

IN THE SUPREME COURT OF INDIA

... Petitioners

v.

... Respondents

FACTS.

PRAYER.

ISSUES OF LAW.

SUMMARY.

HELD.

FINAL STATUS. .

COUNSELS

Judgment Pronounced on

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

Under Sections 11(1), 11(4) and 11B(1) of the Securities and Exchange Board of India Act, 1992

In respect of:

SL. No.	NOTICEE(S)	PAN
1	Cressanda Railway Solutions Limited (Previously known as Cressanda Solutions Ltd.)	AAACC1553F
2	Smart infraproperties Private Limited	AAQCS6937F
3	Milind Madhukar Palav	BOLPP8040R
4	Manohar Iyer Sadahalli Nagaraj	ADKPN1944R
5	Rajkumar Dinesh Masalia	AKNPM0248H
6	Sanskriti Commotrade LLP	ACQFS7054L
7	Kamla Multitrade LLP	AAOFK4617K
8	Kittu Commosales LLP	AAOFK5636L
9	Intex Commosales LLP	AAFFI2676H
10	Litex Traders LLP	AAFFL8157J

(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee no. and collectively as "Noticees", unless the context specifies otherwise)

In the matter of Cressanda Railway Solutions Limited

Background:

- Securities and Exchange Board of India ("**SEBI**") initiated investigation in the matter of Cressanda Railway Solutions Limited (previously known as Cressanda Solutions Limited) ("**Cressanda**" / "**CRSL**" / "**the Company**") as it was observed that the Company had changed its registered office address three times during the period February 2022 to May 2022 and its revenue spiked sharply to Rs.75.13 Crore in FY23 from Rs.0.18 Crore in FY22. Further, its KMPs and statutory auditors had resigned during the period November 2021

to February 2022. Based on the *prima facie* findings of investigation, an interim order dated October 11, 2024 (“**Interim Order**”) was issued against the Company and nine other entities (Noticees). The *prima facie* findings of investigation, as recorded in the Interim Order, are summarized below:

- (a) The Company had NIL revenue from operations between FY15 to FY20. It’s revenue in FY22 was merely Rs.18.48 Lakh which exponentially increased to Rs.75.13 Crore next year, i.e., FY23.
- (b) The promoters’ shareholding in the Company dropped from 30.12% as at the end of September 2021 to 8.42% at the end of December 2021 which further reduced to just 0.10% at the end of March 2022. The drop in promoter shareholding coincided with corresponding increase in the public shareholding. In a span of three years, the number of shareholders of the Company went up over 20 times from 2700 to 56,556.

Purchase and sale of rice by Cressanda

- (c) Cressanda’s nature of activity / industry, as reported on the Company’s and the BSE website, was IT enabled Services. However, the Company claimed that during FY23, it had entered into sale and purchase of rice, in addition to the sale and purchase of some technology related services. As per the Company’s claims, the value of rice purchased and sold was Rs.53.91 Crore and Rs.56.74 Crore respectively for FY23, which accounted for approximately 75% of the purchase and sales of the Company for FY23. The remaining 25% came from the data transfer, social media and IT Consulting.
- (d) The counter parties to Cressanda’s purchase and sale transactions for FY23 were as mentioned in the Table below:

Nature of Business	Buy/Sell	Name of Counter parties	Amount (Rs. Crores)
Rice	Buy	Devanshi Agro Foods, Jaisleen/Jasleen Agro Industry, Siddhi Agrotek and Shree Balaji and Co.	53.91
	Sell	Jagjivan Multitrade LLP and Zahera Traders LLP	56.74

IT enabled services (data transfer and media management and IT consulting charges)	Buy	Varanium Cloud Limited	21.07
	Sell	Avance Technologies Limited	21.70

- (e) Cressanda purchased rice from Devanshi Agro Foods (Devanshi), Jaisleen/Jasleen Agro Industry (Jaisleen), Siddhi Agrotek (Siddi) and Shree Balaji and Co.(Balaji) for Rs.23.45 Crore, Rs.23.97 Crore, Rs.0.90 Crore and Rs.5.60 Crore respectively. The Company sold rice to Jagjivan Multitrade LLP (Jagjivan) and Zahera Traders LLP (Zahera) for Rs.28.49 Crore and Rs.28.24 Crore respectively.
- (f) Examination of the ledger of the abovementioned entities in the books of Cressanda revealed that Cressanda's purchases of rice from Devanshi and sale to Jagjivan happened simultaneously. To illustrate, Cressanda entered into three purchase transactions with Devanshi for similar amounts (Rs.6.42 Lakh, Rs.6.44 Lakh and Rs.6.53 Lakh) on July 1, 2022. Simultaneously, Cressanda entered into three sales transactions with Jagjivan on the same day, i.e., July 1, 2022 for similar amounts (Rs.6.61 Lakh, Rs.6.63 Lakh and Rs.6.72 Lakh) by adding certain markup to the purchase amounts. Similar pattern was observed in all purchase and sales transactions between Cressanda, Devanshi and Jagjivan. Cressanda purchased rice from Devanshi and sold to Jagjivan during July 2022 to September 2022 (all days) and from January 2023 to March 2023 (few days).
- (g) The Company used the same modus operandi as above in its dealings with Jaisleen (buying) and Zahera (selling), with whom it entered into purchase and sale transactions during October 2022 to December 2022 (all days) and from January 2023 to March 2023 (few days).
- (h) A random scrutiny of purchase and sales invoices provided by Cressanda showed that the vehicles purportedly used for transporting the purchased and sold goods were same. It was observed that on the same day, same

vehicles were shown to have been used for transporting goods from Devanshi Agro Foods to Cressanda and from Cressanda to Jagjivan Multitrade LLP. In many instances, the same vehicle registration numbers were mentioned in the purchase invoices as well as sales invoices. Various discrepancies were observed with respect to the vehicle registration numbers and shipping addresses provided in the invoices which were examined on sample basis.

