,000 preference shares on December 12, 2012 and Rs.40,00,000/- towards subscription of 4,00,000 preference shares on March 15, 2013. With regard to the query as to why they purchased the shares of FFSL, it has been stated that they relied on the information and feedback received from various professionals, friends and other persons who are actively involved and having adequate knowledge of the securities market.

74. I find that during the course of proceedings, Marsh and Vision were represented jointly and Brij Bhushan Singal, Uma Singal and Neeraj Singal were jointly represented, as part of two factions of the family. It is seen from the SCN that these entities have been implicated because

of receipt of funds by Marsh and Vision from FFSL and Aarti Singal's association as a director in Bhushan Power and Steel Ltd. which transferred Rs.6.50 crore to in March 2012 to Ranisati Dealers, which was a major buyer or exit provider to the preferential allottees. The preferential allottees have adequately explained as to how they are unconnected to Ranisati and how there was a settlement family-wise with respect to Bhushan Power & Steel Ltd. Likewise, with respect to Marsh and Vision, it has been brought out that the fund transfer by FFSL was equity investment and not otherwise. In view of this, I find that that none of these entities can be proceeded against, namely, Brij Bhusan Singal, Uma Singal, Neeraj Singal, Marsh Steel Ltd. and Vision Steel Ltd.

Atal Group

75. Mukesh Atal and HUF, Balakrishnan Atal - HUF, Rajni Atal, Karuna Atal and Rajesh Atal were allotted shares in the preferential allotment of FFSL. It has been mentioned in the SCN that there was fund transaction between Mukesh Atal and Minimum Shares and Securities Pvt. Ltd. In this regard, the Atal group entities have replied that in and around August 2012, Mukesh Atal and his wife Ms. Karuna Atal finalised a deal to purchase a plot of land in Gurgaon for which they needed funds urgently. Mukesh Atal took loan from Minimum and transferred the same to his wife's account, which was then utilised to make payment for the purchase of plot of land. Copy of sale deed dated September 10, 2012 and bank account statement showing transactions have been furnished. It has been submitted that the Rs. 25 lakh received from Minimum was used to buy property and it was not used to buy any share of FFSL. The funds received from Minimum were returned to them in due course. It has been also submitted that no allegation has been levelled against Minimum that it had received funds from FFSL nor there is any evidence to show that they are connected with FFSL. It is observed that the fund transaction between Mukesh Atal and Minimum Shares and Securities Pvt. Ltd. does not appear to be connected with the preferential allotment and there is no other fund transaction or evidence to show any connection of Atal group entities or Minimum with FFSL or other entities connected with FFSL. I am of the view that the investigations do not indicate any connection between the Atal group entities and FFSL or the exit providers or the conduits, except that they are part of the preferential allottees. This by itself, is not sufficient to pass any direction against the Atal group members named above, for a fraudulent market manipulation as alleged.

Summary of Findings

76. It has been observed earlier that FFSL had no intention to utilise the funds raised through the allotments as per the disclosed objects at the time of allotment and the preferential allotment was used as a device to route a significant portion of allotment money to certain allottees/entities that were connected to the company. These observations coupled with the findings regarding price manipulation by certain FFSL connected entities in the initial phases, (especially Patch I and II) go to establish that the preferential allotment exercise of FFSL was merely a façade to benefit some of its connected allottees, by the sale of their shares post the lock-in period. Further, as brought out elsewhere in this order, the fund transfers effected by FFSL post the allotment and the onward transfers made by connected entities thereto and the participation of the connected entities on the buy side during the exit period without any satisfactory explanation or documentation exposes the fraudulent scheme of the company and its connected entities. The allotment proceeds were transferred by FFSL, either to the entities under the control of allottees or to certain entities which through multiple layers transferred the same to the allottees.

77. Thus, it can be seen that FFSL, its directors along with the Comfort group and certain other Noticees basically orchestrated a fraudulent scheme involving preferential allotment route, which ultimately benefitted a few allottees and was never retained for utilization as per the stated objects of the issue. It has been observed that Mr. Nirmal Singh Mertia, Mr S. Krishna Rao and Mr P. Natarajan were the Whole Time Directors of the company during the relevant period. Annual Reports of FFSL for the years 2011-12, 2012-13 and 2013-14 mentioned that the the Directors of the company were mainly taking care of the operations of the company. Thus, as the company was acting mainly through its directors, these directors were responsible for the conduct of business of FFSL. P Natarajan has contended that he was made a non-executive director and after July 6, 2011 he did not attend any of the Board Meeting of FFSL. In this regard, it is observed that P Natarajan ceased to be a Managing Director of FFSL with effect from June 05, 2010 and continued to be a director of the company till April 2013. Further, as per the Annual Reports of FFSL, P Natarajan had attended all the Board meetings of FFSL during financial years 2010-2013.