- (i) Cressanda, Devanshi and Jagjivan were found to have executed sale / purchase transactions in a circular fashion, wherein Cressanda first purchased rice from Devanshi and then sold the said rice to Jagjivan, which in turn purportedly sold the said rice to Devanshi. The same was also apparent from the trail of related bank transactions observed in the bank accounts of Cressanda, Devanshi and Jagjivan, which showed that funds were moved in a circular fashion. There was no actual movement of goods and the purchases and sales were merely on paper through books entries. Cressanda booked the non-genuine transactions by first raising invoices and then entering into bank transactions on real time basis to make the transactions appear genuine. The fictitious transactions appeared to have been executed with the sole intention of inflating the revenue and expenditure leading to mis-statement of books of accounts and consequently the financial statements of the Company.
- (j) The net fund movement of the aforementioned entities during March 2023 is shown in the table below:

Name of Transferor	Name of Recipient and Sum of Amount (Rs.)		
	Cressanda Solutions	Devanshi Agro foods	Jagjivan Multitrade
Cressanda Solutions		23,44,71,620	
Devanshi Agro Foods			23,93,96,510
Jagjivan Multitrade	28,39,86,390		
Grand Total	28,39,86,390	23,44,71,620	23,93,96,510

- (k) Similar circular transactions of purchase and sale of rice were observed amongst Cressanda, Jaisleen Agro Industry and Zahera Traders LLP. Cressanda purchased rice from Jaisleen Agro Industry which seemed to

have purchased rice from Zahera Traders LLP which in turn purchased rice from Cressanda itself. A circular movement of funds among the said entities was observed in the bank statements of the said entities. The net fund movement among them during March 2023 is tabulated below:

Name of Transferor	Name of Recipient and Sum of Amount (Rs.)		
	Cressanda Solutions	Jasleen Agro Industries	Zahera Traders LLP
Cressanda Solutions		23,96,94,840	
Jaisleen Agro Industries			23,92,59,300
Zahera Traders LLP	21,80,58,500		
Grand Total	21,80,58,500	23,96,94,840	23,92,59,300

- (l) In view of the above, the purchases and sales of rice by the Company appeared to be merely book adjustments entries without movement of goods. The same projected good revenue and expenditure of the Company indicative of healthy growth in a corporate.

Transactions with Varanium Cloud Ltd. and Avance Technologies Ltd.

- (m) Apart from purchase and sale of rice during FY23, the Company also entered into purchase and sale of services pertaining to data transfer, social media and IT Consultancy. Such purchases were made from Varanium Cloud Limited (Varanium) and sales were made to Avance Technologies Limited (Avance). As per Cressanda's submissions, the figures of IT related sales and purchase stood at as Rs.21.70 Crore and Rs.21.07 Crore respectively.
- (n) Varanium submitted that the total value of sales to Cressanda in June 2022 was Rs.21.07 Crore against which it received a payment of Rs.18.70 Crore in July 2022. For the said sales, Varanium raised a total of 29 invoices having consecutive serial numbers. The invoices were same except for the dates and invoice numbers mentioned therein. Further, Avance submitted that it purchased goods and services worth Rs.21.70 Crore from Cressanda in June 2022 against which it made total payment

of Rs.19.64 Crore in July 2022. Cressanda raised 29 invoices having consecutive serial numbers to Avance in respect of IT related services which were same except for the dates and invoice numbers mentioned therein.

- (o) A perusal of the bank account statements of Cressanda, Avance and Varanium revealed circular transactions amongst the three entities during July 8, 2022 to July 15, 2022 and approximately Rs.54.48 Crore on cumulative basis was circulated amongst the three entities. The circular transactions were carried out in a manner that the receipt of funds by one entity was subsequently used by the said entity for making payment to other entity.
- (p) The circuitous nature of the transactions clearly indicated that the transactions were not genuine. Cressanda procured/purchased certain IT services from Varanium and on the same day it provided the same services to Avance. It appeared that Cressanda sourced purchase invoices from Varanium and raised sales invoices to Avance without availing / providing any actual services. Further, it circulated the funds through its bank account on the same dates to make the fictitious transactions appear genuine.
- (q) In view of the above *prima facie* findings, it appeared that the sales and purchase transactions, i.e. sales and purchases of rice and IT enabled services reported by the Company were fictitious. Further, there was also a mismatch in the figures of total sales and purchases reported in its Annual Report / audited financial statements of the Company for FY23 and those mentioned in Company's reply dated May 27, 2024. The financial statements of the Company appeared to be misstated to the extent of fictitious sales and purchases referred to above.
- (r) A perusal of the ledger accounts received from the Company vide letter dated June 13, 2024 and bank accounts of the Company until December 2023 showed similar circuitous transactions with respect to sale and purchase of rice during FY24 as well. Further, Other Income recorded in

the books of accounts also appeared fictitious, as it was a result of writing back of the provisions for bad debts created earlier.

Off-loading of shares by Promoter through Off-market Transfers

- (s) The total number of shares held by the promoter of Cressanda, Smart Infraproperties Pvt. Ltd. ("**SIPL**") (Noticee 2) as of September 30, 2021 was 9,14,25,000 shares (30.12%). SIPL resorted to off market transfers to divest its holding in the Company during the period November 30, 2021 to January 21, 2022. As per information obtained from the depositories, a total of 9,11,16,720 shares were transferred in off-market transactions to various entities. As on March 31, 2024 the promoter shareholding was a mere 3,08,280 shares, i.e., 0.07% of the total shares of the Company.
- (t) The entities, to whom the shares were transferred in off-market transactions, subsequently sold the same shares in the market. It was seen that the price of the scrip started going up from around Rs.3.20 in November 2021 to a high of about Rs.45 during June 2022.

Sales of shares by the Recipients of Off-market Transfers

- (u) Entities, which received shares of Cressanda in off-market transactions from the promoter, had been trading heavily in the scrip since June 2021 (i.e., even prior to receiving shares from the promoter in off-market) in open market. During November 30, 2021 to March 31, 2023, the quantity of shares sold by the aforementioned entities was significantly higher than their purchases during the same period. On net basis, they sold 5.39 Crore shares which was approximately 14% of the total shareholding of the Company as on March 31, 2023. The transactions during this period resulted in a trading profit of Rs.94.28 Crore to the aforementioned entities.
- (v) It was seen that the promoter, SIPL, during January 21, 2022 to March 03, 2022 received a total of Rs.22.82 Crore (approx.) from the bank accounts of the aforementioned entities who received the shares in the off-market transactions and profited from trading in the shares in the market. During

the aforementioned period, SIPL also transferred funds to / received funds from various entities.

Preferential issue of convertible warrants

- (w) The Company issued 9,49,18,000 convertible warrants (convertible within 18 months of allotment of warrants) on preferential basis @ Rs.7 (face value Re. 1) per warrant to 33 allottees in March 2022 for a total consideration of Rs.66,44,26,000. The consideration for warrant was to be paid in two tranches, whereby Rs.1.75 (25%) per share (total Rs.16,61,06,500) was to be paid on application and allotment of warrants and Rs.5.25 (75%) per warrant (total Rs.49,83,19,500) was to be paid on conversion of the warrants into equity shares.
- (x) It was observed that out of the 33 allottees of warrants in the preferential issue, 8 allottees accounted for approximately 81% of the allotted warrants. The aforesaid 8 allottees were found to be directly / indirectly connected to Mr. Rajkumar Masalia (Noticee 5), an allottee and executive director of the Company. These preferential allottees included Sanskruti Commotrade LLP (Sanskriti / Noticee 6), Kamla Multitrade LLP (Kamla / Noticee 7), Kittu Commosales LLP (Kittu / Noticee 8), Intex Commosales LLP (Intex / Noticee 9) and Litex Trades LLP (Litex / Noticee 10).

Source of funds and utilization of issue proceeds:

- (y) Mr. Rajkumar Dinesh Masalia (Mr. Rajkumar Masalia / Mr. Masalia), who was appointed as additional director of the Company on August 07, 2023 and thereafter appointed as Executive Director on August 30, 2023, was also one of the allottees in the preferential issue of convertible warrants. He was found to be the authorised signatory in bank accounts of 76 entities (companies and LLPs) and also a director in one company whose bank accounts were maintained with the Sahyadri Sahakari Bank Limited, Chira Bazar Branch, Mumbai. He was also authorised signatory in bank accounts of 6 other entities (companies and LLPs) maintained with Yes Bank Limited and ICICI Bank. Some of these entities had received shares transferred in off-market by the promoter entities and had subsequently sold the same in the Market. Further, some entities were also allottees of

warrants in the preferential allotments of warrants by the Company, which included Kittu (Noticee 8) and Litex (Noticee 10).

- (z) An individual who is an authorised signatory of bank accounts of an entity effectively controls the finances of the entity. Such control over finance also in turn indicates control over the affairs of that entity. Accordingly, Mr. Rajkumar Masalia, being authorised signatory in the bank accounts of the aforementioned entities, was suspected to be controlling the finance of the entities and thereby controlling the affairs of the entities. Therefore, these entities are commonly referred to as Masalia Group entities.
- (aa) Apart from the abovementioned entities, certain other entities were also found to be connected to Rajkumar Masalia through common directorship with certain Masalia Group entities. These entities included Jagjivan Multitrade LLP and Zahera Traders LLP, which were entities to whom rice was sold by Cressanda during FY23 and FY24.
- (bb) It was observed that a part of the funds received by the Company from some of the allottees were routed to them. These entities were Sanskruti (Noticee 6), Kamla (Noticee 7), Kittu (Noticee 8), Intex (Noticee 9) and Litex (Noticee 10). The receipt of funds by the preferential allottees out of the application and warrant conversion money received by the Company are summarized below:

Name of applicants	No. of warrants	Application amount (Rs.)	Conversion amount (Rs.)	Funds received back by Allottees indirectly	Funds received back from Company through
Sanskruti Commotrade LLP	98,00,000	1,71,50,000	5,15,00,000	5,15,00,000*	Rooprekha Textiles LLP
Kamla Multitrade LLP	95,50,000	1,67,12,500	5,01,37,500	5,25,00,000	Shri Vadechi
Kittu Commosales LLP	1,00,00,000	1,75,00,000	5,25,00,000	5,40,00,000	Pakhi Multitrade
Intex Commosales LLP	98,31,000	1,72,04,250	5,16,12,750	5,15,00,000*	Rooprekha Textiles LLP
Litex Traders LLP	96,50,000	1,68,87,500	5,06,62,500	3,80,00,000	Betal Traders
Total				19,60,00,000	

**Fund received by Rooprekha from Cressanda after conversion of warrants by Sanskruti was re-routed to Intex for making payment for conversion of warrants. Accordingly, while arriving at the total, the amount has been considered only once.*

Utilisation of proceeds of the preferential issue of convertible warrants

- (cc) The total money received by the Company in respect of application for the issue of convertible warrants and subsequent conversion of warrants into equity shares was Rs.66.4426 Crore. Out of the same, Rs.19.60 Crore was routed back to five allottees, as stated above. Further, out of the remaining amount, an amount of Rs.45.05 Crore was given as loans and advances to various Masalia Group entities.

Role of Noticees and allegations against them

- (dd) In view of the abovementioned *prima facie* findings, the Company was alleged to have *prima facie* violated the provision of Section 12A(a), (b) and (c) of the SEBI Act, 1992, regulations 3(a), (b), (c) (d), 4(1), 4(2)(f), (k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations, 2003**") and regulations 4(1), 4(2)(e), 33 and 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations, 2015**").
- (ee) As SIPL had transferred shares in off-market transactions to certain entities which subsequently sold the shares in the market and transferred part of the proceeds to SIPL, it appeared that SIPL was involved with the Company in executing the fraudulent scheme devised by the Company. Accordingly, SIPL was alleged to have *prima facie* violated the provision of section 12A (b) and (c) of the SEBI Act, 1992, regulations 3 (c) & (d) and 4(1) of PFUTP Regulations, 2003.
- (ff) It is observed from the Annual report for FY21 that Mr. Milind Madhukar Palav was Executive Director and CFO of the Company during the investigation period. He was appointed as Executive Director and CFO of the Company on November 25, 2021 until his resignation on August 7, 2023. Mr. Milind Palav was signatory to the financial statement for FY23. Being CFO, he was responsible for the preparation of the financial statement and the contents therein. He had also certified the statement of deviation dated July 11, 2023 submitted to the stock exchange in respect

of the application of funds raised from preferential issue of convertible warrants. In the aforesaid statement, he stated that there was no deviation. However, as it was later found that the proceeds of the preferential issue were diverted as loans and advances, Mr. Milind Palav was alleged to have *prima facie* violated the provision of section 12A(a), (b) and (c) of the SEBI Act, 1992, regulations 3(a), (b), (c) (d), 4(1), 4(2)(c) and (f) of PFUTP Regulations, 2003 and regulations 4(1), 4(2)(e), (f), 32(1), 33 and 34 of LODR Regulations, 2015 read with section 27 of SEBI Act, 1992.

(gg) Mr. Manohar Iyer S. Nagraj was the Managing Director of Cressanda during FY23. He was appointed on February 09, 2023 and resigned on September 30, 2023. He was a signatory to the financial statements and Annual Reports of the Company for FY23. Being Managing Director of Cressanda, he was responsible for the preparation of the financial statement and Annual Report for FY23 and the contents therein. Further, he was aware of the fictitious sales and purchase transactions by the Company, since many of such transactions involving sales and purchases of rice were undertaken in March 2023. Further the funds movement (receipts and payments) in respect of those transactions were also during his period as Managing Director of the Company. In view of the above, Mr. Manohar Iyer was alleged to have *prima facie* violated the provision of section 12A(a), (b) and (c) of the SEBI Act, 1992, regulations 3(a), (b), (c) (d), 4(1), 4(2)(c) and (f) of the PFUTP Regulations, 2003 and regulations 4(1), 4(2)(e), (f), 32(1), 33 and 34 of LODR Regulations, 2015 read with section 27 (1) of SEBI Act, 1992.

(hh) Rajkumar Dinesh Masalia, who was appointed as Executive Director with effect from August 07, 2023, was authorised signatory in the bank accounts of various conduit entities used for providing funds for the application and conversion in the preferential issue of convertible warrants by Cressanda. Some of these entities were also applicants in the preferential issue. It *prima facie* appeared that Mr. Rajkumar Masalia was instrumental in the irregularities in the preferential allotment of convertible

warrants, which resulted in allotment of equity shares upon conversion of the warrants without actual receipt of money in the Company. While Mr. Rajkumar Masalia was summoned to appear before the IA vide summons dated December 4, 2023 and November 3, 2023, he failed to appear before the IA. In view of the above, Mr. Rajkumar Masalia was alleged to have *prima facie* violated the provision of section 12A(a), (b) and (c) of the SEBI Act, 1992 and regulations 3(a), (b), (c) (d), 4(1), 4(2)(c) and (f) of the PFUTP Regulations, 2003.