Thus I find that FFSL and its directors, Noticees 1 to 4 of the SCN are all liable for such actions perpetrated using the securities market route.

78. The preferential allottees have contended that they had invested in the scrip of FFSL from their own funds as genuine investors considering the preferential allotment a good investment opportunity. They have also contended that they are not connected/ related to the company or its promoters or directors or with any other entity mentioned in the interim order. Further, they are not connected/ related to the entities that are alleged to have indulged in the price manipulation or with the counterparty buyers. In view of this, they have submitted that they cannot be said to be involved in fraudulent scheme floated by the company. However, they failed to give any plausible explanation or cogent reason as to how the company could make allotment to them if they were not known to it or its promoters/directors. In this regard, it is pertinent to note that a large quantity of shares were allotted by FFSL in a preferential allotment which signifies that the allottees agreed with the company on a one-to-one basis to fulfil its fund requirements. The shares of FFSL were suspended from trading for a long time and the company was hardly having any credential in the market at the time of the preferential allotments. However, even in such circumstances, FFSL was able to raise capital by selling its shares at a premium. This strongly indicates some prior understanding or involvement on the side of the preferential allottees with FFSL, its directors and others involved to perpetrate the dubious scheme.

79. In view of the above, I find that the preferential allottees, namely Anil Agarwal-HUF, Anil Agarwal, Gokul Securities Pvt Ltd., Syncom Formulations Ltd., Rajendra Kumar Agarwal- HUF, Rajendra Kumar Agarwal, Ritesh Agarwal- HUF, Ritesh Agarwal, Shilpa Agarwal, Suresh Kumar Khandelia, Manju Khandelia, Bharatbhai Nathbhai Buha and Ashokbhai Nathbhai Buha were involved in the fraudulent and manipulative scheme floated by FFSL, its directors (namely, Mr. Nirmal Singh Mertia, Mr S. Krishna Rao, Mr P. Natrajan). In this scheme, Ranisati Dealers Pvt. Ltd., Padma Impex Pvt. Ltd., Global Infratech & Finance Ltd., Comfort Fincap, Comfort Intech Ltd., Comfort Securities Ltd., Kuber Kamna Marbles Pvt. Ltd., Adhunik Transport Organisation Ltd. and Bina H Mehta have facilitated FFSL and connected entities in the fraudulent activity by helping them in fund transfers and enabling them to sell the shares of FFSL in the market. Without BPJ/ BPJ HUF and Lata Nahar, who marked the scrip price continuously by placing

orders for small quantities at higher LTP over a period of time and succeeded in jacking up the price artificially, the conceived mission would not have been possible.

80. Accordingly, I find that the Noticees mentioned above have violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2), (a) and (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and Section 12A(a), (b) and (c) of SEBI Act, 1992.

Price fall in the scrip of FFSL - Patch 3 (24/07/13 to 12/12/13) & Patch 4 (13/12/13 to 31/03/14)

81. It has been alleged in the SCN that during Patch 3 and Patch 4, the price of the FFSL scrip has been depressed by certain Noticees connected to FFSL by placing sell orders at a price lesser than the Last Traded Price of the scrip. During patch 3 (July 24, 2013 to December 12, 2013) the price of the scrip fell by 39.59%. It has been alleged that 15 Noticees (Noticee Nos. 7, 9, 10, 11, 13, 14, 16, 18, 24, 25, 27, 38, 63, 68 and 76) were connected with the company and they acted in collusion and depressed the price of the scrip by placing sell orders at price less than the Last Traded Price (LTP). It has been alleged that these entities jointly contributed to Rs.-230.90 decrease in LTP in 699 trades for 90,417 shares. The counterparty to 645 trades (out of 699) for 48,835 shares were connected group entities (Noticee Nos. 39, 40, 54, 58, 59, 60, 61, 67, 68, 75). Comfort Securities Ltd. (CSL), which is a connected group entity, had acted as the stock broker for 3 entities on buy side and 7 entities on sell side and the trades of these clients of CSL contributed to 19.87% of the market negative LTP. The details of the trading of these 25 Noticees (15 Noticees as sellers and 10 Noticees as buyers) are as follows:

Contribution of sellers in depressing the price of scrip during patch 3

Sl. No.	Seller Name	Net LTP			Positive LTP			Negative LTP			Zero LTP		% of Negative LTP to Total Market Nega
		LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	

													five LTP
1.	Gokul Securities Private Limited	-41.35	250000	732	13.6	16945	25	-54.95	25221	135	207834	572	9.75
2.	Amit H Patel Huf	-23.85	72500	653	25.45	3347	29	-49.3	9427	59	59726	565	8.74
3.	Anil Agrawal Huf	-5.95	83846	882	61.75	10586	171	-67.7	13434	183	59826	528	12.01
4.	Pride Distillery Private Ltd	-5.05	16923	153	2.15	421	5	-7.2	974	16	15528	132	1.28
5.	Bharatbhai Nathabhai Buha	-3.25	39000	397	8.8	3888	48	-12.05	4745	90	30367	259	2.14
6.	Ashokbhai Nathabhai Buha	-3.15	40000	366	3.9	1281	28	-7.05	3905	39	34814	299	1.25
7.	Shilpa Agarwal	-2.75	49500	246	6.15	1952	14	-8.9	7474	71	40074	161	1.58
8.	Syncom Formulations (India) Limited	-2.6	100000	364	7.5	2841	13	-10.1	6626	12	90533	339	1.79
9.	Suresh Kumar Kalani	-2.25	36700	171	0	0	0	-2.25	3310	5	33390	166	0.40
10.	Ritesh Agarwal Huf	-2.2	75000	304	5.45	5715	11	-7.65	8001	76	61284	217	1.36
11.	Kripa Securities Pvt. Ltd.	-0.85	141029	115	0.7	7001	3	-1.55	3300	3	130728	109	0.27
12.	Rajendrakumar Agarwal Huf	-0.75	45500	211	0	0	0	-0.75	500	5	45000	206	0.13
13.	B P Jhunjhunwala & Others Huf	-0.1	31317	64	0.5	2000	2	-0.6	1250	2	28067	60	0.11
14.	Surbhika Vyapaar Private Limited	-0.1	10000	10	0	0	0	-0.1	1000	1	9000	9	0.02
15.	Anshul Jain	-0.1	50000	156	0.65	1150	3	-0.75	1250	2	47600	151	0.13
Sub Total		-94.3	1041315	4824	136.6	57127	352	-230.9	90417	699	893771	3773	40.95

Counterparty buyers to connected entities during patch 3

S. No.	Buyer Name	LTP Difference	Trade Quantity	No. of trades
1	Padma Impex Private Limited	-8.85	5128	25
2	Jaihanuman Multi Agencies Private Limited	-10.35	5766	25
3	Amrit Sales Promotion Pvt Limited	-0.6	600	2
4	Hs Tradecom Private Limited	-1.25	350	6
5	Jayne Tradecom Private Limited	-137.1	30968	555
6	Pride Distillery Private Ltd	-0.75	203	10
7	Nityadhara Plaza Private Limited	-1.6	2885	3
8	Ranisati Dealer Private Limited	-0.5	100	1
9	Dhanlakshmi Brokers Private Limited	-3.2	1135	17
10	Stardox Vinimoy Private Limited	-0.5	1700	1
	Grand Total	-164.7	48835	645

82. The noticees have denied that they are connected to FFSL or other connected entities and have submitted that their contribution to negative LTP is very miniscule and they had no intention to depress the price of the scrip as most of their trades were above LTP or had no impact on LTP.

83. It is noted from the tables above that most of the sellers were preferential allottees of FFSL except for BP Jhunjhunwala, Pride Distillery Ltd., Kripa Securities Ltd. and Surbhika Vyapaar Pvt. Ltd. The preferential allottees involved in the fraudulent scheme and BP Jhunjhunwala – HUF were selling shares of FFSL in large quantity. It is noted from the table above that around 84% of the shares sold by these preferential allottees were sold at zero LTP. Therefore, it does not appear that they have been instrumental in depressing the price of the scrip during the patch. Further, with respect to preferential allottees - Amit H Patel-HUF, Suresh Kumar Kalani and Anshul Jain, it has been already observed that their connection with FFSL is too farfetched to say that they were involved in the manipulation.