- (ii) Sanskruti, Kamla, Kittu, Intex and Litex were preferential allottees. Out of these, Kittu and Litex appeared to be controlled by Mr. Rajkumar Masalia, as he was the authorized signatory for the bank accounts of the said entities. It was observed that the warrant application and conversion money paid by the abovementioned five entities to the Company was routed back to them by the Company. Accordingly, they appeared to be involved in the fraudulent deals of the Company in respect of the preferential allotment. In view of the above, the abovementioned five Noticees were alleged to have *prima facie* violated the provision of section 12A(a), (b) and (c) of the SEBI Act, 1992 and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a) and (h) of the PFUTP Regulations, 2003.

- 2. In view of the abovementioned *prima facie* findings, the Interim Order was issued against the Noticees whereby they were, *inter alia*, restrained from from buying, selling or dealing in the securities market and are further prohibited from accessing or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders. If the Noticees have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 7 days from the date of this order. Further, Mr. Rajkumar Dinesh Masalia (Noticee 5) was also restrained from acting as a Director / Key Managerial Personnel of any listed company or its subsidiary or any company which intended to raise money from the public or any SEBI registered intermediary, until further orders.

3. The Noticees were advised to file their reply/objections, if any, to the Interim Order and also indicate whether they desired to avail an opportunity of personal hearing, within 21 days from the date of receipt of the Interim Order.
4. The Interim Order was duly served on the Noticees. However, barring three Noticees, viz., Cressanda (Noticee 1), Mr. Manohar Iyer Sadahalli Nagaraj (Noticee 4) and Mr. Rajkumar Masalai (Noticee 5), none of the remaining Noticees has responded to the Interim Order. The said three Noticees, who responded to the Interim Order, sought inspection of certain documents, which was provided to them. Considering that only three Noticees responded to the Interim Order, an opportunity of personal hearing was provided to the said three Noticees on March 05, 2025, which was attended by Cressanda and Mr. Manohar Iyer Nagaraj. Mr. Rajkumar Masalia did not attend the said hearing. The said three Noticees have also filed their written replies to the Interim Order which are summarized in subsequent paragraphs.
5. Cressanda (Noticee 1) vide letter dated October 28, 2024, January 06, 2025 and March 04, 2025 submitted, *inter alia*, the following:
 - (a) The Noticee denies the allegations made against it in the Interim Order.
 - (b) The Noticee is a company established in 1985 and listed at BSE in 1986. Its offerings include cutting-edge conventional and digital media services and tech-enabled solutions tailored to large institutional clients. In FY24, the Company signed a 5-year agreement with Eastern Railway, granting it a right to advertise on the interior and exterior surfaces of over 500 trains. The Company has also partnered with Kolkata Metro to enhance commuter experience by installing LED Screens and offering WiFi Services. The Company has also partnered with a firm to collaborate on a tender for managing trolley retrieval and securing advertising rights at Kolkata Airport.
 - (c) It is denied that the Noticee indulged in any fictitious purchase and sales and/or any fraudulent practice w.r.t. preferential issue as alleged in the Interim Order or otherwise. The adverse findings against Noticee are based on only surmises, conjectures, assumptions and presumptions and based on only preponderance of probabilities.

- (d) No motive has been attributed to the alleged mis-statement of the financial statements. No investor interest has been affected. The Noticee has co-operated with SEBI.
- (e) The Interim Order has been issued without hearing the Noticee. The directions issued in the Interim Order are penal and punitive. They are disproportionate and unjust, unfair and unreasonable.
- (f) There was no urgency for issuing the Interim Order and the same is against the principles of natural justice. The Interim Order has resulted in reputational loss for the Company and has caused panic in the investor community of the Company. It has created a negative Impact on the Company and the share price of the Company has fallen from Rs. 11.5 as on the date of the Interim Order to a price range of Rs.5.21-Rs.7.86 in February 2025. The Interim Order has also impacted on the ongoing day-to-day functioning of the Company.
- (g) The resignation of KMPs and directors of the Company, as mentioned in the Interim Order, was due to reported grounds of pre-occupancy and personal reasons. An internal reorganisation was carried out to revive the Company.
- (h) The changes in the registered offices were for various reasons and due disclosure regarding the changes was given to the exchanges.
- (i) During the financial years 2017-18 to 2019-20, the Company did not have any revenues or significant operations. It is only after the COVID that the management was able to revive the business and the Company started showing better performance in FY 2020-21 and 2021-22. It is during this phase that there have been changes made in the management as well as operations team. Company has announced several collaborations, acquisitions, and tie ups to expand the business.
- (j) In order to improve business performance and internal restructuring, the management of the Company was changed. A talented and experienced team was recruited in order to take the Company forward.
- (k) The sudden spike in the Company's revenues was due to proposed acquisition of Lucida Technologies Pvt. Ltd. By the Company.

- (l) The Company is not concerned with the change in promoter shareholding in the Company. No adverse reference should be drawn against the Company in this regard.
- (m) As regards purchase and sale of rice by the Company, the purchase was from Devanshi, Jaisleen, Siddhi and Balaji and the sale was to Jagjivan and Zahera. The Company only had business relationship and no other relation with the said parties. The said parties, who are mainly from Gondia, Maharashtra, are genuine entities and the transactions with them were done in normal course of business. As on date, the Company is not continuing any transaction with them. The main profile of the Company has shifted to railway solutions.
- (n) As regards purchase of rice from Devanshi and Jaisleen and sale to Jagjivan and Zahera, The Noticee submits that as all the said entities are all based in Gondia, whenever it used to get orders from Jagjivan and Zahera, it used to place the orders with Devanshi and Jaisleen. Since the Noticee traded in rice, its role was to take the sale orders and place the purchase order. As a normal and prudent company, it added markup in the purchase price and the same was the profit earned by it. The Noticee's purchase and sales of rice was without loading and unloading of the goods as the rice would get transported from buyer to seller directly. In that way, cost was saved. This was a business decision of the Company and because of the same the company made profit by saving transport cost.
- (o) As regards same vehicle registration numbers provided in the purchase and sales invoices, as mentioned in the Interim Order, the Noticee submits that since Devanshi and Jagjivan were both in Gondia, the rice as purchased from Devanshi was directly sent to Jagjivan, as it saved the cost of transport as well as time. Although in the invoice of Devanshi, it was mentioned as shipped to Cressanda, since the Noticee did not want to disclose the name of its seller to the Buyer, it took the Bill mentioning its own name. However, the transport company was instructed to deliver the goods to Jagjivan in Gondia. Pertinently, in the shipping instructions of Jagjivan, it was mentioned as shipped to Jagjivan having the address of Gondia. The trucks that carried the goods were the transport companies' trucks and the details

of the same were given by them. The physical goods never came to the Company and they were directly transferred from the supplier to the buyer. Therefore, the same vehicle numbers are shown in the Bills of Devanshi and Jagjivan.

- (p) As regards the discrepancies regarding vehicle registration numbers mentioned in the Interim Order, the Noticee submits that the registration numbers belonged to Heavy Vehicle Trucks, contrary to the allegation in the Interim Order. In one case, the vehicle registration number was wrongly captured due to an inadvertent error.
- (q) As regards the allegations of circular transactions, the Noticee is totally unaware of the transactions between Devanshi and Jagjivan and between Jasleen and Zahera. It is not possible for the Noticee to know about the transactions between these entities since these transactions do not relate to the Noticee. The transactions of the Company with these entities pertaining to rice were dealt with in an independent manner. These are separate legal entities and the bills prepared and banking transactions done with these entities were proper and legitimate.
- (r) Pertinently, in respect to the purchase of rice, Siddhi and Balaji are also mentioned as companies from which there was purchase. However, nothing adverse is alleged against the Noticee in respect of transactions with them. Further, apart from Jagjivan and Zahera, there are other entities also with whom the transactions for sale of rice were executed.
- (s) As regards the transactions with Varanium and Avance, the Noticee is totally unaware of the transactions between Varanium and Avance, since it knows both the entities independently. Pertinently, the billing in respect to both the entities was separate and the transactions were executed between both the entities in individual capacity.
- (t) In the Interim order, it is alleged that there is a difference between the purchase and sales figure reported to SEBI and those mentioned in the audited financial statements. The Noticee submits that there is an inadvertent error in a figure mentioned in letter dated May 27, 2024. Further, the difference in figures alleged in the Interim Order is on account of GST.
- (u) The Noticee has already provided to SEBI ledger of various entities and other details / documents pertaining to the transactions.

- (v) The transactions as executed by the Noticee with Varanium and Avance were genuine in nature and not in the context of any circuitous transactions.
- (w) The Noticee does not have any ongoing transaction with any entity referred to in the Interim Order.
- (x) As regards other Income recorded in the books of accounts appearing fictitious, as it was a result of writing back of the provisions for bad debts created earlier, the Noticee submits that the said entry is as per the provisions of the law and therefore no adverse inference ought to be drawn in this regard.
- (y) There is nothing adverse alleged in respect to the preferential allotment of shares by the Noticee. The said preferential was within the provisions of the law.
- (z) The Noticee is unaware of the association/ authorized signatory authority of Mr. Rajkumar with the entities as mentioned in the Interim Order. Mr. Rajkumar was previously an employee of Cressanda. The expertise of Mr. Rajkumar was in respect to accounting and finance related areas, because of which he was elevated as a director of the company.
- (aa) As regards return of funds to five allottees, as mentioned in the Interim Order, the Noticee submits that funds were transferred by Cressanda to Rooprekha, Shri Vadechi, Pakhi Multitrade LLP and Betal Traders as a form of Loan. At the relevant time, the funds were available with the Company, pending utilization for specific purposes. In order to maximize the return on the money, the funds were given as a loan to the abovementioned entities. The Noticee has been duly getting interest on the said loans. The said interests are above the interest earned in a typical fixed deposit. In fact, the Noticee has also received back a part of the amount given to these entities.
- (bb) As regards the allegation that Rs.45.05 Crore was given as loans and advances to various Masalia Group entities out of proceeds of Preferential Issue, the Noticee submits that since the funds were lying with the Company at the relevant point of time, the Company gave loans to the aforesaid entities to increase its income.
- (cc) The Noticee places reliance on various orders passed by Hon'ble courts and Hon'ble Securities Appellate Tribunal (SAT) to support its submissions.

(dd) The Noticee denies the alleged violation of the provisions of securities laws mentioned in the Interim Order.

(ee) The Noticee prays for vacation of the interim directions.

6. Mr. Manohar Iyer Sadahalli Nagaraj (Noticee 4), vide his letters dated November 01, 2024 and March 01, 2025 submitted, *inter alia*, the following:

(a) The Noticee denies the allegations against him mentioned in the Interim Order.

(b) Noticee has over 25 years of experience in the Information Technology industry, having worked at senior executive levels in several multinational companies. His association with Cressanda was brief, beginning when they sought to acquire an IT company to expand their IT business. Noticee was an advisor and consultant for a company called Lucida Technologies Private Limited (Lucida) during this period.

(c) In early 2022, Noticee was introduced to Mr. Suman Bose and Ms. Preeti Das, then MD and CEO, respectively, of Cressanda. The discussions revolved around the potential acquisition of Lucida and Cressanda's interest in a M&A transaction therefor. It was understood that Cressanda was struggling and aimed to revive the Company through this acquisition and grow its new vertical of IT focused areas. Noticee facilitated meetings between the executives of both companies, playing a significant role in the negotiation process.

(d) Eventually, Cressanda entered into the Memorandum of Understanding (MOU) dated April 29, 2022 with Lucida for acquiring 100% ownership interest thereof by virtue of a stock swap. The said acquisition was approved by the Board of Directors of Cressanda and also informed to the public vide the regulatory filing with BSE of like date.

(e) Thereafter, Noticee agreed that he would be responsible for growing the business of Lucida under Cressanda. But, due to existing commitments, he opted to remain as an advisor and consultant for Lucida only.

- (f) Despite the said MOU and the reporting of consolidated financial statements for FY23, Cressanda initiated no action for consummating the merger of Lucida with Cressanda and the acquisition process was deferred under one pretext or the other.
- (g) Eventually, the Company offered the outright purchase of 100% equity shares held by shareholders of Lucida, who then could purchase the pledged shares of Cressanda held by Sanskruti Commotrade to complete the swap. It was represented that this approach would complete the merger process rapidly. The members and Investors of Lucida agreed in good faith to the proposal and monies were remitted appropriately to each of the members of Lucida to complete the stock swap/exchange process.
- (h) In the months following the acquisition announcement, Noticee was approached by Mr. Suman Bose to join Cressanda as CEO after the resignation of Ms. Preeti Das. Shortly after joining, Noticee learned that the MD, Mr. Suman Bose had also resigned. Hence, Noticee was offered the position of MD & CEO of Cressanda by Mr. Milind Madhukar Palav, Director, vide the Offer Letter dated January 30, 2023.
- (i) A bare perusal of the Offer Letter dated January 30, 2023, *inter alia*, shows that it was an employment offer, which was subject to Noticee's work output and technical capabilities. As per offer letter, Noticee was to be on probation for three months. The Noticee was required to 'perform services for the Company as assigned by the Company or Company's clients when deployed at client locations' and 'provide reports concerning... work activities from time to time as requested.' The terms and conditions of Clause 9 stipulated that: (i) it was a transferable job; (ii) Noticee could be posted anywhere in India or abroad; (iii) the Company was at liberty to transfer him to any department, establishment or place of work of the Company or its clients or to its subsidiaries, joint ventures, associates or of the concerns in which the company has business interest. The Offer Letter also specified the details of formalities required upon the termination of employment of or resignation by Noticee. It was further categorically stated that his position was that of a whole-time employee of Cressanda and that the services could be terminated by either party at any time.