84. Kripa Securities Ltd. has submitted that they have used their own fund to trade in the shares of FFSL and that they are not connected with FFSL. It has been also submitted that most of their trades were at zero LTP. It is noted that the negative LTP impact of the trades of Kripa to total market LTP in patch 3 is 0.27% and in patch 4 it is 1.47% and their connection with FFSL, as mentioned in the SCN is too remote. The contribution to negative LTP of Surbhika Vyapaar Pvt. Ltd. to total market negative LTP is 0.02%. With regard to Pride Distillery, it is observed that its connection with FFSL is not established. With respect to counterparty buyers in this patch, it is noted that, except for Padma Impex and Ranisati Dealers, the connection of all other noticees who traded in Patch 3 does not appear established.

85. It has been alleged that during patch 4 (December 13, 2013 to March 31, 2014), the price of the scrip decreased by 54.83%. It has been alleged that 15 entities connected with the company (Noticee No. 11, 40, 44, 55, 56, 57, 62, 63, 64, 65, 68, 69, 71, 73 and 74) contributed to price fall by placing orders below LTP in 248 trades for 5,29,682 shares. Further, the counterparty to most of these trades (148 trades for 3,01,641 shares) were other connected group entities (Noticee No. 40, 62, 63, 66, 67, 68, 70 and 72). Further, Comfort Securities Ltd. had acted as stock broker for

5 entities on buy side and 2 entities on sell side whose trades contributed to 11.38% of the market negative LTP. The details of the trading of these 23 Noticees (15 Noticees as sellers and 8 Noticees as buyers) are as follows:

Contribution of sellers connected to FFSL in depressing the price patch 4

S • N o •	Seller Name	Net LTP			Positive LTP			Negative LTP			Zero LTP		% of Negati ve LTP to Total Marke t Negati ve LTP
		LTP impa ct	QTY traded	No of trades	LTP impa ct	QTY traded	No of trad es	LTP impa ct	QTY traded	No of trade s	QTY traded	No of trad es	
1.	Padma Impex Private Limited	-6.22	96720	488	6.73	5655	42	-12.95	11762	86	79303	360	16.85
2.	Amit H Patel Huf	-4.67	2000000	1060	4.57	49640	39	-9.24	115642	86	1834718	935	12.02
3.	Pride Distillery Private Ltd	-1.75	413784	653	2.39	11625	20	-4.14	14855	35	387304	598	5.39
4.	Comfort Securities Pvt.Ltd.	-0.9	311000	83	0	0	0	-0.9	855	14	310145	69	1.17
5.	Kripa Securities Pvt. Ltd.	-0.63	646641	141	0.5	26213	6	-1.13	12229	11	608199	124	1.47
6.	Raina Vyapaar Private Ltd	-0.15	941800	38	0	0	0	-0.15	70500	3	871300	35	0.20
7.	Bazigar Trading Private Limited	-0.14	580000	35	0.01	42484	1	-0.15	1525	2	535991	32	0.20
8.	Bsr Finance And Construction Ltd	-0.14	455000	81	0.01	4000	1	-0.15	64	4	450936	76	0.20
9.	Cellour Marketing Pvt Ltd	-0.1	400000	34	0	0	0	-0.1	50	1	399950	33	0.13
10.	Ritesh Commercial Holdings Limited	-0.1	281000	29	0	0	0	-0.1	47000	1	234000	28	0.13
11.	Sanchay Tradecomm Private Limited	-0.1	102500	6	0	0	0	-0.1	200	1	102300	5	0.13
12.	Life Line Marketing Pvt Ltd.	-0.05	455000	6	0	0	0	-0.05	150000	1	305000	5	0.07
13.	R C Suppliers Private Limited	-0.04	340000	14	0.01	3400	1	-0.05	50000	1	286600	12	0.07
14.	Nandan Kanan Iron And Steel Private Limited	-0.03	300000	9	0	0	0	-0.03	50000	1	250000	8	0.04
15.	Kirit Vasudeo Dave	-0.01	5000	1	0	0	0	-0.01	5000	1	0	0	0.01
Sub total (1:15)		-											
		15.03	7328445	2678	14.22	143017	110	-29.25	529682	248	6655746	2320	38.05

Counterparty buyers to connected entities during patch 4

Sl. No.	Buyer PAN	Buyer Name	LTP Difference	Trade Quantity	No. of trades
1	AACCM6582E	Pride Distillery Private Ltd	-11.31	10100	117
2	AAACL4269P	Padma Impex Private Limited	-1.35	2644	11
3	AAKCA4137B	Astabhuja Construction Private Limited	-0.65	9539	9
4	AACCN9567A	Navdurga Investment Consultants Private Limited	-0.3	11532	5
5	AACCK2399D	Kripa Securities Pvt. Ltd.	-0.18	67001	3
6	AHKPD0543J	Kirit Vasudeo Dave	-0.1	825	1
7	AADCN9427C	Nityadhara Plaza Private Limited	-0.05	50000	1

8	AABCR2457G	Rajani Investment Private Limited	-0.05	150000	1
	Grand Total		-13.99	301641	148

86. In this regard, it is observed that during Patch 4, the price of the scrip opened at Rs.17.60, reached a low of Rs.7.10 and closed at Rs.7.95 i.e., a decrease of Rs 9.65 (54.83%) in the price of the scrip. The noticees have submitted that their contribution to negative LTP is very miniscule and they had no intention to depress the price of the as most of their trades were above LTP or had no impact on LTP. Bazigar Trading Pvt. Ltd., BSR Finance & Construction Pvt. Ltd., Cellour Marketing Pvt Ltd., Life Line Marketing Pvt. Ltd., RC Suppliers Pvt. Ltd. and Raina Vyapaar Pvt. Ltd. have submitted that they are not connected with FFSL or any other entity connected to FFSL.

87. It is observed that except for Padma Impex, Amit H Patel-HUF, Pride Distellary Pvt. Ltd. Comfort Securities Ltd. and Kripa Securities Ltd., the negative LTP impact of the trades of other Noticees to total market LTP in patch 4 is ranging from 0.01% to 0.20%. Further, as already observed, the connection of Amit H Patel-HUF, Pride Distellary Pvt. Ltd. . and Kripa Securities Ltd. with FFSL is not made out. It is also noted that there is no allegation in the SCN that the trades were synchronised or that there were similar motives. Therefore, I do not find them to be involved in depressing the price of the scrip.

88. With respect to Padma Impex Pvt. Ltd. and Comfort Securities Pvt Ltd., it has been observed at several places in this order that these entities are connected to FFSL and other group entities. Padma entered into 488 sell trades during this patch. Out of 488 trades, 86 trades impacted the price of the scrip of FFSL negatively. The negative LTP impact of these trades was Rs.-12.95. The negative LTP impact of the trades of Padma to total market LTP in patch 4 is 16.85%. Comfort Securities Ltd. entered into 83 trades in this patch in its proprietary account. It has been submitted by it that these trades were the result of the single order and had miniscule negative LTP impact of 0.90 paise. It is observed that out of 83 trades executed from a single order 14 trades had negatively impacted the LTP. The negative LTP impact of the trades of CSL to total market LTP in patch 4 is 1.17%. As Padma Impex Pvt. Ltd. and CSL are connected with FFSL and depressed the price of the scrip during patch 4, I find them to have violated the provisions of regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2), (a) and (e) of Securities and Exchange

Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

CONCLUSION

89. As regards FFSL, the sequence of events is that one of its directors, Natarajan, Noticee No. 4 entered into an MoU on 27th May, 2010 with BP Jhunjunwala, Noticee No.6 (who consciously manipulated the scrip price later, i.e. during 15 May, 2012 to 8th February 2013), to acquire 58.08 percent of paid-up share capital of FFSL. It has been brought out in the investigation that FFSL got its trading suspension on BSE (that was operating for a period between June, 2000 to July, 2011) revoked on 8th July, 2011. It traded for just two days on July 8, 2011 and November 16, 2011. In the meanwhile, the company made two tranches of preferential issue – one in December 2011 and the other in April, 2012. Soon after the expiry of the lock-in period, the preferential allottees started trading and exiting taking advantage of the huge price rise that was prevailing then and made gains. The investigation was done at the behest of letters received from Director General of Income Tax (Inv.), as the background of this order states.

90. In the ultimate analysis, I am driven to the conclusion that such fraudulent schemes are conceived and executed by a set of core entities which are connected and which are bound by the common objective of making wrongful gains by manipulating the market and undermining its integrity. In this process, certain entities are lured into the artifice with the promise of quick returns but their roles do not extend to price manipulation or facilitating such manipulations by means of fund transfers or any other activity of abetment. The whole scenario covering various entities with different motives makes it imperative for the regulator to step in and secure the market place by weeding out those entities which have misused the securities market and meting out deterrent penalties on such entities.

91. The limitations in an investigation of this magnitude was realized and the SEBI Board had decided in December 2016 to restrict its scope of actions to those entities that are connected to the company involved in the price manipulation, i.e. LTP contributors and the company and its directors if connection or relationship is established with the market manipulation. Keeping this background in mind, on a review of the entire proceedings beginning from the SCN, the replies and submissions of the entities and the stage at which the entities stand today, I am inclined to continue with the debarment and restraint orders against certain entities, including the company and its noticee directors, and certain other entities who are observed to be liable in the relevant parts of this order, based on their connection with the company; or market manipulation; or their role as conduits in fund transfer to the market manipulators. Accordingly, I am inclined to pass orders against various noticees as shown under the head 'Directions'.

Directions

92. In view of the above, I, in exercise of the powers conferred upon me under section 19, read with sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain the Noticees listed hereunder, from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of three years, from the date of this order. Some of the Noticees listed below, are already undergoing such directions, subject to reliefs granted to them while confirming those directions against them on earlier occasions, and they shall continue to be restrained or prohibited from accessing the market or trading, as the case may be, for a further period of three years from today and continue to enjoy the benefit of such reliefs as granted by the Board earlier.

Sl. No.	Name of the entity	PAN
1	First Financial Services Ltd.	AAACF1145J
2	Nirmal Singh Mertia	AKHPM8437G
3	S Krishna Rao	AGWPR3410R

4	Ponuswammy Natarajan	AAAPN9499G
5	Prem Lata Nahar	AFAPN8764M
6	B P Jhunjhunwala	ACVPJ5021H
7	B P Jhunjhunwala & others HUF	AACHB0680D
8	Anil Agrawal - HUF	AACHA9591E
9	Anil Agarwal (Karta)	ACTPA6034D
10	Gokul Securities Private Ltd.	AADCG7372B
11	Syncom Formulations (India) Ltd.	AAFCS6794R
12	Rajendrakumar Agarwal - HUF	AAEHR7685G
13	Rajendrakumar Agarwal (Karta)	AEUPA5643K
14	Ritesh Agarwal - HUF	AAMHR6805C
15	Ritesh Agarwal (Karta)	ADMPA2038F
16	Shilpa Agarwal	AERPJ3347N
17	Suresh Kumar Khandelia	ABSPK3417A
18	Manju Khandelia	ABSPK3421A
19	Bharatbhai Nathabhai Buha	AAWPB3665Q
20	Ashokbhai Nathabhai Buha	AECPB5885J
21	Ranisati Dealer Pvt. Ltd.	AADCR7368C
22	Padma Impex Pvt. Ltd.	AAACL4269P
23	Global Infratech and Finance Ltd.	AABCA4255H
24	Comfort Fincap Ltd.	AABCP4792J
25	Comfort Intech Ltd.	AAACC5567H
26	Comfort Securities Ltd.	AABCC9625R

27	Kuber Kamna Marbles Pvt. Ltd.	AABCK7530K
28	Adhunik Transport Organisation Ltd.	AAACA4457G
29	Bina H Mehta	AFRPM2040L

93. As against the remaining noticees, the interim directions issued vide interim orders dated December 19, 2014 and August 11, 2015 and confirmed vide confirmatory orders dated April 20, 2015, June 02, 2016, June 14, 2016 and August 25, 2016 shall stand revoked, with immediate effect.

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

95. The Hon'ble SAT had directed SEBI to pass final orders in the instant matter on or before 31st of March, 2018. However, due to intervening holidays from 29th of March to 1st of April, 2018, the same is being passed on the 2nd April, 2018, in due deference with the orders of the Hon'ble Tribunal. It is relevant to bring on record that the hearing for all entities got concluded on 22nd of March, 2018 and the last submissions were received on 26th of March, 2018.

96. A copy of this order shall be served on the Director General of Income Tax (Inv.), Delhi and the Principal Directors of Income Tax (Inv.) Kolkata and Chandigarh, for such action, as deemed appropriate at their end.

97. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure compliance with above directions.

Date: April 02, 2018

Place: Chennai

**G. MAHALINGAM
WHOLE TIME MEMBER**