- (j) Hence, the offered position was for employment and the title/designation of MD and CEO was nominal in its essence. It is evident that the position offered was such that no substantial powers for management of the affairs of the Company were conferred thereunder. Noticee accepted the offer as he was assured this would help both companies, namely, Cressanda and Lucida, and sort out the acquisition issues.
- (k) Noticee then joined the Company with effect from February 09, 2023. BSE was also informed on February 10, 2023 about his appointment. During the course of his tenure with the Company, he was responsible for business relationships/ transactions and opportunities for software services and technologies with Eastern Railways, Kolkata and other clients. His specific duties were: (a) Execution/ Management of the Indian Railways' contracts; and, (b) Liaison between Lucida and Cressanda in respect of the acquisition.
- (l) Noticee was neither made a signatory in any of the bank accounts nor responsible for accounting, financial and other regulatory/ compliance work of the Company. All financial transactions, accounting/ book-keeping work and regulatory/ compliance filings of the Company were carried out by the other Promoters/ Directors, namely, Shirish Shah, Rajkumar Dinesh Masalia, Milind Madhukar Palav, Arun Kumar Tyagi, Chander Prakash Sharma, Vaibhav Shah and others. Noticee was not a Member of the Audit, Stakeholders' Relationship and Nomination and Remuneration Committees of the Company. Further, he was told that Milind Madhukar Palav was the Chief Financial Officer during that time.
- (m) Since Noticee's work involved continuous travel, he was asked to hand over his Digital Signature USB Stick/Token ("DSC") for the purpose of lawfully using it to make timely corporate and other regulatory filings with BSE and MCA. Since he did not suspect that the Company would use the DSC for any unlawful purposes, he trustingly handed over the same.
- (n) During Noticee's tenure at Cressanda, he diligently endeavored to complete the Lucida acquisition. A new Board of Directors was to be formed soon to carry forward the Lucida takeover process; but significant changes and a spate of resignations within the Board caused severe instability.

- (o) Nevertheless, Cressanda, its promoters and advisors and other members of the Board of Directors, namely, Mr. Vaibhav Shah, Mr. Shirish Shah and others stonewalled his efforts to complete the Lucida acquisition, which was never taken to closure. The financial transactions for the takeover and corresponding securities transfers were never carried out despite repeated follow-ups. Consequently, Cressanda reneged unilaterally on the process of acquisition and defaulted in its performance under the MOU dated April 29, 2022. Notwithstanding the financial statements of Lucida, shown as a wholly-owned subsidiary in the Consolidated Financial Statements in its Annual Report for FY23, Cressanda informed SEBI and BSE eventually in 2024 that the Lucida acquisition had been cancelled.
- (p) The Meetings of the Board of Directors were not convened and conducted at regular intervals at Cressanda. Neither were notices served nor were the Agenda Items circulated among the Directors in accordance with the provisions of the Companies Act, 2013. Other members of the Board of Directors conducted the meetings without following due procedures. The Articles of Association were violated too. Though the earlier Company Secretary, Ms. Priya Agarwal had resigned, no new Company Secretary was appointed and statutory and regulatory compliances were completely disregarded. Therefore, Noticee voiced his serious concerns about effective governance, which are well-documented.
- (q) Despite Noticee's absence in the Board meetings, the Director's Reports for FYs 23 and 24 show that he was present for a total of four meetings of the Board during his tenure. This is grossly false and amounts to mischievous misrepresentation of facts by Cressanda and its Board of Directors.
- (r) Upon return to work from leave of absence from June 13, 2023, Noticee resumed work on July 03, 2023. Soon thereafter, he resigned from the post of MD & CEO via email dated July 07, 2023, which was sent to the Board of Directors and Investors/ Promoters of the Company. He also cited the reasons for his resignation in great detail in the said email. In the said email, he also requested the Board of Directors and Investors to "*not use my Name, Title, DSC and signatures in any manner whatsoever for conducting Cressanda's businesses*".

- (s) However, upon the insistent and repeated requests of Mr. Shirish Shah, Mr. Arun Mr. Vaibhav Shah and others, Noticee deferred his decision to resign and continued his employment with Cressanda for the purpose of completing the Lucida acquisition. However, the internal management and corporate governance mechanisms did not improve. Hence, he confirmed his resignation via email dated August 05, 2023.
- (t) Noticee received a total net pay / compensation of approximately Rs.34 Lakh for his services from Cressanda during the period of employment from February 09, 2023 to July 07, 2023. Post his resignation with effect from 07.07.2023, he did not receive any pay / compensation from the Company. Despite the resignation, neither the Board of Directors nor the Human Resources Department (HRD) of the Company took note of, considered or approved his resignation during the Meeting of Board of Directors dated August 07, 2023.
- (u) Vide an email dated August 14, 2023, Noticee was asked to sign the regulatory filing with BSE on the "Outcome of Meeting of Board of Directors of the Company held on August 14, 2023". The said email ID was managed and used by Mr. Shirish Shah and Mr. Raj Kumar Dinesh Masalia. Noticee refused to sign the document since: (a) he had resigned from the Company; (b) he had no notice of the said meeting (c) he was not aware where and when the meeting was to be held and who the attendees would be; and, (d) He was in Bangalore on that day and at that time.
- (v) Later also, efforts were made to make the Noticee sign the documents, which he refused to do.
- (w) Thereafter, the Noticee found that his email ID, that is, manohar.iyer@cressanda.com had been routinely accessed, presumably by Mr. Rajkumar Dinesh Massalia, Mr. Vaibhav Shah, Ms. Tushti Sharma, Mr. Arun Mr. Raju, Mr. Prasad and others, and several emails therein had been deleted.
- (x) Eventually, Relieving Letter dated October 11, 2023 was issued to the Noticee via email.
- (y) Noticee was shocked in due course of time to receive the Interim Order, wherein it is stated on the basis of regulatory filings that he was "aware of the fictitious sales and purchase transactions of the Company". Noticee had

no knowledge of any of the unlawful activities and irregular financial transactions of the Company that had been or was being carried out by the promoters, other directors and personnel of the Company.

- (z) Pursuant to the receipt of the Interim Order, when Noticee checked and downloaded compliance filings at the MCA (<https://www.mca.gov.in>), and, BSE portals, he was shocked to discover that the Regulatory Filing, made with BSE on the "Outcome of Meeting of Board of Directors of the Company held on August 14, 2023", had been made by fraudulently affixing the image of his signature on the document for the purpose of forging the same. The forged document dated August 14, 2023 had then been filed electronically with BSE. Neither had Noticee consented to nor did he have knowledge of the fraud, forgery or falsification of the records.
- (aa) A bare perusal of the fraudulent/concocted document dated August 14, 2023 filed with BSE will show that scanned image of Noticee's signature has been misappropriated from some other document and affixed on the said forged document. It is clear that the Company and its Officer(s)/ Director(s)/ Promoter(s) have filed false, fabricated document(s) and committed forgery by creating false electronic records and documents.
- (bb) Immediately upon gaining knowledge of the aforesaid unlawful acts of omission and commission, Noticee filed a Complaint dated October 29, 2024 with the jurisdictional Police Station House seeking that the matter may be thoroughly investigated necessary action taken against the person(s) involved in the criminal conspiracy for the offences. The Police Authorities have registered the Case in GSC No. POI 797240600849 dated October 30, 2024.
- (cc) As regards the allegations made against the Company in the Interim Order, the Noticee submits that either they pertain to a period he was not associated with the Company or he had no involvement in or knowledge of the said acts and related transactions.
- (dd) The Noticee requests SEBI to withdraw the allegations against him.

- 7. Mr. Rajkumar Masalia (Noticee 5), vide his letters dated October 20, 2024 and March 04, 2025 has submitted, inter alia, the following:

- (a) The Noticee has an extensive career spanning over three decades. He is a seasoned professional in the domain of Banking and Accounting.
- (b) Noticee was appointed as additional director of Cressanda on August 07, 2023 and thereafter appointed as Executive Director on August 30, 2023. Prior to being appointed as the director in Cressanda, he was an employee, and used to handle accounting and banking related areas and operations in Cressanda. Due to his diligent work, he was offered directorship in Cressanda. Even during the course of directorship in Cressanda, his role was only to handle accounts and banking related operations/work. He also handled the banking related functions of the Company under the guidance of the Company's Management.
- (c) During the FY24, Noticee's total remuneration as Director/ KMP was merely Rs 7,82,400. He did not derive any exceptional remuneration and/or any unfair gain.
- (d) Noticee has resigned from Cressanda w.e.f. February 24, 2025 due to certain personal issues.
- (e) The directions passed vide Interim Order are a very harsh and the Noticee has suffered a reputational loss. His corporate life is totally disturbed and he cannot even access primary or secondary markets for trading.
- (f) As regards sudden increase in revenue, purchase and sale of rice and IT services and offloading of shares by promoter through off-market transfers mentioned in the Interim Order, the same do not pertain to the Noticee and there are no allegations against him in this regard.
- (g) As regards alleged discrepancies with respect to preferential issue of convertible warrants, it is alleged in the Interim Order that Noticee was the authorized signatory for various bank accounts which were opened in 2019. However, he was not the authorized signatory when the said accounts were opened. As he used to manage the accounting of these entities, his name was added in the bank accounts as authorized signatory at the start of / during Covid, for easier operations and to ease the accounting and banking related works of those entities.
- (h) The Noticee did not have any decision making authority in these companies and it was solely the discretion of the directors/partners of the said company for any small or big operation of the company. The Noticee was not involved

in the functioning of the companies let alone any day-to-day affairs of the companies. The Noticee was executing the transactions/entries as per the instructions received by him from the directors of the company/firm. Hence, the observation that he had control of the alleged Masalia Group entities is totally and completely untenable and unsustainable.

- (i) Noticee had nothing to gain from the operation of these companies. Being the signatory cannot lead to an inference that he was in control of the companies in any manner.
- (j) The Noticee had applied for the preferential issue of convertible warrants and was allotted 25000 warrants on March 21, 2022 upon payment of the application amount of Rs.43,750. The said warrants were converted into equal equity shares upon payment of balance amount of Rs.1,31,250 on April 05, 2022. The said amounts were paid from Noticee's own funds and/or through his family accounts. In fact, he has not even sold any of the shares that he had received in the preferential allotment.
- (k) The said preferential issue was in March 2022, whereas the Noticee was appointed as the director in August 2023. Therefore, there is no correlation between the preferential issue and the Noticee since he was not a director in March 2022. Hence, nothing adverse in respect to the preferential issue ought to be alleged against the Noticee.
- (l) Noticee is not an authorized signatory in Sanskruti, Kamla, Gujarish Tradewing LLP and Intex which accounted for around 44% of the total warrants allotted in the preferential issues. The Interim Order is passed on inadequate consideration of the fact of the case.
- (m) The Noticee was not an authorized signatory in the bank accounts Sonal Styles Pvt. Ltd. maintained with ICICI Bank, as alleged in the Interim Order.
- (n) The Interim Order does not mention in what manner, the Noticee has derived any sort of profit/any gain. There is no modus- operandi attributed against him.
- (o) In response to summons dated November 03, 2023, the Noticee had requested SEBI to provide him with the documents/details requested vide letter dated November 21, 2023. Due to unforeseeable circumstances, the Noticee was unable to respond to the summons dated December 04, 2023.

- (p) The Noticee denies the alleged violations of the provisions of law mentioned in the Interim Order.
 - (q) It is wholly untenable for any authority to arrive at a finding of 'fraud' solely on the basis of Noticee's association with Cressanda.
 - (r) The Noticee places reliance on the judgments of Hon'ble Supreme Court and SAT in support of his submissions.
 - (s) The Noticee has already resigned from Cressanda. Hence, the interim directions against him ought to be revoked and the allegation and charges qua him in the Interim Order be withdrawn and he be discharged.
8. At the outset, I note that out of ten Noticees, only three Noticees, viz. Noticee 1, 4 and 5, responded to the Interim Order and have made submissions. I have considered their submissions in subsequent paragraphs. As the remaining seven Noticees failed to respond to the *prima facie* findings in the Interim Order, I presume that they have nothing to submit in their defence, and accordingly, I proceed with the matter ex-parte as against them.

Cressanda (Noticee 1)

9. It is noted that the *prima facie* findings of investigation recorded in the Interim Order indicate booking of fictitious transactions by the Company in respect of sale and purchase of rice and IT services.
10. As regards transactions pertaining to purchase and sale of rice, the allegation is that the Company executed transactions with various entities in a circular fashion, wherein Cressanda first purchased rice from Devanshi and then sold the said rice to Jagjivan, which in turn purportedly sold the said rice to Devanshi. There was no actual movement of goods and the purchases and sales were merely on paper through book entries. It is also alleged that Cressanda booked the fictitious transactions by first raising invoices and then entering into bank transactions to make the transactions appear genuine. Similar circular transactions of purchase and sale of rice were observed amongst Cressanda, Jaisleen Agro Industry and Zahera Traders LLP.
11. The Interim Order has clearly demonstrated the *modus operandi* through extract of bank account statements showing circular movement of funds.

Further, the circular transactions have also been depicted through graphic flow charts.

12. The Company *prima facie* adopted the same modus operandi while booking sale and purchase transactions with Varanium and Avance in respect of IT services. Here, Cressanda purportedly purchased certain IT services from Varanium and on the same day it provided the same services to Avance. In this case also, funds were moved in a circular fashion to make the transactions appear genuine.
13. The Company, in its reply to the Interim Order, has sought to justify the transactions as genuine and normal business transactions. As per the Company, it was purchasing rice from one entity and selling to another without taking actual delivery itself. The Company claims to be acting like a middleman whereby it was earning a mark-up fee on purchase from one entity and sale of the same goods to another entity. It has claimed that it is not aware of the transactions between other entities.
14. I find that argument advanced by the Company to be bogus. As per the *prima facie* findings, Cressanda first purchased rice from Devanshi and then sold the same rice to Jagjivan, which in turn purportedly sold the same rice to Devanshi. It defies logic as to why Devanshi, which sold rice to Cressanda would purchase the same rice from Jagjivan, after it was sold by Cressanda to Jagjivan.
15. I find that the explanations provided by the Company regarding its allegedly fictitious transactions pertaining to rice and IT services, as listed under paragraph 5 above, do not appear credible. The Company is merely trying to wriggle out of the situation by claiming that it was not aware of transactions between its various buyers and sellers. However, the movement of funds in a circular fashion, as captured by the extract of bank statements of the entities shows a concerted and well-orchestrated plan to execute fictitious transactions.
16. The Interim Order also pointed out certain discrepancies with regard to vehicle registration numbers used in the invoices pertaining to sale and purchase of rice by Cressanda. As per the *prima facie* findings, some of the said numbers either did not exist or belonged to two wheelers. The Noticee has disputed the said finding and has submitted that the said registration numbers belonged to

heavy vehicle trucks. The veracity of the submissions made by the Noticee in this regard shall be examined as part of the detailed investigation being carried out.

17. Further, I note that in respect of the preferential issue, the Company has submitted that it was not aware that Mr. Masalia was authorized signatory for a number of entities mentioned in the Interim Order.
18. As regards the allegation that the Company had re-routed funds received from five allottees of the preferential issue, the Company has claimed that the said funds were given as loans to the said five entities for earning extra income for the Company. I have considered that submission of the Company and find it to be unsatisfactory. The primary purpose of a preferential allotment is to raise funds for the purposes of a company. It does not seem logical that a company which received allotment money from preferential allottees would loan the proceeds of preferential issue to the same entities just to earn some extra interest income. The explanation provided by the Company appears to be merely a ploy to hide its wrongdoings.
19. I note that a detailed investigation is underway in this matter and the final comprehensive findings of the investigation are expected to come shortly. Given the same, at this stage, I am not inclined to differ from the *prima facie* findings recorded in the Interim Order.

Manohar Iyer Sadahalli Nagaraj (Noticee 4)

20. I note that the allegation against Manohar Iyer Sadahalli Nagaraj (Manohar) is that he was the MD of Cressanda from February 09, 2023 to September 30, 2023. He allegedly signed the financial statements and Annual Reports of the Company for FY23. It is alleged that he was aware of the fictitious sales and purchase transactions of the Company.
21. I note that Manohar has not disputed the allegations made against the Company in the Interim Order. However, he has made detailed submissions on his role within the Company. He has claimed that he was merely an employee and he was not involved in the day-to-day affairs of the Company. His role was limited to facilitate the merger of Lucida with Cressanda. He has also submitted

that he was not aware of the alleged fictitious transactions executed by the Company. Further, he has claimed that he was never part of the decision making process as part of board of directors of Cressanda, as the corporate governance norms were not being followed in the Company.

22. The Noticee has claimed that he resigned as early as July 07, 2023. Even though he did not attend the board meeting on August 14, 2023, he was asked to sign the regulatory filings regarding outcome of the said meeting, which he refused to do. The Noticee has also claimed that his forged signatures have been used by the Company on various documents including regulatory filings.
23. The Noticee has submitted various documentary evidences in support of his contentions. He has also claimed to have filed a police complaint for a thorough investigation in the matter. The submissions made by the Noticee and the documents produced by him in support of the same require close scrutiny. I note that a detailed investigation in this matter is already underway. The submissions made and the documents submitted by the Noticee would be examined as part of detailed investigation which would determine the veracity of the claims made by the Noticee as regards his role. I note that while the Noticee has pleaded innocence and has denied any involvement in fraud, he has admitted that while he was the managing Director, he had handed over his Digital Signature USB Stick / Token to the Company. The same indicates carelessness on Noticee's part. Considering all the factors in totality, I am not inclined to grant any relief to the Noticee at this stage,

Rajkumar Dinesh Masalia (Noticee 5)

24. I note that the allegations against Rajkumar Dinesh Masalia (Rajkumar Masalia) as recorded in the Interim Order are confined to his role in the alleged irregularities pertaining to preferential issue done by the Company. It is alleged that Mr. Masalia, who later became an executive director in the Company, was authorized signatory in the bank accounts of various entities, including some of the allottees of preferential issue to whom money was re-routed by the Company. Further, a number of entities, to whom the Company gave loans and advances out of the proceeds of the preferential issue, were directly or indirectly connected to Rajkumar Masalia.

25. Rajkumar Masalia, in response to the prima facie findings recorded in the Interim Order against him, *inter alia*, submitted that he was an expert in banking and finance and thus his name was added by various entities as authorized signatory in the bank accounts for ease of transactions.
26. I note that application and allotment money received from five allottees of preferential issue was funded / returned by the Company through multiple layers. Out of the said five allottees, Mr. Masalia was an authorized signatory of two entities, viz., Kittu and Litex. As regards two allottees, viz., Sanskruti and Intex, I note that Mr. Masalia is indirectly connected to them as a part of the application money paid by them to Cressanda for warrants was channelled through layered transactions from Emporis Projects Ltd., an entity in whose bank account Mr. Masalia was named as authorized signatory. Further, Suketu Commosales LLP, a Masalia Group entity, was also used as a conduit entity for fund transfers between by Intex and Cresssanda through multiple layers.
27. I note that Rs.45.05 Crore out of proceeds of preferential issue was routed as loans and advances to various entities, which included Suketu Commosalres LLP, a Masalia Group entity in whose bank account Mr. Masalia was an authorized signatory.
28. I note that although Mr. Masalia has denied any wrongdoing, a comprehensive picture about the role played by him in any possible diversion of funds from the Company to entities directly / indirectly connected to him would emerge only after the detailed investigation is completed. The detailed findings of investigation are expected soon. Considering that a full picture is yet to emerge, I am not inclined to interfere with the interim directions at this stage.
29. As regards other Noticees, since these Noticees have not responded to the Interim Order, the interim directions against them are to continue.

DIRECTIONS

30. In view of the foregoing, I, in exercise of powers conferred upon me under sections 11(1), 11(4) and 11B(1) read with section 19 of the SEBI Act, 1992, hereby confirm the directions issued vide the Interim Order dated October 11, 2024.

31. A copy of this order shall be served on the Noticees, recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents to ensure compliance with the above direction.

DATE: MARCH 26, 2025

PLACE: MUMBAI

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA