6th December, 2024

To,
BSE Limited
Listing Department
Floor 25, P.J. Towers,
Dalal Street,
Mumbai – 400001

Scrip Code: 517230
ISIN: INE766A01018

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – SEBI Interim Order Cum Show Cause Notice.

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that an Interim Order cum Show Cause Notice ("Order") was uploaded against Shri Jatin Ramanbhai Patel and others, the Successful Resolution Applicant (SRA) of PAE Limited ("Company") on the website of Securities and Exchange Board of India (SEBI) on 05th December 2024 wherein an Interim Order Cum Show Cause Notice bearing reference no. WTM/AB/CFID/CFID-SEC3/31030/2024-25 dated 05 December 2024 was passed by Securities and Exchange Board of India (SEBI) under Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992.

Details of the aforesaid Order as required to be disclosed as per Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular no. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated 11 July 2023 are mentioned below:

Sr. No.	Particulars	Details
1	Name of the authority	Securities and Exchange Board of India.
2	Nature and details of the action(s) taken, initiated or order(s) passed	This is an *Interim Order cum Show Cause Notice* issued by SEBI in the matter of **Mishtann Foods Limited**. Shri Jatin Ramanbhai Patel, one of the noticee in the order cum Show Cause Notice, is the erstwhile Promoter and ex Whole Time Director of the company. He is also the **Successful Resolution Applicant (SRA)** for **PAE Limited**.
3	Date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority	Uploaded on the website of Securities and Exchange Board of India (SEBI) on 05 December 2024.

4	Details of the violation(s)/ contravention(s) committed or alleged to be committed	A. Failure to furnish information and non-cooperation with the investigation by MFL B. Misrepresentation/ mis-statements in the Financial Statements of MFL C. Related Party Transactions without requisite approvals D. Diversion/ misutilisation/ misappropriation of funds by MFL E. Corporate Governance Failures Regarding role of entities
5	Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible	The Monitoring committee is currently examining the next steps to be taken in this matter and is analyzing the impact, if any, of this Interim Order cum Show Cause Notice on Company's financial, operation or any other activities at the moment. Furthermore, the Erstwhile Resolution Professional and the Chairperson of the Monitoring Committee have sought clarifications and explanations from the SRA regarding the matter. The clarifications/explanations provided by the SRA are enclosed as **ANNEXURE-1.**

A copy of the SEBI's aforesaid Interim Order cum Show Cause Notice dated 05 December 2024 is enclosed herewith as **ANNEXURE-2** for dissemination of the same for information of the shareholders and investors of the Company.

We request you to kindly take the above information on record.

Thanking you,
Yours faithfully,

For PAE Limited (In CIRP)

UMESH BALARAM SONKAR
Digitally signed by UMESH BALARAM SONKAR
Date: 2024.12.06 20:10:15 +05'30'

Mr. Umesh Balaram Sonkar
Erstwhile Resolution Professional and Chairperson of Monitoring Committee
IP Regn. No: IBBI/IPA-001/IP-P-02619/2021-2022/14043
AFA validity up to 30.06.2025
Email Id: pae.ltd@truproinsolvency.com

Enclosure:

1. Clarifications/explanations provided by the SRA is enclosed as **ANNEXURE-1.**
2. A copy of the SEBI's Interim Order cum Show Cause Notice dated 05 December 2024 is enclosed herewith as **ANNEXURE-2**

PAE LIMITED

Registered Office: C/o Regus, Level 1, Block A, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai - 400 018
Phone: +91 22 66185799. Fax: +91 22 66185757.
www.paeltd.com
CIN: L99999MH1950PLC008152

ANNEXURE-1

JATINBHAI RAMANBHAI PATEL

At Narasinhpura, PO Kukadiya, Taluka: Idar, Dist: Sabarkantha, Gujarat – 383410.

To,
The Monitoring Committee
PAE Limited

Subject: Clarification in regards to an Interim Order cum Show Cause Notice issued in the name of the Company- Mishtann Foods Limited uploaded in the website of Securities and Exchange Board of India on dated 05 December 2024.

Respected Members,

In reference to the captioned subject, wherein I have been mentioned as "Noticee" in the said Interim Order cum Show Cause Notice No: WTM/AB/CFID/CFID-SEC3/31030/2024-25, dated 05/12/2024. Kindly find below my clarifications as under-

1. The said Interim Order is a SHOW CAUSE NOTICE wherein explanation from the company has been sought on certain allegations against the company enclosed Annexure A. The SCN is NOT a final order and is inter alia asking for an explanation from the Company.

2. The Company- Mishtann Foods Limited doesn't agree with the contents of the said Interim order cum Show Cause Notice and also uploaded a clarification on the Bombay Stock Exchange today i.e., 06 December 2024 enclosed as Annexure- B.

3. I do not agree with the contents and the prima facie observations and denies all the purported allegations mentioned in the Interim Order cum Show Cause Notice dated 05/12/2024.

JATINBHAI RAMANBHAI PATEL
At Narasinhpura, PO Kukadiya, Taluka: Idar, Dist: Sabarkantha, Gujarat – 383410.

4. I have resigned from the said company on 31 October 2018.

5. Moreover, I am a successful Resolution Applicant and received order from the NCLT before the date of upload of this Interim Order cum Show Cause Notice and also assure that the said order will not affect my eligibility under section 29A of IBC.

6. Our Legal & Compliance team is making efforts to address the queries and take appropriate actions in accordance with the rights vested in law.

7. In view of the above situation, I have decided to prefer the remedies available in law against the Interim Order cum Show Cause Notice vide no. WTM/AB/CFID/CFID-SEC3/31030/2024-25 dated 05/12/2024.

8. We will follow the due process of law and address the queries in the SCN in due course.

Yours Sincerely,

On behalf of **Jatinbhai Ramanbhai Patel**

Signature: 

Name of the signatory: **Jatinbhai Ramanbhai Patel**

Designation: Self

WTM/AB/CFID/CFID-SEC3/31030/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER CUM SHOW CAUSE NOTICE

Under Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992

In respect of:

Sr. No.	Name of the Noticee	PAN
1.	Mishtann Foods Limited	AAACH5335G
2.	Hiteshkumar Gaurishankar Patel	ASZPP4210E
3.	Navinchandra Dahyalal Patel	AHKPP9016G
4.	Ravikumar Gaurishankar Patel	ASZPP4552H
5.	Jatinbhai Ramanbhai Patel	AWRPP3066G
6.	Bharatbhai Jethabhai Patel	BITPP3746E
7.	Devalkumar Bharatbhai Patel	CSYPP6285L
8.	Surendra Kumar Yadav	AOBPY4416K
9.	Kanakkumar Vinodbhai Patel	EUWPP8468M
10.	Tejal Ravikumar Patel	BEUPP6389A
11.	Nikitaben Devalbhai Patel	CCEPP0198L
12.	Manjulaben Gaurishankar Patel	NA
13.	Rekhaben Kanakkumar Patel	NA
14.	Ajitkumar Narayanbhai Patel	ARTPP1350J
15.	Bhaveshkumar Vasantbhai Patel	ARMPP8208Q
16.	Ravikumar Ramanbhai Patel	BBJPP0622A
17.	Heemaben Janakkumar Patel	CXFPS8047D
18.	Utpalbhai Dineshbhai Raval	APNPR5493Q
19.	Bhumi Jayantkumar Gor	ALYPG1705D
20.	Rajnish Pathak	CWGPP8117D
21.	Ashish Agarwal	AKXPA2136J
22.	Nurudin Jiruwala	AJRPV6597R

23.	Mikil Dineshbhai Vora	ARLPJ2881Q
24.	Vishal Bipinchandra Doshi	ATGPD5132K

(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 Mishtann Foods Limited

Background

1. Mishtann Foods Limited **("Mishtann"/ "MFL"/ "Company")** is a public limited company engaged in processing/manufacturing of rice, wheat and other agricultural products. A snapshot of the relevant details of MFL are as under:

Name of Company	Mishtann Foods Limited
Date of incorporation	February 27, 1981
Registered address	B-905, Empire Business Hub, Opp. Shakti Farm, Science City Road, Sola, Ahmedabad, Gujarat - 380060
Listed on	BSE Ltd. (BSE) and Metropolitan Stock Exchange of India Limited (MSEI)
Date of Listing on BSE	January 22, 2016
Paid-up equity capital (as at end of Sep 2024 quarter)	Rs. 108 crore
Shareholding pattern	Promoters: 43.48% FIIs: 5.63% Public: 50.90%
Market capitalization (as on December 3, 2024)	Rs. 1633 crore
Closing price per share (as on December 3, 2024)	Rs. 15.15 (Face value: Re. 1/- per share)

2. Securities and Exchange Board of India ("**SEBI**") received a SCORES complaint on September 16, 2022, *inter alia*, alleging circular/dummy turnover, Goods and Services Tax ("GST") fraud, stock/inventory manipulations, excessive booking of electricity expenses, income tax fraud, bank fraud, etc. by MFL. The complainant

also informed that Mr. Hiteshkumar Gaurishankar Patel, Managing Director (MD) of MFL was arrested by the GST Department for GST fraud amounting to Rs. 78 crore.

3. SEBI also received a reference dated October 4, 2022 from the Office of the Commissioner of Central GST & Central Excise, Gandhinagar ("**GST Office**" or "**CGST Authority**"), *inter alia*, informing that the company was involved in large-scale manipulation of its books of accounts, revenue, income, and expenditure details by creating fake/paper entities in the form of buyers/suppliers. The GST Office also informed that searches conducted on the purported suppliers/buyers of MFL revealed that many of these supplier/buyer firms were in the names of relatives/family members of the MD of MFL, Mr. Hiteshkumar Gaurishankar Patel and these firms were found to be non-existent or non-operational at their respective business addresses. Further, the GST Office also shared with SEBI a list of the allegedly fake/non-existent/non-operational buyers/suppliers along with the amount of the transactions done by MFL with these entities.

4. The complaint was forwarded to BSE for necessary examination and BSE submitted its examination report on February 20, 2023. Based on the findings/observations of the GST Office and BSE, SEBI investigated the matter to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") read with the provisions of SEBI Act, 1992. The period of investigation was April 1, 2017 to March 31, 2024 (hereinafter referred to as the "Investigation Period"/ "IP"). The findings of the investigation have been brought out in subsequent paragraphs.

5. Further, pursuant to completion of its investigation, the CGST Authority shared with SEBI a copy of the Show Cause Notice dated July 30, 2024 issued to MFL, along with the recorded statements of various entities and the Panchnama of the search operations carried out at the premises of MFL and its various buyers/suppliers.

6. Additionally, BSE was asked by SEBI to conduct surprise site visits to the office of MFL, its factory and to the addresses of some of the buyers/suppliers of MFL,

and pursuant to the site visits, BSE submitted its report in August 2024, *inter alia*, observing that most of the entities were not found at their registered addresses.

Findings of Investigation

7. A snapshot of the company's financial results between FY18 to FY24, as available on the BSE website, is as under:

(Amount in Rs. Crore)

	Standalone							Consolidated	
Particulars	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY18 ***	**FY24 $**
Total Income	387.53	481.82	482.12	351.17	498.59	650.43	322.47	490.60	1288.09
Total Expenses	379.31	468.23	486.48	354.76	455.31	578.61	300.36	482.12	934.16
Profit before Tax	8.30	17.61	0.03	1.02	48.03	76.81	22.12	8.48	353.98
Profit after Tax	5.61	11.80	0.03	0.73	31.41	49.92	14.17	5.79	346.03
EPS	1.81	0.24	-	0.01	0.62	0.50	0.14	1.87	3.35
Net worth	38.39	69.18	69.12	69.95	101.16	150.21	218.68	38.44	550.77
Long term Borrowings	13.10	3.40	0.55	5.78	17.70	20.29	19.48	15.47	19.48
Short Term Loan	17.00	32.41	45.50	47.33	22.93	39.99	27.13	17.00	27.13

* During FY18, the Company's consolidated revenue included revenues of its subsidiary Mishtann Agro Pvt. Ltd.

$ During FY24, the Company's consolidated revenue included revenues of its Dubai based wholly owned subsidiary Grow and Grub Nutrients FZ LLC.

A. ***Failure to furnish information and non-cooperation with the investigation by MFL***

8. In respect of the irregularities observed by the CGST Authority and BSE in MFL's financial statements for the period between FY18 to FY24, certain clarifications/explanations were obtained from MFL vide summons, letters and emails issued by SEBI. However, in each response, MFL stated that a major fire broke out at its registered office on May 6, 2022 which destroyed all office properties, equipment, systems, documents and internal records since the inception of the Company. MFL further stated that it had also filed a police complaint in respect of the said fire accident. It is, however, pertinent to note that MFL did not even provide the documents pertaining to the period subsequent to the fire accident, i.e., FY23 and FY24. Accordingly, the relevant documents such as copies of invoices, proofs of transportation of products such as lorry bills, electricity bills, agenda and minutes of the Board and Audit Committee ("AC") Meetings for FY18 and FY19, etc., were not provided by MFL to SEBI. BSE also

commented in its examination report that MFL did not cooperate with the investigation, provided only partial responses as per its convenience and failed to provide any supporting documents /proofs to support its sales, generator bills, etc.

9. Further, statements of managing director, promoters, executive director and CFO, statutory auditor, and accountant of MFL were recorded in the matter. In addition, summonses were also issued to the top buyers/suppliers to provide information/documents with respect to their sale/purchase transactions with MFL including transportation expenses. However, none of these entities responded to the said summons and no documents were provided to SEBI. Further, none of the four partners/promoters/directors who were common to the majority of these buyers/suppliers appeared before SEBI for deposition, in response to the summonses issued by SEBI.

10. In view of the aforesaid, the investigation by SEBI relied on information obtained from sale and purchase ledgers maintained by MFL in respect of its top buyers/suppliers, bank statements and bank account opening forms of MFL and its buyers/suppliers (as procured from several banks), submissions of MFL and its MD/promoters/directors/CFO/statutory auditors, Annual Reports of MFL and its buyers/ suppliers, BSE examination report and site visit reports, and the disclosures made by MFL on BSE website.

11. Thus, by failing to furnish various information, details, etc. as sought by SEBI vide multiple summonses without any justifiable reasons, MFL was *prima facie* found to have violated the provisions of section 11C (2) read with section 11C (3) of SEBI Act, 1992.

12. Further, in response to SEBI's summonses, the common partners/ directors/ promoters of majority of the buyers/sellers of MFL, viz., Mr. Devalkumar Bharatbhai Patel, Mr. Jatinbhai Ramanbhai Patel, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav, failed to appear before SEBI and failed to furnish information such as audited financial statements, details of bank accounts, ITRs, etc. pertaining to these buyers/sellers, without any justifiable reasons for such failure and thus, are *prima facie* found to have violated the provisions of section 11C (5) of SEBI Act, 1992.

B. Misrepresentation/mis-statements in the Financial Statements of MFL

Inflation of sale/purchase transactions of MFL

13. The sale and purchase transactions of MFL, as disclosed in its Annual Reports on standalone basis, during the Investigation Period are as under:

(Amount in Rs. crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Total Sales	387.53	481.72	482.03	351.07	498.58	650.39	322.42	**3173.74**
Total Purchases	368.71	458.71	456.64	354.09	443.62	551.62	287.72	**2921.11**

14. The details provided by MFL of its total sales and purchases done with its top buyers and suppliers during the Investigation Period are as under:

(Amount in Rs. crore)

Sr. No.	Name of entity	Value of purchases of MFL from entity during Investigation Period	Value of purchases from entity as % of total purchases of MFL during Investigation Period	Value of sales by MFL to entity during Investigation Period	Value of sales from entity as % of total sales by MFL during Investigation Period
1	Arihant Corporation	-	-	175.71	5.54
2	Mishtann Shoppee India Pvt Ltd/Mishtann Agro Pvt. Ltd..	-	-	1326.59	41.80
3	Button Industries Pvt Ltd	-	-	917.02	28.90
4	Patel Brothers	-	-	101.18	3.19
5	Anand Corporation	-	-	112.74	3.55
6	Cropberry Foods Pvt Ltd	784.61	26.86		
7	Artlay Agritech Pvt Ltd.	620.77	21.25	-	-
8	Gayatri Trading	265.89	9.10	-	-
9	Dharati Marketing	80.06	2.74	-	-
10	Payal Sales Agency	607.52	20.80	-	-
11	Celtis Commodities Ltd	79.00	2.70	20.31	0.63
12	Vraj Corporation	140.50	4.81	-	-
13	Ravi Trading	29.23	1.00	-	-
14	Mementos Foods Pvt Ltd	-	-	8.70	0.27
15	Wilshire Nutrifoods Ltd	16.00	0.55	-	-
16	Swarnim Foods Pvt Ltd	25.21	0.86	-	-
TOTAL		**2648.79**	**90.67**	**2662.25**	**83.88**

15. It is, thus, noted from the table above that total sales and purchases of MFL with the aforesaid top buyers/suppliers accounted for approx. 91% and 84% of the total purchases and sales of MFL respectively during the Investigation Period. It is also pertinent to note that these buyers/suppliers of MFL are related to each

other and also to MFL because of common partners/directors. The same would be highlighted in the subsequent paragraphs as part of the analysis of the sale and purchase transactions of MFL. For ease of reference, these entities and their partners/directors are henceforth referred to as "**group entities**" in this Order.

Sale transactions

(I) M/s Arihant Corporation ("Arihant")

16. As per information submitted by MFL, the details of sale transactions booked by MFL with Arihant during the Investigation Period are as under:

Particulars	FY	Amount (in Rs. crore)	% of total sales of MFL for the respective FY
Sales	2017-18	44.73	11.55
	2018-19	130.98	27.19
Total		**175.71**	

17. Upon an analysis of the bank account statements of Arihant, it was observed that more than 99% of the amounts credited in Arihant's bank account during the Investigation Period were received from certain group entities and approximately the same amounts were transferred by Arihant to MFL and to one of the independent directors of MFL. The summary of transactions done in the bank account of Arihant during the Investigation Period is as under:

From	To	Total Amount (in Rs. crore)	% of total credits/debits in the accounts
Credits			
Group entities	Arihant	172.91	99.34
Other	Arihant	1.15	0.66
Total Credits		174.06	100
Debits			
Arihant	MFL	172.80	99.28
Arihant	Devalkumar Bharatbhai Patel (Independent Director of MFL)	1.26	0.72
Arihant	Other	0.00	0.00
Total Debits		174.59	100

18. It was further observed from an overall analysis of bank transactions among all group entities that the aforesaid amounts transferred by Arihant to MFL were originally received by Arihant from MFL itself through other group entities and all

these fund transfers occurred within a very short span of time. Thus, it was *prima facie* found that there was a circular flow of funds between MFL, Arihant and the other group entities. A sample illustration of the circular fund transfers is as under:

Date and time	From	To	Amount (in Rs.)
18/01/2018 12:28	MFL	Payal Sales	44,16,830
18/01/2018 12:34	Payal Sales	Ravi Trading	44,13,670
18/01/18 13:57	Ravi Trading	Arihant	44,03,000
18/01/18 14:00	Arihant	MFL	20,00,000
18/01/18 14:01	Arihant	MFL	20,00,000
18/01/18 14:02	Arihant	MFL	3,70,380

Date and time	From	To	Amount (in Rs.)
08/06/2018 16:18	MFL	Payal Sales	1,03,12,685
08/06/2018 16:42	Payal Sales	Mishtann Agro	1,01,50,000
08/06/2018 18:07	Mishtann Agro	Arihant	52,37,062
08/06/2018 18:24	Arihant	MFL	19,50,830
08/06/2018 18:24	Arihant	MFL	20,00,000
08/06/2018 18:25	Arihant	MFL	12,84,630

19. Further, as per the Bank Account Opening Form ("AOF") of Arihant, it was observed that Arihant was a partnership firm and Mr. Bharat Jethabhai Patel and Mr. Kanakkumar Vinodbhai Patel were its partners from August 23, 2017. However, it is pertinent to note that Mr. Bharat Jethabhai Patel was also an independent director of MFL during September 30, 2015 to July 03, 2019 and Arihant entered into the aforesaid transactions with MFL during October 02, 2017 to March 31, 2019. Thus, it was *prima facie* found that Arihant was a related party of MFL as per regulation 2(1)(zb) of LODR Regulations and the sales by MFL to Arihant in FY19 were material related party transactions ("RPTs"), being 27% of the previous year's annual consolidated turnover of MFL. Further, Mr. Bharat Jethabhai Patel was also a partner/director of other group entities such as Mishtann Agro with whom Arihant had sizeable bank transactions. It was also observed that the bank account of Arihant became dormant since May 27, 2019 and almost the entire balance amount in Arihant's account was transferred to MFL.

20. SEBI issued summonses to Arihant and its Managing Partner, Mr. Kanakkumar Vinodbhai Patel seeking documents such as audited financial statements, copies

of Income Tax returns, details of sale/purchase transactions, top five buyers and suppliers, bank account details, expense details including transportation expenses, etc. However, no information was furnished in response to the said summonses. Further, as per BSE's site inspection report, Arihant was not found at the address available in its Bank AOF.

21. It was also observed that there were no debit transactions in Arihant's bank account other than to MFL and to Mr. Devalkumar Bharatbhai Patel (one of the independent directors of MFL). Thus, in the absence of receipt of any other documents such as invoices and financial statements of Arihant (which were not available in the public domain as Arihant was a partnership firm), it was *prima facie* found that Arihant did not incur any other expenses, including storage or transportation expenses, during the Investigation Period.

22. In view of the aforesaid observations, viz., circular flow of funds between MFL, Arihant and other group entities, NIL storage/transportation expenses incurred by Arihant during the Investigation Period, Arihant not being found at its address during site visit by BSE and no response by Arihant to SEBI's summonses, it was *prima facie* concluded that the sales booked by MFL with Arihant were fictitious.

(II) Mishtann Shoppee India Pvt. Ltd. (formerly known as Mishtann Agro Pvt. Ltd.) ("Mishtann Shoppee/Agro")

23. Mishtann Agro Pvt. Ltd. was incorporated on August 07, 2012 and changed its name to Mishtann Shoppee India Pvt. Ltd. on April 25, 2019. As per the financial statements of MFL for FY18, Mishtann Agro Pvt. Ltd. was shown as a subsidiary of MFL and later, it ceased to be subsidiary of MFL with effect from May 14, 2018.

24. As per information submitted by MFL, the details of sale transactions booked by MFL with Mishtann Shoppee/Agro during the Investigation Period, along with the details of total purchases of Mishtann Shoppee/Agro as obtained from MCA database are as under:

(Amount in Rs. crore)

Particulars	FY	Amount of sales by MFL to Mishtann Shoppee/ Agro during FY	% of total sales of MFL during FY	Amount of total purchases of Mishtann Shoppee/ Agro* during FY	Purchase from MFL as a % of total purchase of Mishtann Shoppee/Agro for the respective FY
Sales	2017-18	28.55	7.37	281.70	10.13
	2019-20	438.76	**91.02**	564.69	**77.68**
	2020-21	314.59	**89.56**	378.32	**83.15**
	2021-22	389.28	**78.08**	647.87	**60.08**
	2022-23	150.86	76.07	*	-
	2023-24	4.55	1.41	*	-
Total		**1326.59**			

* Sourced from MCA database. The financial statements are not available for FY23 and FY24.

25. It is noted from the table above that during FY20 to FY22, Mishtann Shoppee/Agro booked a significant proportion of its total purchases with MFL and MFL also booked a significant proportion of its total sales with Mishtann Shoppee/Agro during this period.

26. Upon an analysis of the bank account statements of Mishtann Shoppee/Agro, it was observed that approx. 92% of the credit entries and approx. 93% of the debit entries during the Investigation Period in Mishtann Shoppee/Agro's bank accounts were only from/to MFL or the group entities. The summary of transactions done in the bank accounts of Mishtann Shoppee/Agro during the Investigation Period is as under:

From	To	Total Amount (in Rs. crore)	% of total credits/debits in the accounts
Credits			
Group Entities	Mishtann Shoppee/Agro	2216.59	92.16
Other entities	Mishtann Shoppee/Agro	188.56	7.84
Total Credits		**2405.15**	**100.00**
Debits			
Mishtann Shoppee/Agro	MFL	1310.47	54.48
Mishtann Shoppee/Agro	Group Entities	925.41	38.47
Mishtann Shoppee/Agro	Other entities	169.57	7.05
Total Debits		**2405.45**	**100.00**

27. It was further observed from an overall analysis of all bank transactions among all group entities that the aforesaid amounts transferred by Mishtann Shoppee/Agro to MFL/other group entities were originally received by Mishtann Shoppee/Agro from MFL itself through other group entities and all these fund transfers occurred within a very short span of time. Thus, it was *prima facie* found that there was a circular flow of funds between MFL, Mishtann Shoppee/Agro and the other group entities. A sample illustration of the circular fund transfers is as under:

Date and time	From	To	Amount (in Rs.)
12/11/2019	MFL	Payal Sales	90,00,000
12/11/19 09:52	Payal Sales	Button Industries	25,00,000
12/11/19 09:52	Payal Sales	Button Industries	25,00,000
12/11/19 09:52	Payal Sales	Button Industries	25,00,000
12/11/19 09:53	Payal Sales	Button Industries	15,00,000
12/11/19 09:56	Button Industries	Mishtann Shoppee/Agro	35,94,500
12/11/19 09:58	Button Industries	Mishtann Shoppee/Agro	47,39,100
12/11/2019 10:12	Mishtann Shoppee/Agro	MFL	31,58,760
12/11/2019	Mishtann Shoppee/Agro	MFL	44,96,025

28. It was also observed that Mr. Devalkumar Bharatbhai Patel was a promoter-director of Mishtann Shoppee/Agro since April 2, 2018 and was also an independent director of MFL during September 30, 2015 to July 03, 2019. Further, the previous promoters/directors of Mishtann Shoppee/ Agro (during August 7, 2012 to April 10, 2018) were Mr. Hiteshkumar Gaurishankar Patel, managing director of MFL and Mr. Ravikumar Gaurishankar Patel, executive director/CFO of MFL. Since Mishtann Shoppee/Agro had entered into transactions with MFL during this period, it was *prima facie* found that Mishtann Shoppee/Agro was a related party of MFL as per regulation 2(1)(zb) of LODR Regulations. Further, the current director, Mr. Devalkumar Bharatbhai Patel was also a partner/director of other group entities such as Button Industries Pvt. Ltd. with whom Mishtann Shoppee/Agro had sizeable bank transactions.

29. Further, SEBI also issued summonses to Mishtann Shoppee/Agro seeking documents such as audited financial statements, copies of Income Tax returns, details of sale/purchase transactions, top five buyers and suppliers, bank

account details, expense details including transportation expenses, etc. However, no information was furnished in response to the said summonses.

30. In addition, summonses were also issued to the director of Mishtann Shoppee/Agro, Mr. Devalkumar Bharatbhai Patel who, *inter alia*, submitted through emails in July 2024 that he was travelling for marketing purposes and would not be able to appear in person. He also requested that he may be allowed to appear once he returns from tour after August 2024 and also sought sufficient time to provide the information as required by SEBI. SEBI responded to his emails and also made several calls on his mobile phone. Mr. Devalkumar Bharatbhai Patel picked up the first phone call but hung up stating that he would call back. However, he did not pick up or return any calls from SEBI thereafter.

31. Further, as per BSE's site inspection report, Mishtann Shoppee/Agro was not found at the address available in its Bank AOF and some other company, viz., M/s. Elastic Serve was operating from the said address.

32. Upon an analysis of financial statements of Mishtann Shoppee/Agro for FY18 to FY22 as available on MCA database, the following was observed in respect of the expenses of Mishtann Shoppee/Agro:

(Amount in Rs. crore)

Item	FY18	FY19	FY20	FY21	FY22
Revenue from sale of products	132.47	283.69	568.11	380.56	590.10
Purchases	132.11	281.71	564.68	378.32	647.87
Other Expenses	0.03	1.24	2.80	1.70	4.10
Other expenses as % of revenue from sale of products	0.02%	0.44%	0.49%	0.45%	0.69%
Inventory	1.10	0.73	1.39	0.73	0.80
Borrowings (Long and Short term)	2.37	2.37	1.88	1.00	0.96

It was observed from the table above that the highest-ever value of 'Other Expenses' (which may include transportation expenses) of Mishtann Shoppee/Agro during these five years was a miniscule 0.69% of its revenue. However, considering that Mishtann Shoppee/Agro has four branches in different regions of India, the transportation expenses (even if the entire amount of 'Other Expenses' is considered to be towards transportation expenses) incurred by it was not commensurate with its revenues. Thus, it was *prima facie* found that Mishtann Shoppee/Agro did not incur any expenses towards transportation of goods during the Investigation Period. It was also noted from the table above that

Mishtann Shoppee/Agro had negligible inventory and negligible short term/long term borrowings during this period.

33. In view of the aforesaid observations, viz., circular flow of funds between MFL, Mishtann Shoppee/Agro and other group entities, negligible inventory and borrowings, negligible transportation expenses incurred by Mishtann Shoppee/Agro during the Investigation Period, Mishtann Shoppee/Agro not being found at its address during site visit by BSE, and no response by Mishtann Shoppee/Agro to SEBI's summonses and calls, it was *prima facie* found that the sales booked by MFL with Mishtann Shoppee/Agro were fictitious.

Sale transactions with other group entities

34. Similar to the aforementioned modus operandi of MFL booking sale transactions with group entities, viz., Arihant and Mishtann Shoppee/Agro, the analysis regarding sale transactions with other top buyers of MFL is summarized as under:

(III) Button Industries Pvt. Ltd. ("Button")

<table>
<tr><td>Details of sale transactions of MFL with Button (as per information submitted by MFL) and total purchases of Button (as per MCA database)</td><td>
<table>
<tr><th>Particulars</th><th>FY</th><th>Amount of sale by MFL to Button during FY (in Rs. crore)</th><th>Amount of sale to Button as % of total sale of MFL during FY</th><th>Total purchase of Button during FY (in Rs. crore) *</th><th>Purchase from MFL as a % of total purchase of Button during FY</th></tr>
<tr><td rowspan="3">Sales</td><td>2021-22</td><td>106.29</td><td>21.32</td><td>176.04</td><td>60.37</td></tr>
<tr><td>2022-23</td><td>494.72</td><td>76.07</td><td>812.98</td><td>60.85</td></tr>
<tr><td>2023-24</td><td>316.02</td><td>98.14</td><td>*</td><td></td></tr>
<tr><td>Total</td><td></td><td>917.03</td><td></td><td></td><td></td></tr>
</table>
* Financial Statements not available for FY24
As noted from the table above, during FY22 and FY23, Button booked more than 60% of its total purchases with MFL. Further, MFL booked an even higher proportion of its total sales for FY23 and FY24 with Button.</td></tr>
<tr><td>Observations regarding Credit and Debit entries in Button's bank accounts</td><td>97.60% of credit entries and 99.59% of debit entries in the bank accounts of Button during the Investigation Period were from/to the group entities only.
Further, the amounts transferred by Button to MFL/other group entities were originally received by Button from MFL itself through</td></tr>
</table>

<table>
<tr><td></td><td>other group entities and all these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:
<table><tr><th>Date and time</th><th>From</th><th>To</th><th>Amount (in Rs.)</th></tr><tr><td>28/03/2022</td><td>MFL</td><td>Artlay</td><td>73,28,710</td></tr><tr><td>28/03/2022</td><td>MFL</td><td>Artlay</td><td>67,32,981</td></tr><tr><td>28/03/2022</td><td>Artlay</td><td>Tremento</td><td>73,22,690</td></tr><tr><td>28/03/2022</td><td>Artlay</td><td>Tremento</td><td>67,39,610</td></tr><tr><td>28/03/22 17:11</td><td>Tremento</td><td>Button</td><td>54,46,605</td></tr><tr><td>28/03/22 17:33</td><td>Button</td><td>MFL</td><td>54,49,631</td></tr><tr><td>28/03/22 17:34</td><td>Tremento</td><td>Button</td><td>87,89,230</td></tr><tr><td>28/03/22 17:35</td><td>Button</td><td>MFL</td><td>87,90,143</td></tr></table>
Thus, it was prima facie found that there was a circular flow of funds between MFL, Button and the other group entities</td></tr>
<tr><td>Response of Button and its Director/Promoter to summonses issued by SEBI seeking details of financial statements, sale/purchase transactions, expenses, etc.</td><td>Button did not respond to the summons.
Summonses were also issued to the promoter-director of Button, Mr. Devalkumar Bharatbhai Patel, who, inter alia, submitted through emails in July 2024 that he was travelling for marketing purposes and requested that he may be allowed to appear after August 2024 and also sought sufficient time to provide the information as required by SEBI. However, as mentioned earlier, Mr. Devalkumar Bharatbhai Patel did not thereafter respond to SEBI’s emails and calls.</td></tr>
<tr><td>Observations of BSE regarding site visit to Button’s address</td><td>Upon inquiry by BSE team from nearby office, it was informed that Button’s premises was never seen open. Further, no reply was received from the contact number mentioned on the company name board.</td></tr>
<tr><td>Observations from Button’s financials regarding transportation expenses, inventory and borrowings of Button</td><td>Transportation expenses not recorded in Button’s books of account. However, Notes to the accounts mentioned that transportation cost for purchase and sales were included into the cost of purchase and sales respectively. A snapshot of the relevant information from the financial statements of Button is as under:
(Amount in Rs. Crore)
<table><tr><th></th><th>FY20</th><th>FY21</th><th>FY22</th><th>FY23</th></tr><tr><td>Revenue from Sale of Products</td><td>368.83</td><td>163.71</td><td>169.01</td><td>749.52</td></tr><tr><td>Purchases</td><td>369.08</td><td>163.96</td><td>176.05</td><td>812.99</td></tr></table></td></tr>
</table>

Other Expenses	*0.38*	*0.04*	*0.29*	*3.08*
Other Expenses as % of revenue	*0.10%*	*0.02%*	*0.17%*	*0.41%*
Inventory	*0.76*	*1.15*	*0.00*	*0.00*
Borrowings (Long and Short term)	*0.00*	*0.00*	*0.00*	*48.47*

35. In view of the aforesaid observations, viz., circular flow of funds between MFL, Button and other group entities, minimal inventory, Button not being found at its address during site visit by BSE, no transportation expenses booked by Button, and no response by Button to SEBI's summonses and calls, it was *prima facie* found that the sales booked by MFL with Button were fictitious.

36. Further, the findings of the investigation related to two other top buyers of MFL, viz., **M/s Anand Corporation** and **M/s Patel Brothers** are summarised as under:

(a) The sale transactions booked by MFL with these two entities in FY18 and FY19 comprised approx. 10-15% of the total sales of MFL during these years.

(b) More than 99% of the credit and debit entries in the bank accounts of both of these entities during the Investigation Period were from/to the group entities only and there was circular flow of funds between these entities, MFL and other group entities.

(c) Both the entities and their partners did not respond to SEBI's summonses and the partners failed to appear before the Investigating Authority on the scheduled dates.

(d) Both the entities were not found at their addresses during site visit conducted by BSE.

(e) Both the entities were *prima facie* found to have not incurred any expenses towards storage or transportation during the Investigation Period.

37. In view of the aforesaid findings, it was *prima facie* found that the sales booked by MFL with Patel Brothers and Anand Corporation were fictitious.

Purchase transactions

(I) Cropberry Foods Pvt Ltd ("Cropberry")

Details of purchase transactions of MFL with Cropberry (as per information submitted by MFL) and total sales of Cropberry (as per MCA database)

Particulars	FY	Purchase by MFL from Cropberry during FY (in Rs. crore)	Purchase from Cropberry as % of total purchase of MFL during FY	Total sale of Cropberry during FY (in Rs. crore)	Sale to MFL as % of total sale of Cropberry during FY
Purchases from Cropberry	2020-21	89.11	25.15	155.07	**57.46**
	2021-22	194.59	43.86	368.30	**52.83**
	2022-23	335.71	**60.86**	552.51	**60.07**
	2023-24	165.21	**57.42**	*	*
Total		**784.62**			

* Financial Statements not available for FY24

As noted from the table above, during FY23 and FY24, MFL booked more than 50% of its total purchases with Cropberry. Further, Cropberry also booked more than 50% of its total sales for FY21, FY22 and FY23 with MFL.

Observations regarding Credit and Debit entries in Cropberry's bank accounts

99.21% of credit entries and 97.14% of debit entries in the bank accounts of Cropberry during the Investigation Period were from/to the group entities only.

Further, the amounts transferred to Cropberry by MFL/other group entities were subsequently returned to MFL itself through other group entities and all these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:

Date and time	From	To	Amount (in Rs.)
19/10/2020	MFL	Cropberry	49,32,700
19/10/2020	Cropberry	Button	49,32,800
19/10/2020	Button	Mishtann Shoppee/Agro	49,33,177
19/10/2020	Mishtann Shoppee/Agro	MFL	52,00,000

Also, the current and previous promoters/directors of Cropberry are/were also the partners/directors of other group entities such as Arihant, Anand Corp, Dharati Marketing, Patel Brothers, etc.

It was *prima facie* found that there was circular flow of funds between MFL, Cropberry and the other group entities.

<table>
<tr><td>Response of Cropberry and its Director/Promoter to summonses issued by SEBI seeking details of financial statements, sale/purchase transactions, expenses, etc.</td><td>Summonses were issued to Cropberry and its directors, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav. However, no response to the summonses was received and the directors also failed to appear before SEBI on the scheduled date.</td></tr>
<tr><td>Observations of BSE regarding site visit to Cropberry's address</td><td>BSE informed that Cropberry was not found at its registered address and the address was located in a residential area.</td></tr>
<tr><td>Observations from Cropberry's financials regarding transportation expenses, inventory and borrowings of Cropberry</td><td>Transportation expenses were not recorded in Cropberry's books of accounts. However, Notes to the accounts mentioned that transportation cost for purchase and sales were included in the cost of purchase and sales respectively. A snapshot of the relevant information from the financial statements of Cropberry is as under:
(Amount in Rs. Crore)
<table><tr><th></th><th>FY21</th><th>FY22</th><th>FY23</th></tr><tr><td>Revenue</td><td>155.06</td><td>368.29</td><td>522.51</td></tr><tr><td>Purchases</td><td>162.06</td><td>384.92</td><td>535.12</td></tr><tr><td>Other Expenses</td><td>0.01</td><td>0.43</td><td>5.47</td></tr><tr><td>Other Expenses as a % of revenue</td><td>0.01%</td><td>0.12%</td><td>1.05%</td></tr><tr><td>Inventory</td><td>7.13</td><td>24.46</td><td>43.14</td></tr><tr><td>Short-term Loans & Advances</td><td>4.34</td><td>9.11</td><td>33.23</td></tr></table></td></tr>
</table>

38. In view of the aforesaid observations, viz., circular flow of funds between MFL, Cropberry and other group entities, Cropberry not being found/ located at its address during site visit by BSE, no transportation expenses booked by Cropberry, no details including invoices received from Cropberry, and no response by Cropberry to SEBI's summonses, it was *prima facie* concluded that the purchase transactions booked by MFL with Cropberry were fictitious.

(II) Artlay Agritech Pvt. Ltd. ("Artlay")

Details of purchase transactions of MFL with Artlay (as per information submitted by MFL) and total sales of Artlay (as per MCA database)

Particulars	FY	Purchase by MFL from Artlay during FY (in Rs. crore)	Purchase from Artlay as % of total purchase of MFL during FY	Total sale of Artlay during FY (in Rs. crore)	Sale to MFL as % of total sales of Cropberry during FY
Purchases from Artlay	2020-21	108.70	**30.67**	190.17	**56.85**
	2021-22	197.60	**44.54**	463.01	**42.68**
	2022-23	196.39	**35.60**	430.36	**45.64**
	2023-24	118.07	**36.62**	*	*
Total		**620.76**			

* Financial Statements not available for FY24

As noted from the table above, during FY21 to FY24, a significant proportion of purchases of MFL were booked with Artlay. Further, Artlay also booked a significant proportion of its sales during FY21 to FY23 with MFL.

Observations regarding Credit and Debit entries in Artlay's bank accounts

99.21% of credit entries and 95.92% of debit entries in the bank accounts of Artlay during the Investigation Period were from/to the group entities only.

Further, the amounts transferred to Artlay by MFL/other group entities were subsequently returned to MFL itself through other group entities and all these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:

Date and time	From	To	Amount (in Rs.)
28/10/2020	MFL	Artlay	30,62,150
28/10/2020	Artlay	Button	30,18,440
28/10/2020 13:30	Button	Mishtann Shoppee/Agro	29,16,445
28/10/2020 13:38	Mishtann Shoppee/Agro	MFL	31,29,800

Also, the current and previous promoters/directors of Artlay are/were also the partners/directors of other group entities such as Arihant, Anand Corp, Dharati Marketing, Patel Brothers, Cropberry, etc.

It was *prima facie* found that there was circular flow of funds between MFL, Artlay and the other group entities.

<table>
<tr><td>Response of Artlay and its Director/Promoter to summonses issued by SEBI seeking details of financial statements, sale/purchase transactions, expenses, etc.</td><td>Summonses were issued to Artlay and its directors, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav. However, no response was received to the summonses and the directors also failed to appear before SEBI on the scheduled date.</td></tr>
<tr><td>Observations of BSE regarding site visit to Artlay's address</td><td>BSE informed that Artlay was not found at its registered address and the address was located in a residential area.</td></tr>
<tr><td>Observations from Artlay's financials regarding transportation expenses, inventory and borrowings of Artlay</td><td>Transportation expenses were not recorded in Artlay's books of accounts and only loading and unloading expenses were recorded. A snapshot of the relevant information from the financial statements of Artlay is as under:
(Amount in Rs. Crore)
<table><tr><th></th><th>FY21</th><th>FY22</th><th>FY23</th></tr><tr><td>Revenue</td><td>190.18</td><td>463.01</td><td>430.36</td></tr><tr><td>Purchases</td><td>197.98</td><td>455.46</td><td>475.45</td></tr><tr><td>Other Expenses</td><td>0.01</td><td>0.59</td><td>7.27</td></tr><tr><td>Other Expenses as % of revenue</td><td>0.01%</td><td>0.13%</td><td>1.69%</td></tr><tr><td>Inventory</td><td>7.91</td><td>1.25</td><td>53.94</td></tr><tr><td>Short-term Loans & Advances</td><td>0.01</td><td>0.00</td><td>36.72</td></tr></table></td></tr>
</table>

39. In view of the aforesaid observations, viz., circular flow of funds between MFL, Artlay and other group entities, Artlay not being found/ located at its address during site visit by BSE, no transportation expenses booked by Artlay, no details including invoices received from Artlay, and no response by Artlay to SEBI's summonses, it was *prima facie* concluded that the purchase transactions booked by MFL with Artlay were fictitious.

(III) M/s Payal Sales Agency ("Payal")

<table>
<tr>
<td>Details of purchase transactions of MFL with Payal (as per information submitted by MFL)</td>
<td>
<table>
<tr><th>Particulars</th><th>FY</th><th>Amount (in Rs. crore)</th><th>Purchase from Payal as % of total purchase of MFL for the respective FY</th></tr>
<tr><td>Purchases</td><td>2017-18</td><td>111.00</td><td>30.10</td></tr>
<tr><td></td><td>2018-19</td><td>193.32</td><td>42.07</td></tr>
<tr><td></td><td>2019-20</td><td>303.19</td><td>66.40</td></tr>
<tr><td colspan="2">Total</td><td>607.51</td><td></td></tr>
</table>
As noted from the table above, during FY18 to FY20, a significant proportion of purchases of MFL were booked with Payal.
</td>
</tr>
<tr>
<td>Observations regarding Credit and Debit entries in Payal's bank accounts</td>
<td>
99.32% of credit entries and 90.83% of debit entries in the bank accounts of Payal during the Investigation Period were from/to the group entities only.
Further, the amounts transferred to Payal by MFL/other group entities were promptly returned to MFL itself through other group entities. All these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:
<table>
<tr><th>Date and time</th><th>From</th><th>To</th><th>Amount (in Rs.)</th></tr>
<tr><td>24/01/2018 14:10</td><td>MFL</td><td>Payal</td><td>25,16,750</td></tr>
<tr><td>24/01/2018 14:16</td><td>Payal</td><td>Ravi Trading</td><td>24,38,920</td></tr>
<tr><td>24/01/2018 00:00</td><td>Ravi Trading</td><td>Arihant Corporation</td><td>23,25,000</td></tr>
<tr><td>24/01/2018 11:00</td><td>Arihant Corporation</td><td>MFL</td><td>20,00,000</td></tr>
<tr><td>24/01/2018 11:01</td><td>Arihant Corporation</td><td>MFL</td><td>3,30,000</td></tr>
</table>
In addition, the partners of Payal, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav, were also the partners/directors of other group entities such as Arihant, Anand Corp, Patel Brothers, Artlay, Cropberry, Dharati, etc.
It was prima facie found that there was circular flow of funds between MFL, Payal and the other group entities.
</td>
</tr>
<tr>
<td>Response of Payal to summonses issued by SEBI seeking details</td>
<td>Summonses were issued by SEBI to Payal and its partners, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav. However, as mentioned earlier, there was no response to the summonses issued by SEBI and no appearance on the scheduled date by any of the partners.</td>
</tr>
</table>

of financial statements, sale/purchase transactions, expenses, etc.	
Observations of BSE regarding site visit to Payal's address	BSE informed that Payal was not found at the address available in its Bank AOF.

40. In view of the aforesaid observations, viz., circular flow of funds between MFL, Payal and other group entities, Payal not found at its address during site visit by BSE, no details including invoices or financial statements received from Payal, and no response by Payal to SEBI's summonses, it was *prima facie* found that the purchase transactions booked by MFL with Payal were fictitious.

Purchase transactions with other group entities

41. Further, the findings of the investigation related to four other top sellers of MFL, viz., **M/s Gayatri Trading Agency ("Gayatri")**, **Dharati Marketing ("Dharati")**, **Vraj Corporation ("Vraj")**, **M/s Ravi Trading ("Ravi")** are summarised as under:

(a) The purchase transactions booked by MFL cumulatively with these four entities in FY18, FY19 and FY20 comprised approx. 43%, 56% and 19% respectively of the total purchases of MFL during these years.

(b) Approx. 98-99% of credit entries in the bank accounts of Gayatri, Dharati and Vraj and approx. 73% of credit entries in the bank account of Ravi were from the group entities only. Further, approx. 99% of debit entries in the bank accounts of Dharati and Vraj, approx. 80% of debit entries in the bank account of Gayatri and approx. 60% of debit entries in the bank account of Ravi were to the group entities only. In addition, there was a circular flow of funds between these respective entities, MFL and other group entities within a very short span of time.

(c) The partners of all these four entities functioned as the independent directors/directors of MFL at different times during the Investigation Period

when these entities booked purchase transactions with MFL. Thus, these entities were related parties of MFL. Further, the partners of these four entities were also the partners/directors of certain other group entities.

(d) There was no response to the summonses issued by SEBI and no appearance on the scheduled dates by any of the partners of these entities.

(e) None of these entities were found to be located at addresses mentioned in the Bank AOF during site visit conducted by BSE.

42. In view of the aforesaid findings, it was *prima facie* found that the purchase transactions booked by MFL with these four entities were fictitious.

Investigation findings regarding circular movement of funds

43. In respect of the circular flow of funds between MFL and the group entities as noted above, it was also observed that the trade receivables of MFL increased exponentially during the Investigation Period and by the end of September 2024 quarter, it constituted almost 97% assets of MFL. However, the trade payables remained stable as per its financials and the same are tabulated below:

(Amount in Rs. Crore)

Particulars	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Trade Receivables	31	57	99	81	99	221	260
Trade Payables	1.61	0.25	4.66	3.01	2.31	3.48	2.52
Cash Flow:							
Operating Activity	-23	-9	3	-5	-12	-3	-54
Investing Activity	0	0	0	0	0	0	0
Financing Activity	23	9	-3	5	12	2	54

Further, as noted from the table above, MFL had negative operating cash flow during the entire Investigation Period except in FY20 even though it was booking substantial amount of sales during this period. These figures indicate that the Company was paying its purported suppliers in full on time, however, it was not receiving the full payment against sales from its purported buyers.

44. In view of the fact that the purported buyers and suppliers of MFL were actually the group entities of MFL involved in circular flow of funds, it is also pertinent to note that during the Investigation Period, the group entities transferred funds amounting to Rs. 217.30 crore to the promoters/ directors and their relatives and received funds amounting to Rs. 170.20 crore from the promoters/ directors and their relatives. Thus, the group entities transferred a net amount of Rs. 47.10 crore to the promoters/ directors/ partners of MFL and group entities and their

relatives, viz., Mr. Hiteshkumar Gaurishankar Patel, Mr. Navinchandra D Patel, Mr. Ravikumar Gaurishankar Patel, Mr. Devalkumar Bharatbhai Patel, Mr. Kanakkumar Vinodbhai Patel, Mr. Jatinbhai Ramanbhai Patel, Ms. Manjulaben Gaurishankar Patel, Ms. Nikitaben Devalbhai Patel, Ms. Tejal Ravikumar Patel, Mr. Bharatbhai Jethabhai Patel and Ms. Rekhaben Kanakkumar Patel.

45. Considering that the sale and purchase transactions of MFL with the group entities were *prima facie* found to be fictitious and these group entities were found to have received funds only from MFL and other group entities, the net transfer of funds by these group entities to the promoters/ directors/partners of MFL and group entities and their relatives cannot be considered to be genuine business transactions. Thus, it was *prima facie* found that MFL, by booking fictitious sale/purchase transactions with the group entities, diverted/ misutilised/ misappropriated its funds amounting to Rs. 47.10 crore.

Investigation findings regarding transportation cost

46. The findings of the investigation of SEBI regarding the expenses incurred on transportation for the sale and purchase transactions of MFL are as follows:

(a) MFL did not incur any transportation cost related to its sales and purchases of goods as per its Profit and Loss statements.

(b) As per submissions of MFL, it purchased goods at factory delivery charges (FOB) and supplied the goods on ex-factory rates and thus, no expenses were accrued and recorded in the books of accounts.

(c) Mr. Hiteshkumar Gaurishankar Patel **("HGP")**, MD of MFL, *inter alia*, submitted in his statement before SEBI that there were no transportation charges or freight charges or any other manufacturing expenses like labour and wages, repair to machinery, direct manufacturing expenses etc., in MFL, however, he failed to submit any supporting documents or reasons in support of his submission.

(d) Mr. Ravikumar Gaurishankar Patel, promoter and executive director and Mr. Navinkumar D Patel, executive director and CFO of MFL, *inter alia*, submitted during their depositions that MFL did not incur transportation charges.

Therefore, initially, these observations appeared to indicate that transportation cost related to sales and purchases were incurred by the counterparty buyers and sellers.

47. However, as noted earlier, majority of the group entities either did not record any transportation expenses in their books of accounts or mentioned in the notes to the accounts that transportation cost for purchases and sales were included in the cost of purchase and sales respectively.

48. Further, HGP, in his deposition before the CGST Authority on March 24, 2021, *inter alia*, submitted that 85-90% of sales of MFL were through the distributor, i.e., Mishtann Shoppee/Agro and upon receiving the order, the goods were dispatched to locations informed by the distributor. In this regard, Mr. Devalkumar Bharatbhai Patel, the Promoter-Director of Mishtann Shoppee/Agro, in his deposition before the CGST Authority on September 28-29, 2021, *inter alia*, submitted that delivery of goods was made by MFL directly at Mishtann Shoppee/Agro's warehouses.

49. Thus, the statements of MD of MFL and Promoter-Director of Mishtann Shoppee/Agro before CGST Authority indicated that MFL was responsible for transportation of goods which was however, contrary to the submissions of MFL and its Directors/CFO before SEBI that transportation cost was not borne by MFL.

Statement of Statutory Auditor

50. The statutory auditor of MFL, Mr. Jaswant Manilal Patel, during his deposition before SEBI, *inter alia*, submitted as follows:

(a) In March 2023, the value of the closing stock of MFL increased by approx. Rs 10 crore to show higher/inflated profit of the company. Accordingly, the general reserve was increased to that extent and the same was utilised for bonus issues.

(b) There was undisputed income tax liability against MFL to the tune of Rs. 15.85 crore for FY22 and Rs. 26.89 crore for FY23 in addition to disputed tax liability of Rs. 117.44 crore.

(c) Inventory of MFL was maintained in Tally software and the audit relied solely on the Tally software and no physical verification of inventory was carried out. The management of MFL did not provide the physical verification report and reconciliation of inventory.

(d) No verification was done with the buyers/suppliers of MFL, so not able to comment on the genuineness of the buyers/suppliers of MFL.

51. The auditor in its audit report for FY23, noted that the value of closing stock at the end of FY23 was inflated by Rs. 9.55 crore since MFL valued its inventory at the net realisable value in FY23 and hence, the profit also increased to that extent. However, as per Ind AS 2, inventories should be valued at lower of the cost and net realisable value and thus, the valuation of the inventory by MFL as per net realisable value in FY23 (when the cost of inventory was lower than the net realisable value) was not in accordance with Ind AS 2, despite the statutory auditor highlighting the same.

52. Further, the Managing Director and CFO of MFL stated in their certificate issued under regulation 17(8) of LODR Regulations for FY23 that there were no significant changes in accounting policies during the year. However, as noted above, MFL changed its accounting policy in respect of inventory valuation in FY23 and did not consistently follow the accounting policy for inventory valuation through the years. Thus, it was *prima facie* found that MFL violated the provisions of Ind AS 2 and Ind AS 8.

53. In this regard, it was also noted that the accounting policy not being in accordance with Ind AS 2 was only reported as a 'key audit matter' by the statutory auditor and not as a qualified opinion. Further, the auditor solely relied on the Tally software for the sale, purchase and closing stock figures instead of doing vouching, inventory verification or third party verification for the genuineness of suppliers/buyers of MFL. Hence, it was found that the statutory auditor failed to perform its duties while certifying the financial results of MFL.

Investigation findings regarding closing stock of MFL

54. The inventory of MFL was Rs. 39.66 crore and Rs. 40.29 crore as on March 31, 2021 and March 31, 2022 respectively. However, as per the Panchnama dated April 20-21, 2022 (i.e., just 20 days after March 31, 2022) recorded by CGST Authority, goods only worth Rs. 2.42 crore were seized. Thus, the value of inventory held by MFL came down from 40.29 crore to Rs. 2.42 crore, a reduction of Rs. 37.87 crore within a span of 20 days, which would mean that MFL would have sold stock worth Rs. 37.87 crore, assuming there were no purchases during this period.

55. In this regard, BSE sought reconciliation of closing stock as on March 31, 2022 and as on April 20-21, 2022. However, MFL submitted the stock reconciliation

wherein only details of quantity of stock were available but not the details of value of stock. On seeking clarification, MFL responded that the stockholding position keeps changing on a daily basis.

56. As per the party-wise ledgers and stock reconciliation submitted by MFL, it was observed that MFL had sold the stock in April 2022 to Button and no major purchases were done between April 1, 2022 to April 20, 2022. However, as per the earlier *prima facie* findings, the transactions of MFL with Button were fictitious, which indicates that the sale transactions with Button were booked by MFL merely to match with the quantity seized by CGST Authority and thus, the inventory of Rs. 40.29 crore as per the financials of MFL was *prima facie* overstated.

57. Further, the reconciliation statement submitted by MFL was stamped by the auditor, however, the auditor submitted that the reconciliation statement was issued on the basis of Tally software and sale/purchase register of MFL rather than physical verification of stock or third party verification with buyers/suppliers. Thus, the said reconciliation statement was not found to be a concrete evidence and was as such unreliable.

58. Further, as per the GST return, the sales turnover of MFL for April 2022 was Rs. 49.55 crore, however, the CGST Authority alleged in its SCN that MFL was evading GST by wrongly claiming/availing GST exemption. Since no invoices are required to be raised for exempted supplies and only aggregate value of exempted supplies are reported in the GST returns, the genuineness of sales turnover reported by MFL in its GST return could not be ascertained.

Investigation findings regarding inflation of sales and profit of the Company during FY24

59. As per the consolidated financial statement of MFL for FY24, the revenue of MFL's Dubai-based wholly owned subsidiary ("**WoS**"), viz., Grow and Grub Nutrients FZ LLC amounting to Rs. 967 crore was consolidated in MFL's revenue. However, on a standalone basis, the revenue of MFL during FY24 (Rs. 322 crore) was only 50% of the previous FY's standalone revenue of Rs. 650 crore.

60. Regarding the sudden drop in standalone revenue and sudden rise in consolidated revenue, MFL submitted that certain adverse decisions on the

statutory front (such as increase in Minimum Export Price of rice which led to a supply glut in domestic market and consequent plummeting of domestic prices) led to lower margins in the Indian market. MFL submitted that it had anticipated this situation and during FY24, it used its foreign subsidiary to procure and sell products in the international market.

61. In this regard, the details of the WoS such as bank statements, details of purchases/sales, audited financials, etc. were sought from MFL. However, it provided no details except the audited financial statements for the calendar year ending December 31, 2023.

62. Further, it was observed that Mr. Jatinbhai Ramanbhai Patel and Mr. Ramanbhai Keshabhai Patel were shown as managers in the said WoS. However, Mr. Jatinbhai Ramanbhai Patel, who was once a Promoter and Whole Time Director of MFL and partner/director of many group entities, *inter alia*, submitted vide email dated August 7, 2024 that he had resigned from the WoS with effect from March 1, 2024 and Mr. Ramanbhai Keshabhai Patel, his father, was never a part of the WoS in any capacity.

63. In view of the non-submission by MFL of the details of its WoS, it was *prima facie* found that the sales and profits booked by the WoS were also fictitious and led to inflating the consolidated turnover and profit of MFL by Rs. 965.62 crore and Rs. 331.86 crore respectively.

Findings related to non-disclosure of advances as per schedule III of the Companies Act 2013

64. As per the Annual Report of MFL for FY22, Long Term Loans and Advances amounting to Rs. 14.33 crore were shown. However, the same was shown under operating cash flow in its Cash Flow Statement (CFS). In this regard, MFL submitted that it was a set practice in the agro commodities sector to pay advances to various parties such as commission agents, brokers, semi-millers, etc. to procure large quantities of various agro commodities and since these amounts were part of the regular operating cycle, they have been included as part of the operating cash flow. MFL also confirmed that all accounting policies were accordingly followed.

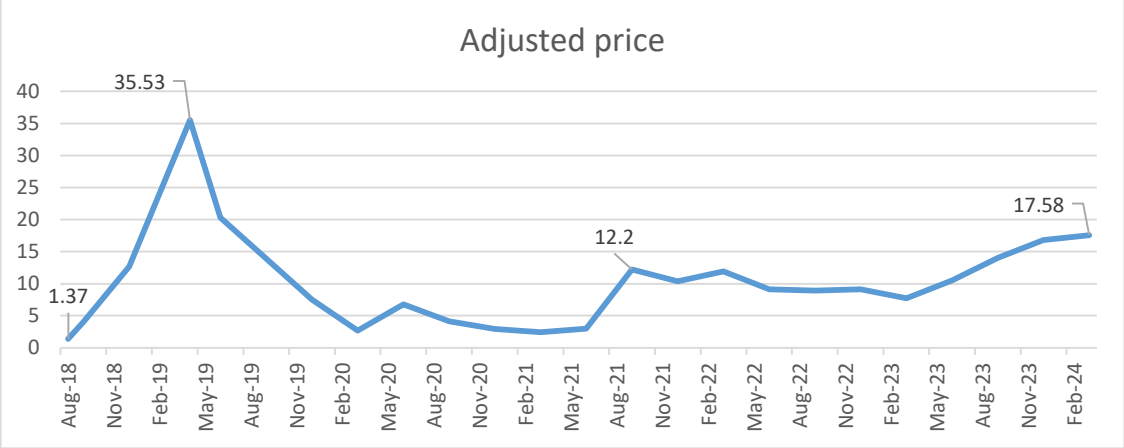
65. However, in terms of para 60 and 66 of Ind AS 1 (Presentation of Financial Statements), such amounts should have been shown as advances to creditors

or advance against purchase, i.e., as short-term loans and advances under current assets rather than as long-term loans. Thus, it was *prima facie* found that MFL violated the provisions of Ind AS 1 relating to such advances.

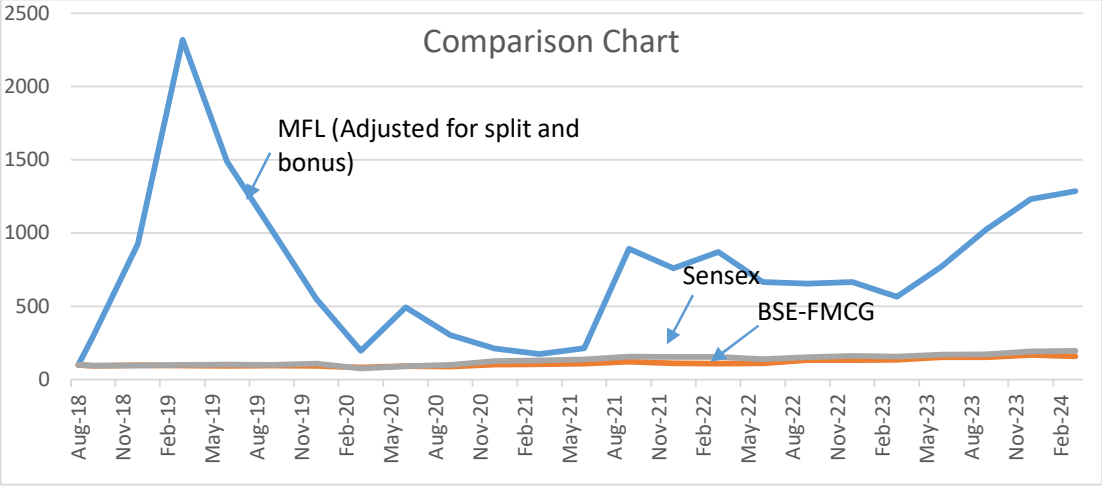
Impact of the misrepresentation/mis-statement in financial statements on the MFL scrip

66. The deliberate misreporting of the financial statements of MFL misled and defrauded the investors of MFL who made a decision to invest in the MFL scrip under the impression that the financials of MFL were reflecting a true and fair view of its performance which had a significant impact on the price of the MFL scrip during the Investigation Period. The share price of MFL went up from Rs. 27.30 on August 01, 2018 (first day of trading during the IP) to Rs. 118.25 on October 31, 2018, before declining to Rs.17.58 on March 28, 2024 (end of the Investigation Period). The price movement in the MFL scrip is pictorially shown below:

67. Further, MFL had split its shares in FY19 (10:1 stock split) and issued bonus shares (1:1 bonus) in FY23 and the price movement, adjusted for split and bonus issue, is given below:



68. Further, the price movement of MFL scrip as compared to the trend in BSE FMCG Index and SENSEX during the Investigation Period is given below:



69. The above data shows that starting from August 01, 2018, while the SENSEX remained in the range of 100-200% of its start level and the BSE-FMCG Index remained in the range of 100-169% of its start level during the Investigation Period, the share price of MFL went up 26 times during the Investigation Period. During the said period, the adjusted scrip price (Face value: Re. 1/- per share) increased from Rs. 1.37 on August 01, 2018 to a high of Rs. 35.53 on April 08, 2019 before closing at Rs. 17.58 on March 28, 2024. At the peak price of Rs. 35.53, the market capitalisation of MFL was Rs. 1777 crore.

70. Notably, the promoters of MFL did not subscribe to its rights issue amounting to Rs. 49.82 crore during April-May 2024. Further, HGP, the MD and sole promoter of MFL, offloaded 2.96 crore shares of MFL during July-August 2024 at an average rate of Rs. 16.75 per share amounting to Rs. 49.58 crores.

Investigation findings regarding misrepresentation/ mis-statement of financials of MFL

71. In view of the aforesaid analysis of the transactions of MFL with its purported buyers and sellers, it was *prima facie* found that these buyer/seller entities were involved in a circular flow of funds with MFL and there was no actual movement of goods between MFL and these entities.

72. Almost all of the top buyers/sellers of MFL were related to MFL and to each other through common directors/partners and common addresses. The site visits conducted by BSE found that most of these buyers and sellers of MFL were

fake/non-existent/non-operational at the addresses provided by MFL and as mentioned in bank AOFs. None of these buyers/sellers and their common partners/directors responded to SEBI's summonses or appeared before SEBI for deposition.

73. Further, the statutory auditor of MFL submitted that it made no physical verification of the inventory of MFL and no verification was done with these buyers/sellers of MFL and thus, was not able to comment on the genuineness of the buyers/sellers of MFL. In addition, the auditors of many of these buyers/sellers were common. These entities did not cooperate with SEBI's investigation or provide any response to SEBI's summonses.

74. Thus, it was prime facie found that the sales and purchases booked by MFL with these entities were fictitious and mere book entries meant to inflate their financials. The year-wise quantum of fictitious sales and purchases booked by MFL with these entities during the Investigation Period is tabulated below:

(Amount in Rs. Crore)

FY	Amount of fake sales	Amount of total sales	% of fake sales as compared to total sales	Amount of fake purchases	Amount of total purchases	% of fake purchases as compared to total purchases
2017-18	152.24	387.53	39.28	272.31	368.71	73.85
2018-19	263.48	481.72	54.70	453.92	458.71	98.96
2019-20	457.66	482.03	94.94	421.75	456.64	92.36
2020-21	327.17	351.07	93.19	292.81	354.09	82.69
2021-22	495.57	498.58	99.40	392.18	443.62	88.40
2022-23	645.58	650.39	99.26	532.10	551.62	96.46
2023-24	320.55	322.42	99.42	283.72	287.72	98.45
Total	2662.25	3173.74	**83.88**	2648.79	2921.11	**90.67**

Thus, around 84% of the total sales and around 91% of total purchases of MFL during the Investigation Period were found to be fictitious which led to misrepresentation /mis-statements of MFL's financials. Resultantly, it was *prima facie* found that MFL violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.

75. Apart from the findings of investigation by SEBI, it is also interesting to note that the CGST Authority also alleged in its SCN that several group entities, viz., Mishtann Shoppee/Agro, Anand Corporation, Patel Brothers, Payal Sales, Vraj

Corporation, Ravi Trading and Gayatri Trading were fake/non-existent/non-functional buyers/sellers of MFL.

76. Further, it was *prima facie* found that by contravening the provisions of Ind AS 1 as discussed in the above paragraphs, MFL violated the provisions of regulations 4(1) (a), (b), (c), (d), (e), (g), (h), (i) and (j), 4(2)(e)(i), 33 (1)(c) and 48 of LODR Regulations.

C. Related Party Transactions without requisite approvals

77. As per details of RPTs submitted by MFL in response to SEBI's summons, MFL booked sales amounting to Rs. 49.65 crore and purchases amounting to Rs. 56.71 crore with related parties during FY18 to FY23. However, it was observed during investigation that MFL did not take necessary approvals of related party transactions (RPTs) conducted with certain related parties such as Arihant, Patel Brothers, Umiya Agency, Gayatri Trading and Vraj Corporation, and did not make disclosures to the stock exchanges regarding these RPTs. The details of these RPTs are as under:

(Amount in Rs. Crore)

Sr. No.	Entity name	Transaction during FY	Type of transaction	Amount	Amount as % of Annual Consolidated turnover of MFL in the previous FY
1	Arihant	2018-19	Sale	130.98	**26.68**
2	Patel Brothers	2018-19	Sale	60.81	**12.38**
3	Umiya Agency	2018-19	Sale	47.28	9.63
4	Gayatri	2018-19	Purchase	172.53	**35.14**
5	Vraj	2018-19	Purchase	81.51	**16.60**
6	Celtis Commodities Ltd.	2019-20	Sale	17.41	3.62
7	Celtis Commodities Ltd.	2020-21	Purchase	78.99	**16.38**

78. As per regulation 23(2) of LODR Regulations, prior approval of Audit Committee (**"AC"**) is required for all RPTs and as per regulation 23(4) of LODR Regulations, approval of shareholders through resolution is required for the material RPTs. Further, as per regulation 23(9) of LODR Regulations, RPTs are required to be disclosed to the stock exchanges. MFL also failed to make any disclosures of the above related party transactions in its Annual Reports for the respective FYs as

required under regulation 34 (3) read with schedule V of LODR Regulations and Ind AS 24.

79. As noted from the table above, the sale and purchase transactions done by MFL with Arihant, Patel Brothers, Gayatri, Vraj during FY19 and purchase transactions done with Celtis during FY21 were material RPTs in terms of the proviso to regulation 23(1) of LODR Regulations, as they were more than 10% of the annual consolidated turnover of the previous FY.

80. In this regard, MFL, vide letter dated March 04, 2024, submitted that not taking approval for RPTs was the result of human error/lapses.

81. In view of the above, it is noted that the aforesaid *prima facie* fictitious transactions of MFL with its related parties, if taken at face value, would fall foul of the LODR Regulations since it is found that by not taking prior approval of these RPTs from the AC and shareholders and not disclosing the RPTs to the exchanges, MFL *prima facie* violated the provisions of regulation 4(1)(a), (b), (c), (d), (e), (g), (h), (i) and (j), 4(2)(e)(i), 23(2), 23(4), 23(9), 34(3) read with schedule V and 48 of LODR Regulations.

D. ***Investigation findings on diversion/ misutilisation/ misappropriation of funds by MFL***

D.1 Excessive booking of electricity expenses leading to diversion/ misutilisation/ misappropriation of funds

82. The CGST Authority informed vide its reference dated October 4, 2022 that the company grossly inflated electricity expenses during FY18 to FY22 as the actual electricity charges as per Uttar Gujarat Vij Company Limited ("UGVCL") were Rs. 0.60 crore and as per audited financial statements of MFL, the electricity charges claimed by the company were Rs. 4.03 crore during the said FYs.

83. In this regard, BSE vide its examination report, informed that MFL submitted that it operated on power supplied by UGVCL and diesel generators which were procured on rental basis from various suppliers. However, as per the ledger and invoices of electricity expenses provided by MFL, it was observed by BSE that there was a different supplier of diesel generator every month and the invoices were not signed by the suppliers which brings their authenticity into question.

Thus, BSE concluded that MFL booked incorrect power and fuel expenses in profit and loss account to reduce its profit.

84. In this regard, vide summons dated February 27, 2024, SEBI sought the details of actual electricity expenses of MFL along with the electricity bills raised by UGVCL and the proof of payment. In response to the same, MFL submitted that its electricity expenses included charges for electricity bills raised by UGVCL and charges of diesel generator used by MFL on lease and MFL shared the ledger of electricity expenses. However, no signed invoices, etc. were submitted and it was observed from the ledger of electricity expenses that two directors of MFL, Mr. Ravikumar Gaurishankar Patel and Mr. Jatinbhai Ramanbhai Patel, were shown as generator providers.

85. In view of the above analysis and the failure of MFL to provide documents such as tax invoices in support of generator charges, it was *prima facie* found that electricity expenses were inflated by MFL during FY18 to FY22 and thus, this amount of Rs. 3.43 crore was misutilised/diverted/misappropriated by MFL.

D.2 Investigation findings on diversion of funds to promoters of MFL as a result of circular flow of funds amongst group entities

86. As a result of the circular flow of funds pertaining to the fictitious sales and purchases between MFL and the group entities, the group entities transferred a net amount of Rs. 47.10 crore to the promoters/ directors and their relatives during the Investigation Period, as was earlier noted at paras 44-45 above.

D.3 Investigation findings on Mis-utilization/diversion of proceeds from Rights Issue

87. MFL filed a draft letter of offer (DLOF) with SEBI in May 2023 for a rights issue of an amount of approx. Rs. 150 crore, which was subsequently withdrawn by MFL citing market conditions and strategic considerations. However, in February 2024, MFL filed a DLOF for a rights issue with BSE for an amount of Rs. 49.9 crore with the object of augmentation of existing and incremental working capital requirement, general corporate expenses and issue related expenses (there is no requirement of filing a DLOF with SEBI for a rights issue of size less than Rs.50 crore).

88. SEBI sought the details of utilisation of issue proceeds along with extracts of bank statements from MFL vide email dated August 14, 2024. In response, MFL submitted that the issue proceeds were utilised for augmentation of working capital of the company. However, the full extracts of bank statements were not provided by MFL. It was observed from the bank statements obtained directly by SEBI from MFL's bank that issue proceeds of Rs. 49.82 crore were received by MFL on May 6, 2024 and May 15, 2024. As per the statement of deviation/variation in utilisation of rights issue proceeds filed by MFL with BSE on July 16, 2024, the entire issue proceeds were utilised towards the objects of the issue by June 30, 2024 and there was no deviation/variation in the utilisation.

89. On an analysis of bank statements of MFL, it was observed that the total amount debited from its account between May 06, 2024 to June 30, 2024 was Rs. 75.33 crore, of which Rs. 70.99 crore was transferred to Artlay and Cropberry, thereby indicating that almost the entire rights issue proceeds were transferred to these two group entities. Further, it was observed that Artlay and Cropberry transferred an amount of Rs. 40.27 crore to Mr. Kanakkumar Vinodbhai Patel between May 6, 2024 to August 12, 2024.

90. It was observed from the bank statements of Mr. Kanakkumar Vinodbhai Patel that he transferred almost an amount of Rs. 40.15 crore to his wife, Mrs Rekhaben Kanakkumar Patel, who in turn transferred majority of these funds to various entities, viz., Zerodha, Mr. Vinodbhai Ramabhai Patel, M/s Blue Bird Infotech, etc.

91. Considering that the purchase transactions of MFL with Cropberry and Artlay were *prima facie* found to be fictitious, and these entities were found to be non-existent at their registered addresses, it was *prima facie* concluded that rights issue proceeds transferred to these related entities were not for genuine business purposes and were misappropriated or diverted.

92. It was further observed during the investigation that out of the cumulative diverted amount of Rs. 96.92 crore (i.e., Rs. 47.10 crore diverted pursuant to the fictitious sales/purchases amongst group entities and Rs. 49.82 crore diverted from the rights issue proceeds), an amount of Rs. 87.35 crore was diverted to individuals linked/related to MFL and its promoters/directors as follows:

Name	Amount received by individuals from group entities	Amount transferred by individuals to group entities	Net amount received from/ transferred to the group entities (in Rs. crore)
Bharatbhai Jethabhai Patel	1.09		1.09
Devalkumar Bharatbhai Patel	2.40	0.85	1.55
Hiteshkumar Gaurishankar Patel	43.19	7.35	35.83
Jatinbhai Ramanbhai Patel	23.03	22.24	0.79
Kanakkumar Patel	69.22	24.04	45.18
Manjulaben Gaurishankar Patel	23.10	22.55	0.54
Navinchandra D Patel	1.37		1.37
Nikitaben Devalbhai Patel	0.05		0.05
Ravikumar Gaurishankar Patel	12.28	3.29	8.99
Rekhaben Kanakkumar Patel	50.95	31.18	19.77
Rinkal Jatinbhai Patel	3.36	37.13	-33.77
Tejal Ravikumar Patel	15.07		15.07
Vandanaben Hiteshkumar Patel	12.45	21.57	-9.12
Total	**257.56**	**170.21**	**87.35**

93. Accordingly, it was *prima facie* found that MFL, by indulging in diversion/ misutilisation/ misappropriation of its funds, violated regulation 4(1) of PFUTP Regulations.

94. Astonishingly, it was also found during investigation that the company filed a fresh DLOF with BSE for raising an amount less than Rs. 50 crore on August 13, 2024. The object of the issue was unsurprisingly same as the earlier rights issue, viz., *"To augment the existing and incremental working capital requirement of our Company"*. This application is still pending with BSE.

E. Investigation findings on Corporate Governance Failures

E.1 Failure to appoint minimum number of independent directors and proper constitution of various committees

95. Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel, were independent directors of MFL from September 30, 15 to July 03, 2019 and were also the Member/Chairman of AC, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Social Responsibility Committee of MFL for FY18 and FY19.

96. However, as noted earlier, both these individuals were also partners/directors of various group entities such as Arihant, Patel Brothers, Dharati, Gayatri, Mishtann Shoppee/Agro and Vraj with whom MFL had booked fictitious sale/purchase transactions. As per regulation 16(1) (b) of LODR Regulations, an "independent

director" means a non-executive director, other than a nominee director of the listed entity who, apart from receiving director's remuneration, has or had **no material pecuniary relationship** with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year.

97. In view of the sizeable amounts of sale and purchase transactions booked by MFL during FY18 to FY20 with the aforesaid group entities where these directors were partners/directors and in the absence any details of the income of these two directors due to their non-cooperation during the investigation, it was *prima facie* concluded that Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel had material pecuniary relationship with MFL during this period. Thus, Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel were not qualified to be appointed independent directors of MFL as per regulation 16(1) (b) of LODR Regulations. Accordingly, it was observed that during the period April 1, 2017 to July 3, 2019, the number of independent directors (excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel) were less than half of the total number of directors as tabulated below:

Period	Number of Directors	Number of independent directors required to be on the board	Actual no of independent directors (Excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel)
April 1, 2017 to September 29, 2017	8	4	3
September 29, 2017 to October 31, 2018	9	5	4
October 31, 2018 to July 3, 2019	7	4	3

Thus, MFL *prima facie* violated the provisions of regulation 17 (1) (b) of LODR Regulations.

98. Further, as per regulations 18(1)(a) and (b) of LODR Regulations, the AC shall have minimum three directors as members and two-thirds of the members shall be independent directors. The composition of the AC of MFL during FY18 and FY19 was as under:

Period	Number of directors on AC	Number of independent directors required to be on the AC	Actual no of independent directors in AC (excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel)
FY18	3	2	1
FY19	3	2	1

99. In view of the fact that Mr. Bharatbhai J Patel and Mr. Devalbhai B Patel were not qualified to be independent directors, it was observed that the composition of the AC during FY18 and FY19 was *prima facie* in violation of the provisions of regulations 18(1)(a) and (b) of LODR Regulations.

100. Further, as per regulation 19 (1) of LODR Regulations, the Nomination and Remuneration Committee ("NRC") shall have minimum three directors, all directors shall be non-executive and at least fifty percent of the directors shall be independent directors. The composition of the NRC of MFL during FY18 and FY19 was as under:

Period	Number of Directors on NRC	Number of independent directors required to be on the NRC	Actual no of independent Directors in NRC (excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel)
FY18	3	2	1
FY19	3	2	1

101. In view of the fact that Mr. Bharatbhai J Patel and Mr. Devalbhai B Patel were not qualified to be independent directors, it was observed that the composition of the AC during FY18 and FY19 was *prima facie* in violation of the provisions of regulation 19 (1) of LODR Regulations.

E.2 Failure to appoint qualified CFO and Chairman of Audit Committee

102. Mr. Navinchandra Dahyalal Patel was executive director (since March 10, 2015) and CFO (since March 25, 2019) and Mr. Ajitkumar Narayanbhai Patel was independent director and chairman of the AC (for FY20 and FY21) of MFL. It was observed that Mr. Navinchandra Dahyalal Patel and Mr. Ajitkumar Narayanbhai Patel, *inter alia*, submitted in their statements before SEBI that their educational qualification was "12th pass". However, in the minutes of the meeting of AC and the Board, MFL had shown their educational qualification to be "Graduate". In this regard, MFL submitted vide letter dated March 4, 2024 that they were both graduates in commerce. Documents pertaining to their educational qualification were not available in MFL's records.

103. Further, Mr. Navinchandra Dahyalal Patel, CFO, *inter alia*, submitted in his statement before SEBI that he was a relative of the MD of MFL and did not attend any committee meetings including meetings of the AC. He further submitted that

he did not have any financial knowledge/background but he signed the financial statements of MFL and issued the certificate under regulation 17(8) of the LODR Regulations, relying on his relative, the MD of MFL, Mr. Hiteshkumar Gaurishankar Patel. He also failed to reply of most of the finance/accounts related findings/observations/queries put before him.

104. Mr. Ajitkumar Narayanbhai Patel, the chairman of the AC, *inter alia*, submitted that he was unaware of the role and responsibility as Chairman of AC and acted as the Chairman of AC free of cost as the MD of MFL was his friend. He further submitted that he did not know the meaning of financial statements and only signed the meeting related documents brought before him. He also submitted that he did not have any idea about RPTs and gave approval for RPTs as per the instructions of HGP.

105. Thus, the submissions of the CFO and Chairman of AC indicated that they were financially illiterate and did not have accounting or related financial management expertise. Although there is no specific provision for the qualifications and experience of CFO in LODR Regulations, with regard to a member of the AC, regulation 18 (1) (c) of LODR Regulations, *inter alia*, specifies that all members of AC shall be financially literate and at least one member shall have accounting or related financial management expertise.

106. Accordingly, by appointing a person who was not financially literate as Chairman of the AC, MFL *prima facie* violated the provisions of regulation18 (1) (c) of LODR Regulations.

E.3 Reclassification of promoter shareholding

107. It was observed that during FY22, HGP, the promoter and MD of MFL acquired the shares of all four other promoters, viz., Mr. Ravikumar Gaurishankar Patel, Mr. Jatinbhai Ramanbhai Patel, Mr. Navinchandra Dahyalal Patel and Ms. Manjulaben Patel, through *inter se* transfer of shares among promoters by way of gift and became the sole promoter holding 49.28 per cent shares of MFL.

108. In this regard, BSE in its examination report submitted that MFL did not apply for reclassification of the status of promoters after transfer of the shares among the promoters as per the requirement of LODR Regulations despite MFL being asked to apply for such reclassification or to submit revised shareholding pattern with zero promoter holding for the 4 transferee-promoters.

109. Thus, by not applying for reclassification of status of promoters and not disclosing all the promoters in the shareholding pattern, it was *prima facie* found that MFL violated the provisions of regulations 31(4) and 31A (2) of LODR Regulations.

E.4 Non-disclosure of Material event

110. It was observed that a search was conducted by the CGST Authority on February 19, 2021 and April 20-21, 2022. HGP, the sole promoter and MD of MFL was arrested on July 19, 2022 under section 69 of Central Goods and Service Tax Act, 2017 ("CGST Act") for committing the offence specified under section 132(1)(a) of CGST Act. He was directed to be released on bail vide order of the Hon'ble Gujarat High Court dated November 14, 2022. However, the company did not make any disclosure in respect of the said material events.
111. In this regard, MFL submitted before BSE that the arrest was illegal and MFL had approached the Hon'ble High Court for the same. MFL also submitted that since the matter was sub judice, disclosing the facts would have affected the image of HGP and also of the company.
112. However, MFL later made the disclosure of the arrest as a material event on January 6, 2023 pursuant to BSE's intervention although it has still not made any disclosure regarding the investigation and search and seizure proceedings as required to be done in terms of the provisions of LODR Regulations. In this regard, HGP, in his deposition before SEBI accepted that the arrest not being disclosed initially by MFL was a mistake.
113. Therefore, in view of the delay in disclosure of arrest of Managing Director of MFL and failure to disclose the search and seizure proceedings by CGST Authority, it is found that MFL *prima facie* violated the provisions of regulation 30(2) read with Para A of Schedule II of LODR Regulations.

F. Investigation findings regarding role of entities

F.1 Role of Board of Directors

(I) *Role of Mr. Hiteshkumar Gaurishankar Patel, Promoter and Managing Director of MFL:*

114. HGP, being the Managing Director of MFL signed the company's financials from FY18 to FY24. Further, he was also shown as one of the signatories on the

Certificate under regulation 17(8) of LODR Regulations during FY21 to FY24, *inter alia*, stating that financial statements of MFL presented a true and fair view of its financial performance and were in compliance with the existing accounting standards, applicable laws and regulations.

115. Considering the irregularities observed as discussed above, the statement of HGP was recorded by SEBI wherein he, *inter alia*, admitted that his arrest and the search and seizure proceedings by CGST Authority were not disclosed as material events which was a mistake and the disclosures were done after intervention by BSE. He also submitted that Mr. Ajitkumar Narayanbhai Patel, Chairman of AC had all the knowledge related to financial transactions and was lying regarding his financial literacy. He also admitted that a few buyer/supplier firms of MFL were in the name of his relatives.

116. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 35.83 crore was received by HGP.

(II) Role of Mr. Navinchandra Dahyalal Patel, Promoter, Executive Director & CFO:

117. Mr. Navinchandra Dahyalal Patel, was the promoter and executive director of MFL. He was also appointed as CFO in FY19. Being the whole time director ("WTD") of MFL, he signed the company's financials from FY19 to FY24. Further, he was also shown as one of the signatories on the Certificate under regulation 17(8) of LODR Regulations during FY19 to FY24, *inter alia*, stating that financial statements of MFL presented a true and fair view of its financial performance which were in compliance with existing accounting standards, applicable laws and regulations.

118. Mr. Navinchandra Dahyalal Patel, *inter alia*, submitted during his deposition that he was a relative of the MD of MFL and did not attend any committee meetings including meetings of the AC till date. He further submitted that he did not have any financial knowledge but he signed the financial statements of MFL and issued the certificate under regulation 17(8) of the LODR Regulations, relying on his relative, HGP, who was the MD of MFL. He also failed to reply of most of the finance/accounts related findings/observations/queries put before him.

119. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 1.37 crore was received by Mr. Navinchandra Dahyalal Patel.

***(III) Role of* Mr. Ravikumar Gaurishankar Patel, Promoter, Whole Time Director & CFO:**

120. Mr. Ravikumar Gaurishankar Patel was the Promoter and Executive Director of the company. He was the CFO of MFL for FY17 and FY18. Being the whole time director of MFL, he signed the company's financials for FY18. Further, he was also shown as one of the signatories on the Certificate under regulation 17(8) of LODR Regulations for FY18, *inter alia*, stating that financial statements of MFL presented a true and fair view of its financial performance which were in compliance with existing accounting standards, applicable laws and regulations.

121. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 8.99 crore was received by Mr. Ravikumar Gaurishankar Patel.

***(IV) Role of* Mr. Jatinbhai Ramanbhai Patel, Promoter and Whole Time Director:**

122. Mr. Jatinbhai Ramanbhai Patel was the promoter of MFL till FY22 and its whole time director during FY18 and FY19. He is/was partner/director of many entities, viz., Mementos Foods Pvt. Ltd., Button Industries Pvt. Ltd, Rinkal Enterprise Private Limited, Mishtann Shoppee India Pvt. Ltd. etc., with whom MFL had made circular transactions during the Investigation Period.

123. In response to summonses issued by SEBI for appearance in person, he responded that he was on a business tour and would update SEBI regarding personal appearance whenever he returned from tour. However, he did not appear in person before SEBI.

124. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 0.79 crore was received by Mr. Jatinbhai Ramanbhai Patel.

Investigation findings regarding the role of MD/WTD/CFO

125. The details of attendance of the managing director/ whole time director / CFO in the Board of Directors meetings of MFL during the Investigation Period are as under:

Name of Director/ CFO	FY18	FY19	FY20	FY21	FY22	FY23	FY24
	Number of Board meetings held						
	15	14	6	5	10	7	13
	Number of Board meetings attended						
Mr. Hiteshkumar Gaurishankar Patel, MD	15	14	6	5	10	6	13
Mr. Navinchandra Dahyalal Patel, Whole Time Director & CFO	15	14	6	5	10	7	13
Mr. Ravikumar Gaurishankar Patel, Promoter, Whole Time Director & CFO (Director till October 31, 2018)	15	-	-	-	-	-	-
Mr. Jatinbhai Ramanbhai Patel, Promoter & Whole Time Director (Director till October 31, 2018)	15	-	-	-	-	-	-

126. In view of the involvement of the managing director/ whole time director / CFO in the day to day decision making process of a company and having access to information such as the financial position of the company, annual accounts, etc., it is their duty and responsibility to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. In view of the aforesaid findings of the investigation, it is noted that Mr. Hiteshkumar Gaurishankar Patel, Managing Director, Mr. Navinchandra Dahyalal Patel, Whole Time Director and CFO, Mr. Ravikumar Gaurishankar Patel, whole time director and CFO, and Mr. Jatinbhai Ramanbhai Patel, whole time director, failed to perform their duties and obligations which resulted in publication of untrue and misleading financial statements of MFL for FY18, FY19, FY20, FY21, FY22, FY23 & FY24. Therefore, it was *prima facie* found that these four directors violated the provisions of regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(1), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7), 4(2)(f)(iii)(12) and 4(2)(f)(iii)(13) of LODR Regulations.

127. Further, by virtue of being partners/ directors/ promoters of group entities which were involved in fictitious sales/purchases with MFL, and in terms of section 27(1) of SEBI Act, 1992, these directors are also *prima facie* found responsible for violations committed by MFL, i.e., regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a),

(b), (c) of SEBI Act, 1992 and regulations 4(1) (a), (b), (c), (d), (e), (g), (h), (i) and (j), 4(2)(e)(i), 17(1)(b),18(1)(a), (b) and (c),19(1), 23(2), 23(4), 23(9), 30(2) read with Para A of Schedule II, 31A (2), 33(1)(c), 34 (3) read with schedule V and 48 of LODR Regulations and section 11C (2) read with section 11C (3) of SEBI Act, 1992.

128. Further, Mr. Hiteshkumar Gaurishankar Patel, Managing Director, Mr. Navinchandra Dahyalal Patel, Whole Time Director and CFO, and Mr. Ravikumar Gaurishankar Patel, Whole Time Director and CFO, by furnishing false certification of the company's financial statements, are *prima facie* found to have violated regulation 17(8) of the LODR Regulations.

129. Furthermore, Mr. Jatinbhai Ramanbhai Patel, Whole Time Director is also *prima facie* found to have violated provisions of section 11C (5) of SEBI Act, 1992.

F.2 Role of independent directors and members of audit committee

130. Under LODR Regulations, the responsibilities of members of the AC in a listed company include oversight of a listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and credible. Further, the members of AC have a duty of approving and reviewing the disclosure of any related party transaction.

(I) Role of Mr. Bharatbhai Jethabhai Patel, independent director and AC member:

131. Mr. Bharatbhai Jethabhai Patel was the independent director of MFL from September 30, 15 to July 03, 2019 and was also the AC member during FY18 and FY19. He attended all the Board meetings and Audit Committee meetings held during FY18 and FY19.

132. Further, Mr. Bharatbhai Jethabhai Patel is/was the partner/director of many entities, viz., Gayatri Trading, Arihant, Mishtann Shoppee India Pvt Ltd, Salepush Overseas Pvt Ltd, Acoustic Eco Foods Pvt Ltd, Tremento Exports Private Limited, Acoustic Eco Foods Pvt Ltd, etc., with whom MFL had booked fake sale/purchase transactions during the Investigation Period.

133. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 1.09 crore was received by Mr. Bharatbhai Jethabhai Patel.

(II) Role of Mr. Devalkumar Bharatbhai Patel, independent director and AC member:

134. Mr. Devalkumar Bharatbhai Patel was the independent director of MFL from September 30, 15 to July 03, 2019 and was also the member of the AC during FY18 and FY19. He attended all the Board meetings and Audit Committee meetings held during FY18 and FY19.

135. Further, Mr. Bharatbhai Jethabhai Patel is/was the partner/director of many entities, viz., Arihant, Mishtann Shoppee India Pvt Ltd, Button Industries Pvt Ltd, Dharati Marketing, Gayatri Trading, Patel Brothers etc., with whom MFL had booked fake sale/purchase transactions during the Investigation Period.

136. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 1.55 crore was received by Mr. Bharatbhai Jethabhai Patel.

(III) Role of Mr. Ajitkumar Narayanbhai Patel, independent director and chairman of AC:

137. Mr. Ajitkumar Narayanbhai Patel was the independent director of MFL during FY19 to FY21 and was also the chairman of AC during FY19 and FY20. He attended all the Board meetings held during FY19 and FY20.

138. As mentioned earlier at para 104 above, during his deposition before SEBI, he, *inter alia*, admitted that he was unaware of his duty, role and responsibility as Chairman of AC and that he only signed the AC meeting related documents brought before him and gave approval for RPTs as per instructions of the MD of MFL.

(IV) Role of other independent directors and members of audit committee:

139. The period of membership of the other members of AC (who were also independent directors of MFL) are as under:

Name of audit committee members	Period of membership (FYs)
Mr. Bhaveshkumar Vasantbhai Patel	FY18, FY19
Mr. Ravikumar Ramanbhai Patel	FY19
Mrs. Heemaben Janakkumar Patel	FY19, FY20
Mr. Utpalbhai Dineshbhai Raval	FY20, FY21
Mrs. Bhumi Jayantkumar Gor	FY21, FY22,FY23, FY24
Mr. Rajnish Pathak	FY22, FY23, FY24
Mr. Ashish Agarwal	FY22,FY23, FY24

Investigation findings regarding the roles of Independent Directors and Members of Audit Committee

140. MFL was *prima facie* involved in mis-statement/misrepresentation of its financial statements during the entire Investigation Period. Upon perusal of the minutes of meetings of the board of directors and AC as provided by MFL, it was observed that the independent directors had not raised any concerns on the financials of the company. This indicates that the above mentioned independent directors as members of board of directors and AC of MFL did not perform their roles and duties cast on them by LODR Regulations and were involved in gross misconduct, negligence, and professional wrongdoing.

141. Thus, by failing to perform their duties and obligations which resulted in publication of untrue and misleading financial statements of MFL, it was *prima facie* found that these independent directors violated the provisions of regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7) and 4(2)(f)(iii)(12) of LODR Regulations.

142. Further, as members of the AC, it was *prima facie* found that these independent directors violated the provisions of regulation 18(3) read with Para A of Part C of Schedule II of LODR Regulations.

143. In addition, Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel, by being a partner/director/promoter of group entities, which were involved in the fictitious sales/purchases with MFL and by receiving a part of the amount diverted/ misutilised/ misappropriated by MFL, are *prima facie* found to have violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.

F.3 Role of other entities

Sr. No.	Name of entity	Findings of the investigation	Provisions prima facie found to be violated
1	Mr. Kanakkumar Vinodbhai Patel	(i) He was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Received an amount of Rs. 45.18 crore out of the Rs. 87.35 crore diverted by MFL. (iii) Failed to appear before SEBI and failed to furnish information regarding the entities in which he was a partner/promoter/director, in response to SEBI's summonses, without any justifiable reasons for such failure.	Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992; Section 11C(5) of SEBI Act, 1992.
2	Mr. Surendra Yadav	(i) He was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Failed to appear before SEBI and failed to furnish information regarding the entities in which he was a partner/promoter/director, in response to SEBI's summonses, without any justifiable reasons for such failure.	
3	Ms. Tejal Ravikumar Patel	(i) She was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Received an amount of Rs. 15.07 crore out of the Rs. 87.35 crore diverted by MFL.	Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.
4	Ms. Nikitaben Devalbhai Patel	(i) She was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Received an amount of Rs. 0.05 crore out of the Rs. 87.35 crore diverted by MFL.	

5	Ms. Manjulaben Gaurishankar Patel (Mother of HGP)	Received an amount of Rs. 0.54 crore out of the Rs. 87.35 crore diverted by MFL.	Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.
6	Ms. Rekhaben Kanakkumar Patel (Wife of Mr. Kanakkumar Vinodbhai Patel)	Received an amount of Rs. 19.77 crore out of the Rs. 87.35 crore diverted by MFL.	
Auditors of group entities			
7	Md. Nurudin Jiruwala	Failed to furnish various information, details, etc. in respect of the group entities as sought by SEBI vide summons without any justifiable reasons for such failure	Section 11C (2) read with section 11C (3) of SEBI Act, 1992
8	Mikil Dineshbhai Vora		
9	Vishal Bipinchandra Doshi		

Need for interim directions

144. The *prima facie* findings recorded in this Order lay bare the misrepresentation of large proportions in financial statements by MFL, primarily by inflating sale and purchase figures by booking fictitious transactions with fake/non-existent entities created in the names of the MFL's promoters/directors and their relatives. The fact that more than 90% of the credit and debit entries in the bank accounts of these entities were either amongst themselves or with MFL shows the level of fraud with which MFL perpetrated money transfer scheme with the help of multiple shell entities. These entities, which had no business operations of their own, functioned as pass-through vehicles and conduits for fund transfer amongst

themselves and MFL. Such acts by MFL, a listed company, impaired the rights of the investors and caused harm to the securities market.

145. Further, the gross misrepresentation of financials by MFL continuously for seven years, viewed in the light of the disclosure based regime of the securities market, has potential to impair the integrity of the securities market.

146. This is of concern, given the fact that the destiny of MFL and over 4.2 lakh of its shareholders lies essentially in the hands of one person, i.e., HGP, who is the Managing Director and now also the sole promoter of MFL holding approx. 43% shares of MFL. He controls several of the fake buyers/sellers of MFL through his relatives. The fact that he recently garnered approx. Rs. 50 crore by offloading around 3 crore MFL shares and still holds another 47 crore shares of MFL illustrates the risk of imminent financial loss especially to unsuspecting retail shareholders who are unaware of the machinations of HGP who seeks to unjustly enrich himself at the expense of common shareholders.

147. What makes this case stand out is the sheer scale of manipulation of the Company's financials and its dramatic rise in the recent years. The Company commands a market cap of approx. Rs. 1600 crore on BSE (as on December 4, 2024) and the growth rate of the scrip price of MFL during the Investigation Period has outpaced the growth of BSE Sensex by several multiples. Equally disturbing is the fact that the number of public shareholders of the Company spiked from a mere 516 at the end of FY18 to 4.23 lakh at the end of the September 2024 quarter, an 800-times rise within a span of around six years.

148. The lengths to which the Company had gone to hoodwink its shareholders and the broader securities market in general is visible at the first glance of its immaculately designed website where the company, *inter alia*, claims that its branded basmati rice is one of the finest aromatic basmati rice available in the market. In order to further bestow legitimacy on MFL's exaggerated claims, the website also features a dedicated page containing a collection of "choicest" recipes which can be prepared from the *"finest of basmati grains sourced from the rich and fertile plains of Himalayas"*. It is time that this façade comes to a close as the only connection it has to the 'finest basmati grains' and 'rich and fertile plains of Himalayas' is in the empty words reflected on MFL's website. MFL being a listed company with little genuine business and a sizeable number of

public shareholders, the claims on its website constitute deliberate misrepresentation and fraud. The aroma of the finest Mishtann Basmati advertised on its website does little to cover the deep fraud perpetrated by the promoter, his relatives and associates.

149. The nonchalance with which the Company indulged in its misdeeds reached new heights when MFL entered into an MoU with the Government of Gujarat in December 2021 for setting up apparently India's biggest grain based ethanol project. MFL in its filing with the BSE in October 2022 claimed that in accordance with the 'Atmanirbhar Gujarat, Atmanirbhar Bharat' initiative of the Government of India, the proposed ethanol project would aid in reducing India's burden of import of crude oil! Given the fact that almost all of the sale/purchase transactions of MFL since FY20 were *prima facie* found to be fictitious, such tall claims by the company were brazenly fraudulent.

150. Apart from the inflation of sale/purchase figures and the circular flow of funds between MFL and its purported buyers/sellers, MFL also overstated its inventory, diverted its rights issue proceeds, excessively booked electricity expenses and improperly appointed its CFO, independent directors and members of the AC. Further, the misdeeds of the Company were not limited to the domain of the securities market but also appear to involve evasion of GST by fraudulently claiming GST exemption which led CGST Authority to conduct search and seizure proceedings and ultimately, arrest HGP.

151. The state of affairs discussed in this Order also reveal a larger systemic rot since the purported watchdogs in the corporate structure, viz., audit committee and statutory auditor were silent observers to the machinations employed by MFL and its directors. This was evident in the fact that certain members of the AC were not financially literate and the statutory auditor simply relied on the inventory details maintained by MFL in the Tally software and its sale/purchase registers, rather than physically verifying the stock or carrying out any third party verification with the purported buyers/sellers of MFL.

152. The *prima facie* findings which lead me to the conclusion that this case warrants immediate interference and issuance of interim directions are summarized below:

(a) MFL has negligible fixed assets on its books, negative cash flow from its operating activity and a very low inventory as compared to its sizeable sale figures and 84% of the total sales and 91% of the total purchases booked by MFL during the Investigation Period were *prima facie* found to be fictitious involving circular flow of funds. Since it is a listed company with little real business, there is a possibility of MFL continuing its practice of misreporting its financials in the future too.

(b) By consolidating its financials with those of its Dubai-based wholly owned subsidiary (whose sales/purchases were also found to be *prima facie* fictitious) for FY24, MFL has artificially shown heavily inflated sales and profits figures during FY24, thereby misrepresenting its financials in order to attract gullible investors.

(c) The share of trade receivables of MFL out of its total assets has been constantly rising over the years, so much so that as of the end of September 2024 quarter, trade receivables constituted almost all the assets (approx. 97%) of MFL. Considering that almost all of the sale/purchase transactions of MFL since FY20 were *prima facie* found to be fictitious, there is little possibility of these trade receivables ever being realised and it seems quite probable that these trade receivables would have to be written off in due course in compliance with applicable accounting standards. This would further impact the Company's financials and ultimately the shareholders.

(d) The number of public shareholders of MFL have drastically increased from a mere 516 at the end of FY18 to 4.23 lakh by the end of September 2024 quarter. The published manipulated financial statements of MFL are still in public domain and are being relied upon by the unsuspecting investors and stakeholders to make investment decisions and the public shareholding at the end of September 2024 quarter is more than 50%. On the other hand, in July-August 2024, HGP, the sole promoter of MFL, offloaded around 3 crore shares of MFL held by him garnering an approx. Rs. 50 crore and the promoter holding, in general, is declining since March 2024 quarter. Thus, the sole promoter appears to be waiting to for an opportune time to offload his shares to the detriment of the retail investors.

(e) MFL filed a draft letter of offer for a rights issue amounting to approx. Rs 150 crore in the month of May 2023 with SEBI but the same was later withdrawn by MFL. However, the company later came up with a rights issue amounting to Rs.49.9 crore in the month of April 2024 and the issue proceeds were found to be misutilised/ misappropriated by transferring the issue proceeds to partners/ directors of its group entities. Further, on August 13, 2024, the company filed a fresh draft letter of offer with the stock exchange for another rights issue of an amount of less than Rs. 50 crore. Since there is no requirement of filing a draft letter of offer with SEBI for a rights issue of an amount less than Rs. 50 crore, it is apparent from the aforesaid modus operandi that MFL intended to circumvent SEBI's oversight and compliance with ICDR Regulations, by withdrawing the initial Rs. 150 crore rights issue and then proceeding to raise money in multiple smaller tranches through rights issues of amounts less than Rs. 50 crore. Given the track record of the Company, there is every possibility that in case the Company is allowed to go ahead with the proposed rights issue, it may again divert its proceeds.

Order:

153. Keeping in view the foregoing, I, in exercise of the powers conferred upon me under sections 11, 11(4) and 11B (1) read with section 19 of the SEBI Act, 1992, hereby issue by way of this interim order cum show cause notice, the following directions, which shall be in force until further orders:

(a) Noticee No. 1 is restrained from raising money from the public, until further orders.

(b) Noticee Nos. 1 to 5 are restrained from buying, selling or dealing in securities, or accessing capital market either directly or indirectly, in any manner whatsoever until further orders. If the said 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 order or at the expiry of such contracts, whichever is earlier. The said Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

(c) Noticee Nos. 2 to 13 are restrained from associating themselves with any intermediaries registered with SEBI, any listed public company or any company that intends to raise money from the public, until further orders.

(d) Noticee No. 1 is directed to bring back the Rights issue proceeds amounting to Rs. 49.82 crore misutilised/ misappropriated/ diverted through group entities and the amount of Rs. 47.10 crore which was misutilised/ misappropriated/ diverted to promoters/directors of MFL and their relatives through fictitious sales/purchases with group entities.

(e) Noticee No. 1 is directed to constitute a new Audit Committee and place the copy of the SEBI order/findings before it. The new Audit Committee is directed to have enhanced oversight of related party transactions including approvals as applicable, financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible. Further, the new Audit Committee is directed to ensure that the company is complying with the requirements of LODR Regulations.

154. BSE is directed to not approve any rights issue application filed by MFL till further orders.

155. The foregoing *prima facie* observations contained in this Order, are made on the basis of the material available on record. The said *prima facie* findings shall also be considered as a show cause notice and the Noticee Nos. 1 to 13 are directed to show cause as to why suitable directions/prohibitions under Sections 11(1), 11(4) and 11B(1) of SEBI Act, 1992, including the directions of restraining them from accessing the securities market including buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary or any other directions as deemed fit by SEBI, should not be issued against them.

156. Further, the Noticee Nos. 1 to 24 are also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under Sections 11(4A) and 11B(2) read with Sections 15A(a), 15HA and/or 15HB of the SEBI

Act, 1992 for the above alleged violations of provisions of SEBI Act, 1992, PFUTP Regulations and LODR Regulations, as the case may be.

157. The Noticee Nos. 1 to 24 may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed in that regard.

158. The above directions shall take effect immediately and shall be in force until further orders.

159. A copy of this order shall be served upon the Noticees, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

DATE: DECEMBER 05, 2024 **ASHWANI BHATIA**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA

ANNEXURE- B

MISHTANN FOODS LIMITED
limitless happiness...

Date: 06.12.2024

To General Manager- Listing Corporate Relationship Department BSE Limited P.J. Towers Dalal Street, Mumbai- 400001 **BSE Script Code: 539594**	To Listing Division, Metropolitan Stock Exchange of India Limited 4th Vibgyor Tower, Opp Trident Hotel, Bandra-Kurla Complex, Mumbai- 400098 **MSE Symbol- MISHTANN**

Dear Sir/Madam,

Subject: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulation, 2015- Clarification of the Company on the Interim Order Cum Show Cause Notice issued by SEBI

With reference to SEBI show cause notice no. WTM/AB/CFID/CFID-SEC3/31030/2024-25 dated 05/12/2024 and the subject captioned above, we would like to clarify that-

1. The said Interim Order is a SHOW CAUSE NOTICE wherein explanation from the company has been sought on certain allegations against the company. The SCN is NOT a final order and is inter alia asking for an explanation from the Company.

2. MFL doesn't agree with the contents and the prima facie observations of the said Interim order.

3. The management of MFL totally denies all the purported allegations mentioned in the Interim Order cum Show Cause Notice dated 05/12/2024.

4. The Legal & Compliance team at MFL is making efforts to address the queries and take appropriate actions in accordance with the rights vested in law.

MISHTANN
FOODS LIMITED
limitless happiness...

5. In view of the above situation, the board of Directors of Mishtann Foods Ltd has decided to prefer the remedies available in law against the Interim Order cum Show Cause Notice vide no. WTM/AB/CFID/CFID-SEC3/31030/2024-25 dated 05/12/2024.

6. The Management and Board of Directors appeal to all at large to exercise restraint in their words and respect the SCN cum Interim Order issued by SEBI.

7. MFL will follow the due process of law and address the queries in the SCN in due course.

Yours Sincerely

For and on behalf of Mishtann Foods Limited

Shah Shivangi Digant

Digitally signed by Shah Shivangi Digant
DN: c=IN, o=Personal, postalCode=380061, l=Ahmedabad, st=Gujarat, street=J/14 Ghatlodiya, Ahmedabad City, Ahmadabad City Gujarat India- 380061- Near Arjun Tower, title=2063, 2.5.4.20=68ed44181f8f06002a6920f109aad265337c4e37a98b3a34b79dbeed2291e20e3, serialNumber=ede7511a357fe0ad01bf0b22c1af2c4cee702cf84faa664a382a809ab3e7a539, email=gandhishivangi442@gmail.com, cn=Shah Shivangi Digant
Date: 2024.12.06 08:59:49 +05'30'

Shivangi Shah

Company Secretary and Compliance Officer

ANNEXURE-2

WTM/AB/CFID/CFID-SEC3/31030/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER CUM SHOW CAUSE NOTICE

Under Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992

In respect of:

Sr. No.	Name of the Noticee	PAN
1.	Mishtann Foods Limited	AAACH5335G
2.	Hiteshkumar Gaurishankar Patel	ASZPP4210E
3.	Navinchandra Dahyalal Patel	AHKPP9016G
4.	Ravikumar Gaurishankar Patel	ASZPP4552H
5.	Jatinbhai Ramanbhai Patel	AWRPP3066G
6.	Bharatbhai Jethabhai Patel	BITPP3746E
7.	Devalkumar Bharatbhai Patel	CSYPP6285L
8.	Surendra Kumar Yadav	AOBPY4416K
9.	Kanakkumar Vinodbhai Patel	EUWPP8468M
10.	Tejal Ravikumar Patel	BEUPP6389A
11.	Nikitaben Devalbhai Patel	CCEPP0198L
12.	Manjulaben Gaurishankar Patel	NA
13.	Rekhaben Kanakkumar Patel	NA
14.	Ajitkumar Narayanbhai Patel	ARTPP1350J
15.	Bhaveshkumar Vasantbhai Patel	ARMPP8208Q
16.	Ravikumar Ramanbhai Patel	BBJPP0622A
17.	Heemaben Janakkumar Patel	CXFPS8047D
18.	Utpalbhai Dineshbhai Raval	APNPR5493Q
19.	Bhumi Jayantkumar Gor	ALYPG1705D
20.	Rajnish Pathak	CWGPP8117D
21.	Ashish Agarwal	AKXPA2136J
22.	Nurudin Jiruwala	AJRPV6597R

23.	Mikil Dineshbhai Vora	ARLPJ2881Q
24.	Vishal Bipinchandra Doshi	ATGPD5132K

(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 Mishtann Foods Limited

Background

1. Mishtann Foods Limited **("Mishtann"/ "MFL"/ "Company")** is a public limited company engaged in processing/manufacturing of rice, wheat and other agricultural products. A snapshot of the relevant details of MFL are as under:

Name of Company	Mishtann Foods Limited
Date of incorporation	February 27, 1981
Registered address	B-905, Empire Business Hub, Opp. Shakti Farm, Science City Road, Sola, Ahmedabad, Gujarat - 380060
Listed on	BSE Ltd. (BSE) and Metropolitan Stock Exchange of India Limited (MSEI)
Date of Listing on BSE	January 22, 2016
Paid-up equity capital (as at end of Sep 2024 quarter)	Rs. 108 crore
Shareholding pattern	Promoters: 43.48% FIIs: 5.63% Public: 50.90%
Market capitalization (as on December 3, 2024)	Rs. 1633 crore
Closing price per share (as on December 3, 2024)	Rs. 15.15 (Face value: Re. 1/- per share)

2. Securities and Exchange Board of India ("**SEBI**") received a SCORES complaint on September 16, 2022, *inter alia*, alleging circular/dummy turnover, Goods and Services Tax ("GST") fraud, stock/inventory manipulations, excessive booking of electricity expenses, income tax fraud, bank fraud, etc. by MFL. The complainant

also informed that Mr. Hiteshkumar Gaurishankar Patel, Managing Director (MD) of MFL was arrested by the GST Department for GST fraud amounting to Rs. 78 crore.

3. SEBI also received a reference dated October 4, 2022 from the Office of the Commissioner of Central GST & Central Excise, Gandhinagar ("**GST Office**" or "**CGST Authority**"), *inter alia*, informing that the company was involved in large-scale manipulation of its books of accounts, revenue, income, and expenditure details by creating fake/paper entities in the form of buyers/suppliers. The GST Office also informed that searches conducted on the purported suppliers/buyers of MFL revealed that many of these supplier/buyer firms were in the names of relatives/family members of the MD of MFL, Mr. Hiteshkumar Gaurishankar Patel and these firms were found to be non-existent or non-operational at their respective business addresses. Further, the GST Office also shared with SEBI a list of the allegedly fake/non-existent/non-operational buyers/suppliers along with the amount of the transactions done by MFL with these entities.

4. The complaint was forwarded to BSE for necessary examination and BSE submitted its examination report on February 20, 2023. Based on the findings/observations of the GST Office and BSE, SEBI investigated the matter to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") read with the provisions of SEBI Act, 1992. The period of investigation was April 1, 2017 to March 31, 2024 (hereinafter referred to as the "Investigation Period"/ "IP"). The findings of the investigation have been brought out in subsequent paragraphs.

5. Further, pursuant to completion of its investigation, the CGST Authority shared with SEBI a copy of the Show Cause Notice dated July 30, 2024 issued to MFL, along with the recorded statements of various entities and the Panchnama of the search operations carried out at the premises of MFL and its various buyers/suppliers.

6. Additionally, BSE was asked by SEBI to conduct surprise site visits to the office of MFL, its factory and to the addresses of some of the buyers/suppliers of MFL,

and pursuant to the site visits, BSE submitted its report in August 2024, *inter alia*, observing that most of the entities were not found at their registered addresses.

Findings of Investigation

7. A snapshot of the company's financial results between FY18 to FY24, as available on the BSE website, is as under:

(Amount in Rs. Crore)

	Standalone							Consolidated	
Particulars	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY18 ***	**FY24 $**
Total Income	387.53	481.82	482.12	351.17	498.59	650.43	322.47	490.60	1288.09
Total Expenses	379.31	468.23	486.48	354.76	455.31	578.61	300.36	482.12	934.16
Profit before Tax	8.30	17.61	0.03	1.02	48.03	76.81	22.12	8.48	353.98
Profit after Tax	5.61	11.80	0.03	0.73	31.41	49.92	14.17	5.79	346.03
EPS	1.81	0.24	-	0.01	0.62	0.50	0.14	1.87	3.35
Net worth	38.39	69.18	69.12	69.95	101.16	150.21	218.68	38.44	550.77
Long term Borrowings	13.10	3.40	0.55	5.78	17.70	20.29	19.48	15.47	19.48
Short Term Loan	17.00	32.41	45.50	47.33	22.93	39.99	27.13	17.00	27.13

* During FY18, the Company's consolidated revenue included revenues of its subsidiary Mishtann Agro Pvt. Ltd.

$ During FY24, the Company's consolidated revenue included revenues of its Dubai based wholly owned subsidiary Grow and Grub Nutrients FZ LLC.

A. ***Failure to furnish information and non-cooperation with the investigation by MFL***

8. In respect of the irregularities observed by the CGST Authority and BSE in MFL's financial statements for the period between FY18 to FY24, certain clarifications/explanations were obtained from MFL vide summons, letters and emails issued by SEBI. However, in each response, MFL stated that a major fire broke out at its registered office on May 6, 2022 which destroyed all office properties, equipment, systems, documents and internal records since the inception of the Company. MFL further stated that it had also filed a police complaint in respect of the said fire accident. It is, however, pertinent to note that MFL did not even provide the documents pertaining to the period subsequent to the fire accident, i.e., FY23 and FY24. Accordingly, the relevant documents such as copies of invoices, proofs of transportation of products such as lorry bills, electricity bills, agenda and minutes of the Board and Audit Committee ("AC") Meetings for FY18 and FY19, etc., were not provided by MFL to SEBI. BSE also

commented in its examination report that MFL did not cooperate with the investigation, provided only partial responses as per its convenience and failed to provide any supporting documents /proofs to support its sales, generator bills, etc.

9. Further, statements of managing director, promoters, executive director and CFO, statutory auditor, and accountant of MFL were recorded in the matter. In addition, summonses were also issued to the top buyers/suppliers to provide information/documents with respect to their sale/purchase transactions with MFL including transportation expenses. However, none of these entities responded to the said summons and no documents were provided to SEBI. Further, none of the four partners/promoters/directors who were common to the majority of these buyers/suppliers appeared before SEBI for deposition, in response to the summonses issued by SEBI.

10. In view of the aforesaid, the investigation by SEBI relied on information obtained from sale and purchase ledgers maintained by MFL in respect of its top buyers/suppliers, bank statements and bank account opening forms of MFL and its buyers/suppliers (as procured from several banks), submissions of MFL and its MD/promoters/directors/CFO/statutory auditors, Annual Reports of MFL and its buyers/ suppliers, BSE examination report and site visit reports, and the disclosures made by MFL on BSE website.

11. Thus, by failing to furnish various information, details, etc. as sought by SEBI vide multiple summonses without any justifiable reasons, MFL was *prima facie* found to have violated the provisions of section 11C (2) read with section 11C (3) of SEBI Act, 1992.

12. Further, in response to SEBI's summonses, the common partners/ directors/ promoters of majority of the buyers/sellers of MFL, viz., Mr. Devalkumar Bharatbhai Patel, Mr. Jatinbhai Ramanbhai Patel, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav, failed to appear before SEBI and failed to furnish information such as audited financial statements, details of bank accounts, ITRs, etc. pertaining to these buyers/sellers, without any justifiable reasons for such failure and thus, are *prima facie* found to have violated the provisions of section 11C (5) of SEBI Act, 1992.

B. Misrepresentation/mis-statements in the Financial Statements of MFL

Inflation of sale/purchase transactions of MFL

13. The sale and purchase transactions of MFL, as disclosed in its Annual Reports on standalone basis, during the Investigation Period are as under:

(Amount in Rs. crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Total Sales	387.53	481.72	482.03	351.07	498.58	650.39	322.42	**3173.74**
Total Purchases	368.71	458.71	456.64	354.09	443.62	551.62	287.72	**2921.11**

14. The details provided by MFL of its total sales and purchases done with its top buyers and suppliers during the Investigation Period are as under:

(Amount in Rs. crore)

Sr. No.	Name of entity	Value of purchases of MFL from entity during Investigation Period	Value of purchases from entity as % of total purchases of MFL during Investigation Period	Value of sales by MFL to entity during Investigation Period	Value of sales from entity as % of total sales by MFL during Investigation Period
1	Arihant Corporation	-	-	175.71	5.54
2	Mishtann Shoppee India Pvt Ltd/Mishtann Agro Pvt. Ltd..	-	-	1326.59	41.80
3	Button Industries Pvt Ltd	-	-	917.02	28.90
4	Patel Brothers	-	-	101.18	3.19
5	Anand Corporation	-	-	112.74	3.55
6	Cropberry Foods Pvt Ltd	784.61	26.86		
7	Artlay Agritech Pvt Ltd.	620.77	21.25	-	-
8	Gayatri Trading	265.89	9.10	-	-
9	Dharati Marketing	80.06	2.74	-	-
10	Payal Sales Agency	607.52	20.80	-	-
11	Celtis Commodities Ltd	79.00	2.70	20.31	0.63
12	Vraj Corporation	140.50	4.81	-	-
13	Ravi Trading	29.23	1.00	-	-
14	Mementos Foods Pvt Ltd	-	-	8.70	0.27
15	Wilshire Nutrifoods Ltd	16.00	0.55	-	-
16	Swarnim Foods Pvt Ltd	25.21	0.86	-	-
TOTAL		**2648.79**	**90.67**	**2662.25**	**83.88**

15. It is, thus, noted from the table above that total sales and purchases of MFL with the aforesaid top buyers/suppliers accounted for approx. 91% and 84% of the total purchases and sales of MFL respectively during the Investigation Period. It is also pertinent to note that these buyers/suppliers of MFL are related to each

other and also to MFL because of common partners/directors. The same would be highlighted in the subsequent paragraphs as part of the analysis of the sale and purchase transactions of MFL. For ease of reference, these entities and their partners/directors are henceforth referred to as "**group entities**" in this Order.

Sale transactions

(I) M/s Arihant Corporation ("Arihant")

16. As per information submitted by MFL, the details of sale transactions booked by MFL with Arihant during the Investigation Period are as under:

Particulars	FY	Amount (in Rs. crore)	% of total sales of MFL for the respective FY
Sales	2017-18	44.73	11.55
	2018-19	130.98	27.19
Total		**175.71**	

17. Upon an analysis of the bank account statements of Arihant, it was observed that more than 99% of the amounts credited in Arihant's bank account during the Investigation Period were received from certain group entities and approximately the same amounts were transferred by Arihant to MFL and to one of the independent directors of MFL. The summary of transactions done in the bank account of Arihant during the Investigation Period is as under:

From	To	Total Amount (in Rs. crore)	% of total credits/debits in the accounts
Credits			
Group entities	Arihant	172.91	99.34
Other	Arihant	1.15	0.66
Total Credits		174.06	100
Debits			
Arihant	MFL	172.80	99.28
Arihant	Devalkumar Bharatbhai Patel (Independent Director of MFL)	1.26	0.72
Arihant	Other	0.00	0.00
Total Debits		174.59	100

18. It was further observed from an overall analysis of bank transactions among all group entities that the aforesaid amounts transferred by Arihant to MFL were originally received by Arihant from MFL itself through other group entities and all

these fund transfers occurred within a very short span of time. Thus, it was *prima facie* found that there was a circular flow of funds between MFL, Arihant and the other group entities. A sample illustration of the circular fund transfers is as under:

Date and time	From	To	Amount (in Rs.)
18/01/2018 12:28	MFL	Payal Sales	44,16,830
18/01/2018 12:34	Payal Sales	Ravi Trading	44,13,670
18/01/18 13:57	Ravi Trading	Arihant	44,03,000
18/01/18 14:00	Arihant	MFL	20,00,000
18/01/18 14:01	Arihant	MFL	20,00,000
18/01/18 14:02	Arihant	MFL	3,70,380

Date and time	From	To	Amount (in Rs.)
08/06/2018 16:18	MFL	Payal Sales	1,03,12,685
08/06/2018 16:42	Payal Sales	Mishtann Agro	1,01,50,000
08/06/2018 18:07	Mishtann Agro	Arihant	52,37,062
08/06/2018 18:24	Arihant	MFL	19,50,830
08/06/2018 18:24	Arihant	MFL	20,00,000
08/06/2018 18:25	Arihant	MFL	12,84,630

19. Further, as per the Bank Account Opening Form ("AOF") of Arihant, it was observed that Arihant was a partnership firm and Mr. Bharat Jethabhai Patel and Mr. Kanakkumar Vinodbhai Patel were its partners from August 23, 2017. However, it is pertinent to note that Mr. Bharat Jethabhai Patel was also an independent director of MFL during September 30, 2015 to July 03, 2019 and Arihant entered into the aforesaid transactions with MFL during October 02, 2017 to March 31, 2019. Thus, it was *prima facie* found that Arihant was a related party of MFL as per regulation 2(1)(zb) of LODR Regulations and the sales by MFL to Arihant in FY19 were material related party transactions ("RPTs"), being 27% of the previous year's annual consolidated turnover of MFL. Further, Mr. Bharat Jethabhai Patel was also a partner/director of other group entities such as Mishtann Agro with whom Arihant had sizeable bank transactions. It was also observed that the bank account of Arihant became dormant since May 27, 2019 and almost the entire balance amount in Arihant's account was transferred to MFL.

20. SEBI issued summonses to Arihant and its Managing Partner, Mr. Kanakkumar Vinodbhai Patel seeking documents such as audited financial statements, copies

of Income Tax returns, details of sale/purchase transactions, top five buyers and suppliers, bank account details, expense details including transportation expenses, etc. However, no information was furnished in response to the said summonses. Further, as per BSE's site inspection report, Arihant was not found at the address available in its Bank AOF.

21. It was also observed that there were no debit transactions in Arihant's bank account other than to MFL and to Mr. Devalkumar Bharatbhai Patel (one of the independent directors of MFL). Thus, in the absence of receipt of any other documents such as invoices and financial statements of Arihant (which were not available in the public domain as Arihant was a partnership firm), it was *prima facie* found that Arihant did not incur any other expenses, including storage or transportation expenses, during the Investigation Period.

22. In view of the aforesaid observations, viz., circular flow of funds between MFL, Arihant and other group entities, NIL storage/transportation expenses incurred by Arihant during the Investigation Period, Arihant not being found at its address during site visit by BSE and no response by Arihant to SEBI's summonses, it was *prima facie* concluded that the sales booked by MFL with Arihant were fictitious.

(II) Mishtann Shoppee India Pvt. Ltd. (formerly known as Mishtann Agro Pvt. Ltd.) ("Mishtann Shoppee/Agro")

23. Mishtann Agro Pvt. Ltd. was incorporated on August 07, 2012 and changed its name to Mishtann Shoppee India Pvt. Ltd. on April 25, 2019. As per the financial statements of MFL for FY18, Mishtann Agro Pvt. Ltd. was shown as a subsidiary of MFL and later, it ceased to be subsidiary of MFL with effect from May 14, 2018.

24. As per information submitted by MFL, the details of sale transactions booked by MFL with Mishtann Shoppee/Agro during the Investigation Period, along with the details of total purchases of Mishtann Shoppee/Agro as obtained from MCA database are as under:

(Amount in Rs. crore)

Particulars	FY	Amount of sales by MFL to Mishtann Shoppee/ Agro during FY	% of total sales of MFL during FY	Amount of total purchases of Mishtann Shoppee/ Agro* during FY	Purchase from MFL as a % of total purchase of Mishtann Shoppee/Agro for the respective FY
Sales	2017-18	28.55	7.37	281.70	10.13
	2019-20	438.76	**91.02**	564.69	**77.68**
	2020-21	314.59	**89.56**	378.32	**83.15**
	2021-22	389.28	**78.08**	647.87	**60.08**
	2022-23	150.86	76.07	*	-
	2023-24	4.55	1.41	*	-
Total		**1326.59**			

* Sourced from MCA database. The financial statements are not available for FY23 and FY24.

25. It is noted from the table above that during FY20 to FY22, Mishtann Shoppee/Agro booked a significant proportion of its total purchases with MFL and MFL also booked a significant proportion of its total sales with Mishtann Shoppee/Agro during this period.

26. Upon an analysis of the bank account statements of Mishtann Shoppee/Agro, it was observed that approx. 92% of the credit entries and approx. 93% of the debit entries during the Investigation Period in Mishtann Shoppee/Agro's bank accounts were only from/to MFL or the group entities. The summary of transactions done in the bank accounts of Mishtann Shoppee/Agro during the Investigation Period is as under:

From	To	Total Amount (in Rs. crore)	% of total credits/debits in the accounts
Credits			
Group Entities	Mishtann Shoppee/Agro	2216.59	92.16
Other entities	Mishtann Shoppee/Agro	188.56	7.84
Total Credits		**2405.15**	**100.00**
Debits			
Mishtann Shoppee/Agro	MFL	1310.47	54.48
Mishtann Shoppee/Agro	Group Entities	925.41	38.47
Mishtann Shoppee/Agro	Other entities	169.57	7.05
Total Debits		**2405.45**	**100.00**

27. It was further observed from an overall analysis of all bank transactions among all group entities that the aforesaid amounts transferred by Mishtann Shoppee/Agro to MFL/other group entities were originally received by Mishtann Shoppee/Agro from MFL itself through other group entities and all these fund transfers occurred within a very short span of time. Thus, it was *prima facie* found that there was a circular flow of funds between MFL, Mishtann Shoppee/Agro and the other group entities. A sample illustration of the circular fund transfers is as under:

Date and time	From	To	Amount (in Rs.)
12/11/2019	MFL	Payal Sales	90,00,000
12/11/19 09:52	Payal Sales	Button Industries	25,00,000
12/11/19 09:52	Payal Sales	Button Industries	25,00,000
12/11/19 09:52	Payal Sales	Button Industries	25,00,000
12/11/19 09:53	Payal Sales	Button Industries	15,00,000
12/11/19 09:56	Button Industries	Mishtann Shoppee/Agro	35,94,500
12/11/19 09:58	Button Industries	Mishtann Shoppee/Agro	47,39,100
12/11/2019 10:12	Mishtann Shoppee/Agro	MFL	31,58,760
12/11/2019	Mishtann Shoppee/Agro	MFL	44,96,025

28. It was also observed that Mr. Devalkumar Bharatbhai Patel was a promoter-director of Mishtann Shoppee/Agro since April 2, 2018 and was also an independent director of MFL during September 30, 2015 to July 03, 2019. Further, the previous promoters/directors of Mishtann Shoppee/ Agro (during August 7, 2012 to April 10, 2018) were Mr. Hiteshkumar Gaurishankar Patel, managing director of MFL and Mr. Ravikumar Gaurishankar Patel, executive director/CFO of MFL. Since Mishtann Shoppee/Agro had entered into transactions with MFL during this period, it was *prima facie* found that Mishtann Shoppee/Agro was a related party of MFL as per regulation 2(1)(zb) of LODR Regulations. Further, the current director, Mr. Devalkumar Bharatbhai Patel was also a partner/director of other group entities such as Button Industries Pvt. Ltd. with whom Mishtann Shoppee/Agro had sizeable bank transactions.

29. Further, SEBI also issued summonses to Mishtann Shoppee/Agro seeking documents such as audited financial statements, copies of Income Tax returns, details of sale/purchase transactions, top five buyers and suppliers, bank

account details, expense details including transportation expenses, etc. However, no information was furnished in response to the said summonses.

30. In addition, summonses were also issued to the director of Mishtann Shoppee/Agro, Mr. Devalkumar Bharatbhai Patel who, *inter alia*, submitted through emails in July 2024 that he was travelling for marketing purposes and would not be able to appear in person. He also requested that he may be allowed to appear once he returns from tour after August 2024 and also sought sufficient time to provide the information as required by SEBI. SEBI responded to his emails and also made several calls on his mobile phone. Mr. Devalkumar Bharatbhai Patel picked up the first phone call but hung up stating that he would call back. However, he did not pick up or return any calls from SEBI thereafter.

31. Further, as per BSE's site inspection report, Mishtann Shoppee/Agro was not found at the address available in its Bank AOF and some other company, viz., M/s. Elastic Serve was operating from the said address.

32. Upon an analysis of financial statements of Mishtann Shoppee/Agro for FY18 to FY22 as available on MCA database, the following was observed in respect of the expenses of Mishtann Shoppee/Agro:

(Amount in Rs. crore)

Item	FY18	FY19	FY20	FY21	FY22
Revenue from sale of products	132.47	283.69	568.11	380.56	590.10
Purchases	132.11	281.71	564.68	378.32	647.87
Other Expenses	0.03	1.24	2.80	1.70	4.10
Other expenses as % of revenue from sale of products	0.02%	0.44%	0.49%	0.45%	0.69%
Inventory	1.10	0.73	1.39	0.73	0.80
Borrowings (Long and Short term)	2.37	2.37	1.88	1.00	0.96

It was observed from the table above that the highest-ever value of 'Other Expenses' (which may include transportation expenses) of Mishtann Shoppee/Agro during these five years was a miniscule 0.69% of its revenue. However, considering that Mishtann Shoppee/Agro has four branches in different regions of India, the transportation expenses (even if the entire amount of 'Other Expenses' is considered to be towards transportation expenses) incurred by it was not commensurate with its revenues. Thus, it was *prima facie* found that Mishtann Shoppee/Agro did not incur any expenses towards transportation of goods during the Investigation Period. It was also noted from the table above that

Mishtann Shoppee/Agro had negligible inventory and negligible short term/long term borrowings during this period.

33. In view of the aforesaid observations, viz., circular flow of funds between MFL, Mishtann Shoppee/Agro and other group entities, negligible inventory and borrowings, negligible transportation expenses incurred by Mishtann Shoppee/Agro during the Investigation Period, Mishtann Shoppee/Agro not being found at its address during site visit by BSE, and no response by Mishtann Shoppee/Agro to SEBI's summonses and calls, it was *prima facie* found that the sales booked by MFL with Mishtann Shoppee/Agro were fictitious.

Sale transactions with other group entities

34. Similar to the aforementioned modus operandi of MFL booking sale transactions with group entities, viz., Arihant and Mishtann Shoppee/Agro, the analysis regarding sale transactions with other top buyers of MFL is summarized as under:

(III) Button Industries Pvt. Ltd. ("Button")

<table>
<tr><td>Details of sale transactions of MFL with Button (as per information submitted by MFL) and total purchases of Button (as per MCA database)</td><td>
<table>
<tr><th>Particulars</th><th>FY</th><th>Amount of sale by MFL to Button during FY (in Rs. crore)</th><th>Amount of sale to Button as % of total sale of MFL during FY</th><th>Total purchase of Button during FY (in Rs. crore) *</th><th>Purchase from MFL as a % of total purchase of Button during FY</th></tr>
<tr><td rowspan="3">Sales</td><td>2021-22</td><td>106.29</td><td>21.32</td><td>176.04</td><td>60.37</td></tr>
<tr><td>2022-23</td><td>494.72</td><td>76.07</td><td>812.98</td><td>60.85</td></tr>
<tr><td>2023-24</td><td>316.02</td><td>98.14</td><td>*</td><td></td></tr>
<tr><td>Total</td><td></td><td>917.03</td><td></td><td></td><td></td></tr>
</table>
* Financial Statements not available for FY24
As noted from the table above, during FY22 and FY23, Button booked more than 60% of its total purchases with MFL. Further, MFL booked an even higher proportion of its total sales for FY23 and FY24 with Button.</td></tr>
<tr><td>Observations regarding Credit and Debit entries in Button's bank accounts</td><td>97.60% of credit entries and 99.59% of debit entries in the bank accounts of Button during the Investigation Period were from/to the group entities only.
Further, the amounts transferred by Button to MFL/other group entities were originally received by Button from MFL itself through</td></tr>
</table>

<table>
<tr><td></td><td>other group entities and all these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:
<table><tr><th>Date and time</th><th>From</th><th>To</th><th>Amount (in Rs.)</th></tr><tr><td>28/03/2022</td><td>MFL</td><td>Artlay</td><td>73,28,710</td></tr><tr><td>28/03/2022</td><td>MFL</td><td>Artlay</td><td>67,32,981</td></tr><tr><td>28/03/2022</td><td>Artlay</td><td>Tremento</td><td>73,22,690</td></tr><tr><td>28/03/2022</td><td>Artlay</td><td>Tremento</td><td>67,39,610</td></tr><tr><td>28/03/22 17:11</td><td>Tremento</td><td>Button</td><td>54,46,605</td></tr><tr><td>28/03/22 17:33</td><td>Button</td><td>MFL</td><td>54,49,631</td></tr><tr><td>28/03/22 17:34</td><td>Tremento</td><td>Button</td><td>87,89,230</td></tr><tr><td>28/03/22 17:35</td><td>Button</td><td>MFL</td><td>87,90,143</td></tr></table>
Thus, it was prima facie found that there was a circular flow of funds between MFL, Button and the other group entities</td></tr>
<tr><td>Response of Button and its Director/Promoter to summonses issued by SEBI seeking details of financial statements, sale/purchase transactions, expenses, etc.</td><td>Button did not respond to the summons.
Summonses were also issued to the promoter-director of Button, Mr. Devalkumar Bharatbhai Patel, who, inter alia, submitted through emails in July 2024 that he was travelling for marketing purposes and requested that he may be allowed to appear after August 2024 and also sought sufficient time to provide the information as required by SEBI. However, as mentioned earlier, Mr. Devalkumar Bharatbhai Patel did not thereafter respond to SEBI’s emails and calls.</td></tr>
<tr><td>Observations of BSE regarding site visit to Button’s address</td><td>Upon inquiry by BSE team from nearby office, it was informed that Button’s premises was never seen open. Further, no reply was received from the contact number mentioned on the company name board.</td></tr>
<tr><td>Observations from Button’s financials regarding transportation expenses, inventory and borrowings of Button</td><td>Transportation expenses not recorded in Button’s books of account. However, Notes to the accounts mentioned that transportation cost for purchase and sales were included into the cost of purchase and sales respectively. A snapshot of the relevant information from the financial statements of Button is as under:
(Amount in Rs. Crore)
<table><tr><th></th><th>FY20</th><th>FY21</th><th>FY22</th><th>FY23</th></tr><tr><td>Revenue from Sale of Products</td><td>368.83</td><td>163.71</td><td>169.01</td><td>749.52</td></tr><tr><td>Purchases</td><td>369.08</td><td>163.96</td><td>176.05</td><td>812.99</td></tr></table></td></tr>
</table>

Other Expenses	*0.38*	*0.04*	*0.29*	*3.08*
Other Expenses as % of revenue	*0.10%*	*0.02%*	*0.17%*	*0.41%*
Inventory	*0.76*	*1.15*	*0.00*	*0.00*
Borrowings (Long and Short term)	*0.00*	*0.00*	*0.00*	*48.47*

35. In view of the aforesaid observations, viz., circular flow of funds between MFL, Button and other group entities, minimal inventory, Button not being found at its address during site visit by BSE, no transportation expenses booked by Button, and no response by Button to SEBI's summonses and calls, it was *prima facie* found that the sales booked by MFL with Button were fictitious.

36. Further, the findings of the investigation related to two other top buyers of MFL, viz., **M/s Anand Corporation** and **M/s Patel Brothers** are summarised as under:

(a) The sale transactions booked by MFL with these two entities in FY18 and FY19 comprised approx. 10-15% of the total sales of MFL during these years.

(b) More than 99% of the credit and debit entries in the bank accounts of both of these entities during the Investigation Period were from/to the group entities only and there was circular flow of funds between these entities, MFL and other group entities.

(c) Both the entities and their partners did not respond to SEBI's summonses and the partners failed to appear before the Investigating Authority on the scheduled dates.

(d) Both the entities were not found at their addresses during site visit conducted by BSE.

(e) Both the entities were *prima facie* found to have not incurred any expenses towards storage or transportation during the Investigation Period.

37. In view of the aforesaid findings, it was *prima facie* found that the sales booked by MFL with Patel Brothers and Anand Corporation were fictitious.

Purchase transactions

(I) Cropberry Foods Pvt Ltd ("Cropberry")

Details of purchase transactions of MFL with Cropberry (as per information submitted by MFL) and total sales of Cropberry (as per MCA database)

Particulars	FY	Purchase by MFL from Cropberry during FY (in Rs. crore)	Purchase from Cropberry as % of total purchase of MFL during FY	Total sale of Cropberry during FY (in Rs. crore)	Sale to MFL as % of total sale of Cropberry during FY
Purchases from Cropberry	2020-21	89.11	25.15	155.07	**57.46**
	2021-22	194.59	43.86	368.30	**52.83**
	2022-23	335.71	**60.86**	552.51	**60.07**
	2023-24	165.21	**57.42**	*	*
Total		**784.62**			

* Financial Statements not available for FY24

As noted from the table above, during FY23 and FY24, MFL booked more than 50% of its total purchases with Cropberry. Further, Cropberry also booked more than 50% of its total sales for FY21, FY22 and FY23 with MFL.

Observations regarding Credit and Debit entries in Cropberry's bank accounts

99.21% of credit entries and 97.14% of debit entries in the bank accounts of Cropberry during the Investigation Period were from/to the group entities only.

Further, the amounts transferred to Cropberry by MFL/other group entities were subsequently returned to MFL itself through other group entities and all these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:

Date and time	From	To	Amount (in Rs.)
19/10/2020	MFL	Cropberry	49,32,700
19/10/2020	Cropberry	Button	49,32,800
19/10/2020	Button	Mishtann Shoppee/Agro	49,33,177
19/10/2020	Mishtann Shoppee/Agro	MFL	52,00,000

Also, the current and previous promoters/directors of Cropberry are/were also the partners/directors of other group entities such as Arihant, Anand Corp, Dharati Marketing, Patel Brothers, etc.

It was *prima facie* found that there was circular flow of funds between MFL, Cropberry and the other group entities.

<table>
<tr><td>Response of Cropberry and its Director/Promoter to summonses issued by SEBI seeking details of financial statements, sale/purchase transactions, expenses, etc.</td><td>Summonses were issued to Cropberry and its directors, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav. However, no response to the summonses was received and the directors also failed to appear before SEBI on the scheduled date.</td></tr>
<tr><td>Observations of BSE regarding site visit to Cropberry's address</td><td>BSE informed that Cropberry was not found at its registered address and the address was located in a residential area.</td></tr>
<tr><td>Observations from Cropberry's financials regarding transportation expenses, inventory and borrowings of Cropberry</td><td>Transportation expenses were not recorded in Cropberry's books of accounts. However, Notes to the accounts mentioned that transportation cost for purchase and sales were included in the cost of purchase and sales respectively. A snapshot of the relevant information from the financial statements of Cropberry is as under:
(Amount in Rs. Crore)
<table><tr><th></th><th>FY21</th><th>FY22</th><th>FY23</th></tr><tr><td>Revenue</td><td>155.06</td><td>368.29</td><td>522.51</td></tr><tr><td>Purchases</td><td>162.06</td><td>384.92</td><td>535.12</td></tr><tr><td>Other Expenses</td><td>0.01</td><td>0.43</td><td>5.47</td></tr><tr><td>Other Expenses as a % of revenue</td><td>0.01%</td><td>0.12%</td><td>1.05%</td></tr><tr><td>Inventory</td><td>7.13</td><td>24.46</td><td>43.14</td></tr><tr><td>Short-term Loans & Advances</td><td>4.34</td><td>9.11</td><td>33.23</td></tr></table></td></tr>
</table>

38. In view of the aforesaid observations, viz., circular flow of funds between MFL, Cropberry and other group entities, Cropberry not being found/ located at its address during site visit by BSE, no transportation expenses booked by Cropberry, no details including invoices received from Cropberry, and no response by Cropberry to SEBI's summonses, it was *prima facie* concluded that the purchase transactions booked by MFL with Cropberry were fictitious.

(II) Artlay Agritech Pvt. Ltd. ("Artlay")

Details of purchase transactions of MFL with Artlay (as per information submitted by MFL) and total sales of Artlay (as per MCA database)

Particulars	FY	Purchase by MFL from Artlay during FY (in Rs. crore)	Purchase from Artlay as % of total purchase of MFL during FY	Total sale of Artlay during FY (in Rs. crore)	Sale to MFL as % of total sales of Cropberry during FY
Purchases from Artlay	2020-21	108.70	**30.67**	190.17	**56.85**
	2021-22	197.60	**44.54**	463.01	**42.68**
	2022-23	196.39	**35.60**	430.36	**45.64**
	2023-24	118.07	**36.62**	*	*
Total		**620.76**			

* Financial Statements not available for FY24

As noted from the table above, during FY21 to FY24, a significant proportion of purchases of MFL were booked with Artlay. Further, Artlay also booked a significant proportion of its sales during FY21 to FY23 with MFL.

Observations regarding Credit and Debit entries in Artlay's bank accounts

99.21% of credit entries and 95.92% of debit entries in the bank accounts of Artlay during the Investigation Period were from/to the group entities only.

Further, the amounts transferred to Artlay by MFL/other group entities were subsequently returned to MFL itself through other group entities and all these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:

Date and time	From	To	Amount (in Rs.)
28/10/2020	MFL	Artlay	30,62,150
28/10/2020	Artlay	Button	30,18,440
28/10/2020 13:30	Button	Mishtann Shoppee/Agro	29,16,445
28/10/2020 13:38	Mishtann Shoppee/Agro	MFL	31,29,800

Also, the current and previous promoters/directors of Artlay are/were also the partners/directors of other group entities such as Arihant, Anand Corp, Dharati Marketing, Patel Brothers, Cropberry, etc.

It was *prima facie* found that there was circular flow of funds between MFL, Artlay and the other group entities.

<table>
<tr><td>Response of Artlay and its Director/Promoter to summonses issued by SEBI seeking details of financial statements, sale/purchase transactions, expenses, etc.</td><td>Summonses were issued to Artlay and its directors, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav. However, no response was received to the summonses and the directors also failed to appear before SEBI on the scheduled date.</td></tr>
<tr><td>Observations of BSE regarding site visit to Artlay's address</td><td>BSE informed that Artlay was not found at its registered address and the address was located in a residential area.</td></tr>
<tr><td>Observations from Artlay's financials regarding transportation expenses, inventory and borrowings of Artlay</td><td>Transportation expenses were not recorded in Artlay's books of accounts and only loading and unloading expenses were recorded. A snapshot of the relevant information from the financial statements of Artlay is as under:
(Amount in Rs. Crore)
<table><tr><th></th><th>FY21</th><th>FY22</th><th>FY23</th></tr><tr><td>Revenue</td><td>190.18</td><td>463.01</td><td>430.36</td></tr><tr><td>Purchases</td><td>197.98</td><td>455.46</td><td>475.45</td></tr><tr><td>Other Expenses</td><td>0.01</td><td>0.59</td><td>7.27</td></tr><tr><td>Other Expenses as % of revenue</td><td>0.01%</td><td>0.13%</td><td>1.69%</td></tr><tr><td>Inventory</td><td>7.91</td><td>1.25</td><td>53.94</td></tr><tr><td>Short-term Loans & Advances</td><td>0.01</td><td>0.00</td><td>36.72</td></tr></table></td></tr>
</table>

39. In view of the aforesaid observations, viz., circular flow of funds between MFL, Artlay and other group entities, Artlay not being found/ located at its address during site visit by BSE, no transportation expenses booked by Artlay, no details including invoices received from Artlay, and no response by Artlay to SEBI's summonses, it was *prima facie* concluded that the purchase transactions booked by MFL with Artlay were fictitious.

(III) M/s Payal Sales Agency ("Payal")

<table>
<tr>
<td>Details of purchase transactions of MFL with Payal (as per information submitted by MFL)</td>
<td>
<table>
<tr><th>Particulars</th><th>FY</th><th>Amount (in Rs. crore)</th><th>Purchase from Payal as % of total purchase of MFL for the respective FY</th></tr>
<tr><td>Purchases</td><td>2017-18</td><td>111.00</td><td>30.10</td></tr>
<tr><td></td><td>2018-19</td><td>193.32</td><td>42.07</td></tr>
<tr><td></td><td>2019-20</td><td>303.19</td><td>66.40</td></tr>
<tr><td colspan="2">Total</td><td>607.51</td><td></td></tr>
</table>
As noted from the table above, during FY18 to FY20, a significant proportion of purchases of MFL were booked with Payal.
</td>
</tr>
<tr>
<td>Observations regarding Credit and Debit entries in Payal's bank accounts</td>
<td>
99.32% of credit entries and 90.83% of debit entries in the bank accounts of Payal during the Investigation Period were from/to the group entities only.
Further, the amounts transferred to Payal by MFL/other group entities were promptly returned to MFL itself through other group entities. All these fund transfers occurred within a very short span of time. A sample illustration of the same is as under:
<table>
<tr><th>Date and time</th><th>From</th><th>To</th><th>Amount (in Rs.)</th></tr>
<tr><td>24/01/2018 14:10</td><td>MFL</td><td>Payal</td><td>25,16,750</td></tr>
<tr><td>24/01/2018 14:16</td><td>Payal</td><td>Ravi Trading</td><td>24,38,920</td></tr>
<tr><td>24/01/2018 00:00</td><td>Ravi Trading</td><td>Arihant Corporation</td><td>23,25,000</td></tr>
<tr><td>24/01/2018 11:00</td><td>Arihant Corporation</td><td>MFL</td><td>20,00,000</td></tr>
<tr><td>24/01/2018 11:01</td><td>Arihant Corporation</td><td>MFL</td><td>3,30,000</td></tr>
</table>
In addition, the partners of Payal, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav, were also the partners/directors of other group entities such as Arihant, Anand Corp, Patel Brothers, Artlay, Cropberry, Dharati, etc.
It was prima facie found that there was circular flow of funds between MFL, Payal and the other group entities.
</td>
</tr>
<tr>
<td>Response of Payal to summonses issued by SEBI seeking details</td>
<td>Summonses were issued by SEBI to Payal and its partners, Mr. Kanakkumar Vinodbhai Patel and Mr. Surendra Kumar Yadav. However, as mentioned earlier, there was no response to the summonses issued by SEBI and no appearance on the scheduled date by any of the partners.</td>
</tr>
</table>

of financial statements, sale/purchase transactions, expenses, etc.	
Observations of BSE regarding site visit to Payal's address	BSE informed that Payal was not found at the address available in its Bank AOF.

40. In view of the aforesaid observations, viz., circular flow of funds between MFL, Payal and other group entities, Payal not found at its address during site visit by BSE, no details including invoices or financial statements received from Payal, and no response by Payal to SEBI's summonses, it was *prima facie* found that the purchase transactions booked by MFL with Payal were fictitious.

Purchase transactions with other group entities

41. Further, the findings of the investigation related to four other top sellers of MFL, viz., **M/s Gayatri Trading Agency ("Gayatri")**, **Dharati Marketing ("Dharati")**, **Vraj Corporation ("Vraj")**, **M/s Ravi Trading ("Ravi")** are summarised as under:

(a) The purchase transactions booked by MFL cumulatively with these four entities in FY18, FY19 and FY20 comprised approx. 43%, 56% and 19% respectively of the total purchases of MFL during these years.

(b) Approx. 98-99% of credit entries in the bank accounts of Gayatri, Dharati and Vraj and approx. 73% of credit entries in the bank account of Ravi were from the group entities only. Further, approx. 99% of debit entries in the bank accounts of Dharati and Vraj, approx. 80% of debit entries in the bank account of Gayatri and approx. 60% of debit entries in the bank account of Ravi were to the group entities only. In addition, there was a circular flow of funds between these respective entities, MFL and other group entities within a very short span of time.

(c) The partners of all these four entities functioned as the independent directors/directors of MFL at different times during the Investigation Period

when these entities booked purchase transactions with MFL. Thus, these entities were related parties of MFL. Further, the partners of these four entities were also the partners/directors of certain other group entities.

(d) There was no response to the summonses issued by SEBI and no appearance on the scheduled dates by any of the partners of these entities.

(e) None of these entities were found to be located at addresses mentioned in the Bank AOF during site visit conducted by BSE.

42. In view of the aforesaid findings, it was *prima facie* found that the purchase transactions booked by MFL with these four entities were fictitious.

Investigation findings regarding circular movement of funds

43. In respect of the circular flow of funds between MFL and the group entities as noted above, it was also observed that the trade receivables of MFL increased exponentially during the Investigation Period and by the end of September 2024 quarter, it constituted almost 97% assets of MFL. However, the trade payables remained stable as per its financials and the same are tabulated below:

(Amount in Rs. Crore)

Particulars	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Trade Receivables	31	57	99	81	99	221	260
Trade Payables	1.61	0.25	4.66	3.01	2.31	3.48	2.52
Cash Flow:							
Operating Activity	-23	-9	3	-5	-12	-3	-54
Investing Activity	0	0	0	0	0	0	0
Financing Activity	23	9	-3	5	12	2	54

Further, as noted from the table above, MFL had negative operating cash flow during the entire Investigation Period except in FY20 even though it was booking substantial amount of sales during this period. These figures indicate that the Company was paying its purported suppliers in full on time, however, it was not receiving the full payment against sales from its purported buyers.

44. In view of the fact that the purported buyers and suppliers of MFL were actually the group entities of MFL involved in circular flow of funds, it is also pertinent to note that during the Investigation Period, the group entities transferred funds amounting to Rs. 217.30 crore to the promoters/ directors and their relatives and received funds amounting to Rs. 170.20 crore from the promoters/ directors and their relatives. Thus, the group entities transferred a net amount of Rs. 47.10 crore to the promoters/ directors/ partners of MFL and group entities and their

relatives, viz., Mr. Hiteshkumar Gaurishankar Patel, Mr. Navinchandra D Patel, Mr. Ravikumar Gaurishankar Patel, Mr. Devalkumar Bharatbhai Patel, Mr. Kanakkumar Vinodbhai Patel, Mr. Jatinbhai Ramanbhai Patel, Ms. Manjulaben Gaurishankar Patel, Ms. Nikitaben Devalbhai Patel, Ms. Tejal Ravikumar Patel, Mr. Bharatbhai Jethabhai Patel and Ms. Rekhaben Kanakkumar Patel.

45. Considering that the sale and purchase transactions of MFL with the group entities were *prima facie* found to be fictitious and these group entities were found to have received funds only from MFL and other group entities, the net transfer of funds by these group entities to the promoters/ directors/partners of MFL and group entities and their relatives cannot be considered to be genuine business transactions. Thus, it was *prima facie* found that MFL, by booking fictitious sale/purchase transactions with the group entities, diverted/ misutilised/ misappropriated its funds amounting to Rs. 47.10 crore.

Investigation findings regarding transportation cost

46. The findings of the investigation of SEBI regarding the expenses incurred on transportation for the sale and purchase transactions of MFL are as follows:

(a) MFL did not incur any transportation cost related to its sales and purchases of goods as per its Profit and Loss statements.

(b) As per submissions of MFL, it purchased goods at factory delivery charges (FOB) and supplied the goods on ex-factory rates and thus, no expenses were accrued and recorded in the books of accounts.

(c) Mr. Hiteshkumar Gaurishankar Patel **("HGP")**, MD of MFL, *inter alia*, submitted in his statement before SEBI that there were no transportation charges or freight charges or any other manufacturing expenses like labour and wages, repair to machinery, direct manufacturing expenses etc., in MFL, however, he failed to submit any supporting documents or reasons in support of his submission.

(d) Mr. Ravikumar Gaurishankar Patel, promoter and executive director and Mr. Navinkumar D Patel, executive director and CFO of MFL, *inter alia*, submitted during their depositions that MFL did not incur transportation charges.

Therefore, initially, these observations appeared to indicate that transportation cost related to sales and purchases were incurred by the counterparty buyers and sellers.

47. However, as noted earlier, majority of the group entities either did not record any transportation expenses in their books of accounts or mentioned in the notes to the accounts that transportation cost for purchases and sales were included in the cost of purchase and sales respectively.

48. Further, HGP, in his deposition before the CGST Authority on March 24, 2021, *inter alia*, submitted that 85-90% of sales of MFL were through the distributor, i.e., Mishtann Shoppee/Agro and upon receiving the order, the goods were dispatched to locations informed by the distributor. In this regard, Mr. Devalkumar Bharatbhai Patel, the Promoter-Director of Mishtann Shoppee/Agro, in his deposition before the CGST Authority on September 28-29, 2021, *inter alia*, submitted that delivery of goods was made by MFL directly at Mishtann Shoppee/Agro's warehouses.

49. Thus, the statements of MD of MFL and Promoter-Director of Mishtann Shoppee/Agro before CGST Authority indicated that MFL was responsible for transportation of goods which was however, contrary to the submissions of MFL and its Directors/CFO before SEBI that transportation cost was not borne by MFL.

Statement of Statutory Auditor

50. The statutory auditor of MFL, Mr. Jaswant Manilal Patel, during his deposition before SEBI, *inter alia*, submitted as follows:

(a) In March 2023, the value of the closing stock of MFL increased by approx. Rs 10 crore to show higher/inflated profit of the company. Accordingly, the general reserve was increased to that extent and the same was utilised for bonus issues.

(b) There was undisputed income tax liability against MFL to the tune of Rs. 15.85 crore for FY22 and Rs. 26.89 crore for FY23 in addition to disputed tax liability of Rs. 117.44 crore.

(c) Inventory of MFL was maintained in Tally software and the audit relied solely on the Tally software and no physical verification of inventory was carried out. The management of MFL did not provide the physical verification report and reconciliation of inventory.

(d) No verification was done with the buyers/suppliers of MFL, so not able to comment on the genuineness of the buyers/suppliers of MFL.

51. The auditor in its audit report for FY23, noted that the value of closing stock at the end of FY23 was inflated by Rs. 9.55 crore since MFL valued its inventory at the net realisable value in FY23 and hence, the profit also increased to that extent. However, as per Ind AS 2, inventories should be valued at lower of the cost and net realisable value and thus, the valuation of the inventory by MFL as per net realisable value in FY23 (when the cost of inventory was lower than the net realisable value) was not in accordance with Ind AS 2, despite the statutory auditor highlighting the same.

52. Further, the Managing Director and CFO of MFL stated in their certificate issued under regulation 17(8) of LODR Regulations for FY23 that there were no significant changes in accounting policies during the year. However, as noted above, MFL changed its accounting policy in respect of inventory valuation in FY23 and did not consistently follow the accounting policy for inventory valuation through the years. Thus, it was *prima facie* found that MFL violated the provisions of Ind AS 2 and Ind AS 8.

53. In this regard, it was also noted that the accounting policy not being in accordance with Ind AS 2 was only reported as a 'key audit matter' by the statutory auditor and not as a qualified opinion. Further, the auditor solely relied on the Tally software for the sale, purchase and closing stock figures instead of doing vouching, inventory verification or third party verification for the genuineness of suppliers/buyers of MFL. Hence, it was found that the statutory auditor failed to perform its duties while certifying the financial results of MFL.

Investigation findings regarding closing stock of MFL

54. The inventory of MFL was Rs. 39.66 crore and Rs. 40.29 crore as on March 31, 2021 and March 31, 2022 respectively. However, as per the Panchnama dated April 20-21, 2022 (i.e., just 20 days after March 31, 2022) recorded by CGST Authority, goods only worth Rs. 2.42 crore were seized. Thus, the value of inventory held by MFL came down from 40.29 crore to Rs. 2.42 crore, a reduction of Rs. 37.87 crore within a span of 20 days, which would mean that MFL would have sold stock worth Rs. 37.87 crore, assuming there were no purchases during this period.

55. In this regard, BSE sought reconciliation of closing stock as on March 31, 2022 and as on April 20-21, 2022. However, MFL submitted the stock reconciliation

wherein only details of quantity of stock were available but not the details of value of stock. On seeking clarification, MFL responded that the stockholding position keeps changing on a daily basis.

56. As per the party-wise ledgers and stock reconciliation submitted by MFL, it was observed that MFL had sold the stock in April 2022 to Button and no major purchases were done between April 1, 2022 to April 20, 2022. However, as per the earlier *prima facie* findings, the transactions of MFL with Button were fictitious, which indicates that the sale transactions with Button were booked by MFL merely to match with the quantity seized by CGST Authority and thus, the inventory of Rs. 40.29 crore as per the financials of MFL was *prima facie* overstated.

57. Further, the reconciliation statement submitted by MFL was stamped by the auditor, however, the auditor submitted that the reconciliation statement was issued on the basis of Tally software and sale/purchase register of MFL rather than physical verification of stock or third party verification with buyers/suppliers. Thus, the said reconciliation statement was not found to be a concrete evidence and was as such unreliable.

58. Further, as per the GST return, the sales turnover of MFL for April 2022 was Rs. 49.55 crore, however, the CGST Authority alleged in its SCN that MFL was evading GST by wrongly claiming/availing GST exemption. Since no invoices are required to be raised for exempted supplies and only aggregate value of exempted supplies are reported in the GST returns, the genuineness of sales turnover reported by MFL in its GST return could not be ascertained.

Investigation findings regarding inflation of sales and profit of the Company during FY24

59. As per the consolidated financial statement of MFL for FY24, the revenue of MFL's Dubai-based wholly owned subsidiary ("**WoS**"), viz., Grow and Grub Nutrients FZ LLC amounting to Rs. 967 crore was consolidated in MFL's revenue. However, on a standalone basis, the revenue of MFL during FY24 (Rs. 322 crore) was only 50% of the previous FY's standalone revenue of Rs. 650 crore.

60. Regarding the sudden drop in standalone revenue and sudden rise in consolidated revenue, MFL submitted that certain adverse decisions on the

statutory front (such as increase in Minimum Export Price of rice which led to a supply glut in domestic market and consequent plummeting of domestic prices) led to lower margins in the Indian market. MFL submitted that it had anticipated this situation and during FY24, it used its foreign subsidiary to procure and sell products in the international market.

61. In this regard, the details of the WoS such as bank statements, details of purchases/sales, audited financials, etc. were sought from MFL. However, it provided no details except the audited financial statements for the calendar year ending December 31, 2023.

62. Further, it was observed that Mr. Jatinbhai Ramanbhai Patel and Mr. Ramanbhai Keshabhai Patel were shown as managers in the said WoS. However, Mr. Jatinbhai Ramanbhai Patel, who was once a Promoter and Whole Time Director of MFL and partner/director of many group entities, *inter alia*, submitted vide email dated August 7, 2024 that he had resigned from the WoS with effect from March 1, 2024 and Mr. Ramanbhai Keshabhai Patel, his father, was never a part of the WoS in any capacity.

63. In view of the non-submission by MFL of the details of its WoS, it was *prima facie* found that the sales and profits booked by the WoS were also fictitious and led to inflating the consolidated turnover and profit of MFL by Rs. 965.62 crore and Rs. 331.86 crore respectively.

Findings related to non-disclosure of advances as per schedule III of the Companies Act 2013

64. As per the Annual Report of MFL for FY22, Long Term Loans and Advances amounting to Rs. 14.33 crore were shown. However, the same was shown under operating cash flow in its Cash Flow Statement (CFS). In this regard, MFL submitted that it was a set practice in the agro commodities sector to pay advances to various parties such as commission agents, brokers, semi-millers, etc. to procure large quantities of various agro commodities and since these amounts were part of the regular operating cycle, they have been included as part of the operating cash flow. MFL also confirmed that all accounting policies were accordingly followed.

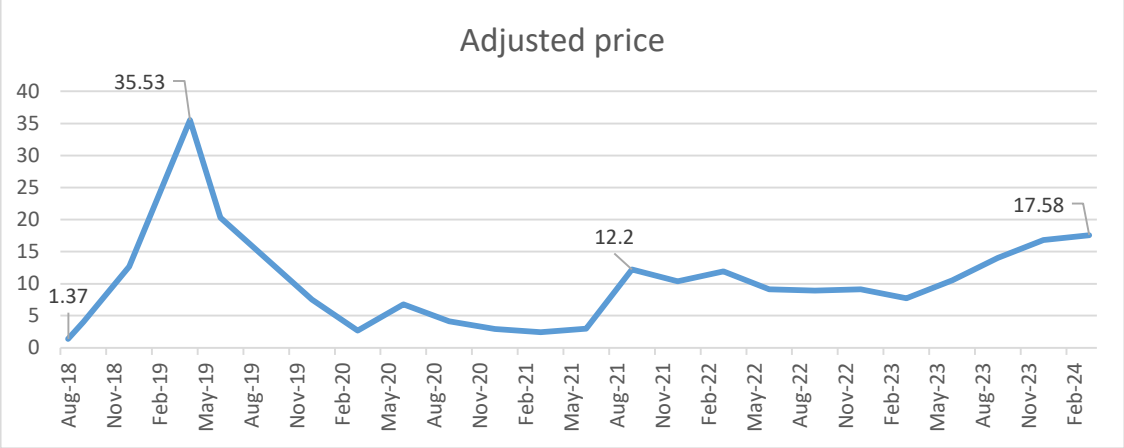
65. However, in terms of para 60 and 66 of Ind AS 1 (Presentation of Financial Statements), such amounts should have been shown as advances to creditors

or advance against purchase, i.e., as short-term loans and advances under current assets rather than as long-term loans. Thus, it was *prima facie* found that MFL violated the provisions of Ind AS 1 relating to such advances.

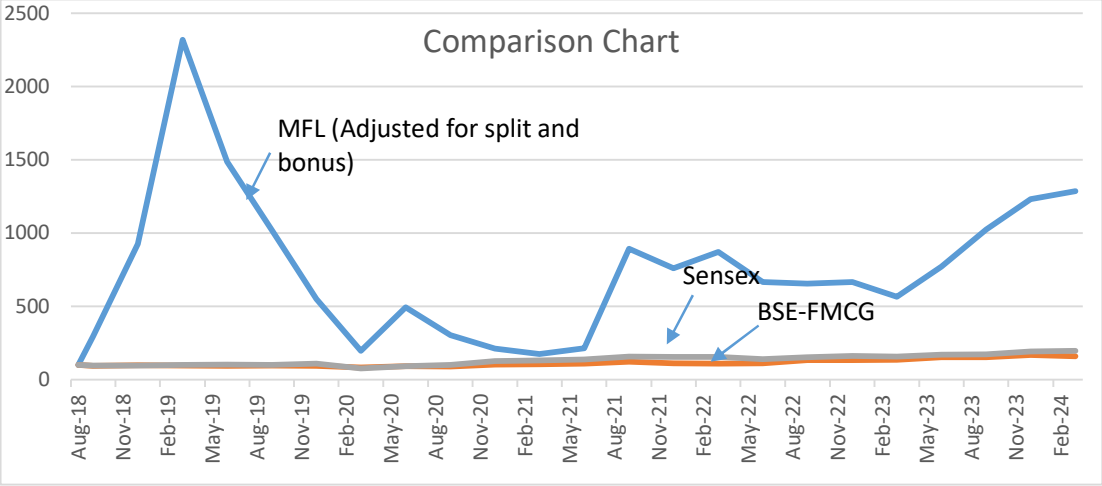
Impact of the misrepresentation/mis-statement in financial statements on the MFL scrip

66. The deliberate misreporting of the financial statements of MFL misled and defrauded the investors of MFL who made a decision to invest in the MFL scrip under the impression that the financials of MFL were reflecting a true and fair view of its performance which had a significant impact on the price of the MFL scrip during the Investigation Period. The share price of MFL went up from Rs. 27.30 on August 01, 2018 (first day of trading during the IP) to Rs. 118.25 on October 31, 2018, before declining to Rs.17.58 on March 28, 2024 (end of the Investigation Period). The price movement in the MFL scrip is pictorially shown below:

67. Further, MFL had split its shares in FY19 (10:1 stock split) and issued bonus shares (1:1 bonus) in FY23 and the price movement, adjusted for split and bonus issue, is given below:



68. Further, the price movement of MFL scrip as compared to the trend in BSE FMCG Index and SENSEX during the Investigation Period is given below:



69. The above data shows that starting from August 01, 2018, while the SENSEX remained in the range of 100-200% of its start level and the BSE-FMCG Index remained in the range of 100-169% of its start level during the Investigation Period, the share price of MFL went up 26 times during the Investigation Period. During the said period, the adjusted scrip price (Face value: Re. 1/- per share) increased from Rs. 1.37 on August 01, 2018 to a high of Rs. 35.53 on April 08, 2019 before closing at Rs. 17.58 on March 28, 2024. At the peak price of Rs. 35.53, the market capitalisation of MFL was Rs. 1777 crore.

70. Notably, the promoters of MFL did not subscribe to its rights issue amounting to Rs. 49.82 crore during April-May 2024. Further, HGP, the MD and sole promoter of MFL, offloaded 2.96 crore shares of MFL during July-August 2024 at an average rate of Rs. 16.75 per share amounting to Rs. 49.58 crores.

Investigation findings regarding misrepresentation/ mis-statement of financials of MFL

71. In view of the aforesaid analysis of the transactions of MFL with its purported buyers and sellers, it was *prima facie* found that these buyer/seller entities were involved in a circular flow of funds with MFL and there was no actual movement of goods between MFL and these entities.

72. Almost all of the top buyers/sellers of MFL were related to MFL and to each other through common directors/partners and common addresses. The site visits conducted by BSE found that most of these buyers and sellers of MFL were

fake/non-existent/non-operational at the addresses provided by MFL and as mentioned in bank AOFs. None of these buyers/sellers and their common partners/directors responded to SEBI's summonses or appeared before SEBI for deposition.

73. Further, the statutory auditor of MFL submitted that it made no physical verification of the inventory of MFL and no verification was done with these buyers/sellers of MFL and thus, was not able to comment on the genuineness of the buyers/sellers of MFL. In addition, the auditors of many of these buyers/sellers were common. These entities did not cooperate with SEBI's investigation or provide any response to SEBI's summonses.

74. Thus, it was prime facie found that the sales and purchases booked by MFL with these entities were fictitious and mere book entries meant to inflate their financials. The year-wise quantum of fictitious sales and purchases booked by MFL with these entities during the Investigation Period is tabulated below:

(Amount in Rs. Crore)

FY	Amount of fake sales	Amount of total sales	% of fake sales as compared to total sales	Amount of fake purchases	Amount of total purchases	% of fake purchases as compared to total purchases
2017-18	152.24	387.53	39.28	272.31	368.71	73.85
2018-19	263.48	481.72	54.70	453.92	458.71	98.96
2019-20	457.66	482.03	94.94	421.75	456.64	92.36
2020-21	327.17	351.07	93.19	292.81	354.09	82.69
2021-22	495.57	498.58	99.40	392.18	443.62	88.40
2022-23	645.58	650.39	99.26	532.10	551.62	96.46
2023-24	320.55	322.42	99.42	283.72	287.72	98.45
Total	2662.25	3173.74	**83.88**	2648.79	2921.11	**90.67**

Thus, around 84% of the total sales and around 91% of total purchases of MFL during the Investigation Period were found to be fictitious which led to misrepresentation /mis-statements of MFL's financials. Resultantly, it was *prima facie* found that MFL violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.

75. Apart from the findings of investigation by SEBI, it is also interesting to note that the CGST Authority also alleged in its SCN that several group entities, viz., Mishtann Shoppee/Agro, Anand Corporation, Patel Brothers, Payal Sales, Vraj

Corporation, Ravi Trading and Gayatri Trading were fake/non-existent/non-functional buyers/sellers of MFL.

76. Further, it was *prima facie* found that by contravening the provisions of Ind AS 1 as discussed in the above paragraphs, MFL violated the provisions of regulations 4(1) (a), (b), (c), (d), (e), (g), (h), (i) and (j), 4(2)(e)(i), 33 (1)(c) and 48 of LODR Regulations.

C. Related Party Transactions without requisite approvals

77. As per details of RPTs submitted by MFL in response to SEBI's summons, MFL booked sales amounting to Rs. 49.65 crore and purchases amounting to Rs. 56.71 crore with related parties during FY18 to FY23. However, it was observed during investigation that MFL did not take necessary approvals of related party transactions (RPTs) conducted with certain related parties such as Arihant, Patel Brothers, Umiya Agency, Gayatri Trading and Vraj Corporation, and did not make disclosures to the stock exchanges regarding these RPTs. The details of these RPTs are as under:

(Amount in Rs. Crore)

Sr. No.	Entity name	Transaction during FY	Type of transaction	Amount	Amount as % of Annual Consolidated turnover of MFL in the previous FY
1	Arihant	2018-19	Sale	130.98	**26.68**
2	Patel Brothers	2018-19	Sale	60.81	**12.38**
3	Umiya Agency	2018-19	Sale	47.28	9.63
4	Gayatri	2018-19	Purchase	172.53	**35.14**
5	Vraj	2018-19	Purchase	81.51	**16.60**
6	Celtis Commodities Ltd.	2019-20	Sale	17.41	3.62
7	Celtis Commodities Ltd.	2020-21	Purchase	78.99	**16.38**

78. As per regulation 23(2) of LODR Regulations, prior approval of Audit Committee (**"AC"**) is required for all RPTs and as per regulation 23(4) of LODR Regulations, approval of shareholders through resolution is required for the material RPTs. Further, as per regulation 23(9) of LODR Regulations, RPTs are required to be disclosed to the stock exchanges. MFL also failed to make any disclosures of the above related party transactions in its Annual Reports for the respective FYs as

required under regulation 34 (3) read with schedule V of LODR Regulations and Ind AS 24.

79. As noted from the table above, the sale and purchase transactions done by MFL with Arihant, Patel Brothers, Gayatri, Vraj during FY19 and purchase transactions done with Celtis during FY21 were material RPTs in terms of the proviso to regulation 23(1) of LODR Regulations, as they were more than 10% of the annual consolidated turnover of the previous FY.

80. In this regard, MFL, vide letter dated March 04, 2024, submitted that not taking approval for RPTs was the result of human error/lapses.

81. In view of the above, it is noted that the aforesaid *prima facie* fictitious transactions of MFL with its related parties, if taken at face value, would fall foul of the LODR Regulations since it is found that by not taking prior approval of these RPTs from the AC and shareholders and not disclosing the RPTs to the exchanges, MFL *prima facie* violated the provisions of regulation 4(1)(a), (b), (c), (d), (e), (g), (h), (i) and (j), 4(2)(e)(i), 23(2), 23(4), 23(9), 34(3) read with schedule V and 48 of LODR Regulations.

D. ***Investigation findings on diversion/ misutilisation/ misappropriation of funds by MFL***

D.1 Excessive booking of electricity expenses leading to diversion/ misutilisation/ misappropriation of funds

82. The CGST Authority informed vide its reference dated October 4, 2022 that the company grossly inflated electricity expenses during FY18 to FY22 as the actual electricity charges as per Uttar Gujarat Vij Company Limited ("UGVCL") were Rs. 0.60 crore and as per audited financial statements of MFL, the electricity charges claimed by the company were Rs. 4.03 crore during the said FYs.

83. In this regard, BSE vide its examination report, informed that MFL submitted that it operated on power supplied by UGVCL and diesel generators which were procured on rental basis from various suppliers. However, as per the ledger and invoices of electricity expenses provided by MFL, it was observed by BSE that there was a different supplier of diesel generator every month and the invoices were not signed by the suppliers which brings their authenticity into question.

Thus, BSE concluded that MFL booked incorrect power and fuel expenses in profit and loss account to reduce its profit.

84. In this regard, vide summons dated February 27, 2024, SEBI sought the details of actual electricity expenses of MFL along with the electricity bills raised by UGVCL and the proof of payment. In response to the same, MFL submitted that its electricity expenses included charges for electricity bills raised by UGVCL and charges of diesel generator used by MFL on lease and MFL shared the ledger of electricity expenses. However, no signed invoices, etc. were submitted and it was observed from the ledger of electricity expenses that two directors of MFL, Mr. Ravikumar Gaurishankar Patel and Mr. Jatinbhai Ramanbhai Patel, were shown as generator providers.

85. In view of the above analysis and the failure of MFL to provide documents such as tax invoices in support of generator charges, it was *prima facie* found that electricity expenses were inflated by MFL during FY18 to FY22 and thus, this amount of Rs. 3.43 crore was misutilised/diverted/misappropriated by MFL.

D.2 Investigation findings on diversion of funds to promoters of MFL as a result of circular flow of funds amongst group entities

86. As a result of the circular flow of funds pertaining to the fictitious sales and purchases between MFL and the group entities, the group entities transferred a net amount of Rs. 47.10 crore to the promoters/ directors and their relatives during the Investigation Period, as was earlier noted at paras 44-45 above.

D.3 Investigation findings on Mis-utilization/diversion of proceeds from Rights Issue

87. MFL filed a draft letter of offer (DLOF) with SEBI in May 2023 for a rights issue of an amount of approx. Rs. 150 crore, which was subsequently withdrawn by MFL citing market conditions and strategic considerations. However, in February 2024, MFL filed a DLOF for a rights issue with BSE for an amount of Rs. 49.9 crore with the object of augmentation of existing and incremental working capital requirement, general corporate expenses and issue related expenses (there is no requirement of filing a DLOF with SEBI for a rights issue of size less than Rs.50 crore).

88. SEBI sought the details of utilisation of issue proceeds along with extracts of bank statements from MFL vide email dated August 14, 2024. In response, MFL submitted that the issue proceeds were utilised for augmentation of working capital of the company. However, the full extracts of bank statements were not provided by MFL. It was observed from the bank statements obtained directly by SEBI from MFL's bank that issue proceeds of Rs. 49.82 crore were received by MFL on May 6, 2024 and May 15, 2024. As per the statement of deviation/variation in utilisation of rights issue proceeds filed by MFL with BSE on July 16, 2024, the entire issue proceeds were utilised towards the objects of the issue by June 30, 2024 and there was no deviation/variation in the utilisation.

89. On an analysis of bank statements of MFL, it was observed that the total amount debited from its account between May 06, 2024 to June 30, 2024 was Rs. 75.33 crore, of which Rs. 70.99 crore was transferred to Artlay and Cropberry, thereby indicating that almost the entire rights issue proceeds were transferred to these two group entities. Further, it was observed that Artlay and Cropberry transferred an amount of Rs. 40.27 crore to Mr. Kanakkumar Vinodbhai Patel between May 6, 2024 to August 12, 2024.

90. It was observed from the bank statements of Mr. Kanakkumar Vinodbhai Patel that he transferred almost an amount of Rs. 40.15 crore to his wife, Mrs Rekhaben Kanakkumar Patel, who in turn transferred majority of these funds to various entities, viz., Zerodha, Mr. Vinodbhai Ramabhai Patel, M/s Blue Bird Infotech, etc.

91. Considering that the purchase transactions of MFL with Cropberry and Artlay were *prima facie* found to be fictitious, and these entities were found to be non-existent at their registered addresses, it was *prima facie* concluded that rights issue proceeds transferred to these related entities were not for genuine business purposes and were misappropriated or diverted.

92. It was further observed during the investigation that out of the cumulative diverted amount of Rs. 96.92 crore (i.e., Rs. 47.10 crore diverted pursuant to the fictitious sales/purchases amongst group entities and Rs. 49.82 crore diverted from the rights issue proceeds), an amount of Rs. 87.35 crore was diverted to individuals linked/related to MFL and its promoters/directors as follows:

Name	Amount received by individuals from group entities	Amount transferred by individuals to group entities	Net amount received from/ transferred to the group entities (in Rs. crore)
Bharatbhai Jethabhai Patel	1.09		1.09
Devalkumar Bharatbhai Patel	2.40	0.85	1.55
Hiteshkumar Gaurishankar Patel	43.19	7.35	35.83
Jatinbhai Ramanbhai Patel	23.03	22.24	0.79
Kanakkumar Patel	69.22	24.04	45.18
Manjulaben Gaurishankar Patel	23.10	22.55	0.54
Navinchandra D Patel	1.37		1.37
Nikitaben Devalbhai Patel	0.05		0.05
Ravikumar Gaurishankar Patel	12.28	3.29	8.99
Rekhaben Kanakkumar Patel	50.95	31.18	19.77
Rinkal Jatinbhai Patel	3.36	37.13	-33.77
Tejal Ravikumar Patel	15.07		15.07
Vandanaben Hiteshkumar Patel	12.45	21.57	-9.12
Total	**257.56**	**170.21**	**87.35**

93. Accordingly, it was *prima facie* found that MFL, by indulging in diversion/ misutilisation/ misappropriation of its funds, violated regulation 4(1) of PFUTP Regulations.

94. Astonishingly, it was also found during investigation that the company filed a fresh DLOF with BSE for raising an amount less than Rs. 50 crore on August 13, 2024. The object of the issue was unsurprisingly same as the earlier rights issue, viz., *"To augment the existing and incremental working capital requirement of our Company"*. This application is still pending with BSE.

E. Investigation findings on Corporate Governance Failures

E.1 Failure to appoint minimum number of independent directors and proper constitution of various committees

95. Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel, were independent directors of MFL from September 30, 15 to July 03, 2019 and were also the Member/Chairman of AC, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Social Responsibility Committee of MFL for FY18 and FY19.

96. However, as noted earlier, both these individuals were also partners/directors of various group entities such as Arihant, Patel Brothers, Dharati, Gayatri, Mishtann Shoppee/Agro and Vraj with whom MFL had booked fictitious sale/purchase transactions. As per regulation 16(1) (b) of LODR Regulations, an "independent

director" means a non-executive director, other than a nominee director of the listed entity who, apart from receiving director's remuneration, has or had **no material pecuniary relationship** with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year.

97. In view of the sizeable amounts of sale and purchase transactions booked by MFL during FY18 to FY20 with the aforesaid group entities where these directors were partners/directors and in the absence any details of the income of these two directors due to their non-cooperation during the investigation, it was *prima facie* concluded that Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel had material pecuniary relationship with MFL during this period. Thus, Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel were not qualified to be appointed independent directors of MFL as per regulation 16(1) (b) of LODR Regulations. Accordingly, it was observed that during the period April 1, 2017 to July 3, 2019, the number of independent directors (excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel) were less than half of the total number of directors as tabulated below:

Period	Number of Directors	Number of independent directors required to be on the board	Actual no of independent directors (Excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel)
April 1, 2017 to September 29, 2017	8	4	3
September 29, 2017 to October 31, 2018	9	5	4
October 31, 2018 to July 3, 2019	7	4	3

Thus, MFL *prima facie* violated the provisions of regulation 17 (1) (b) of LODR Regulations.

98. Further, as per regulations 18(1)(a) and (b) of LODR Regulations, the AC shall have minimum three directors as members and two-thirds of the members shall be independent directors. The composition of the AC of MFL during FY18 and FY19 was as under:

Period	Number of directors on AC	Number of independent directors required to be on the AC	Actual no of independent directors in AC (excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel)
FY18	3	2	1
FY19	3	2	1

99. In view of the fact that Mr. Bharatbhai J Patel and Mr. Devalbhai B Patel were not qualified to be independent directors, it was observed that the composition of the AC during FY18 and FY19 was *prima facie* in violation of the provisions of regulations 18(1)(a) and (b) of LODR Regulations.

100. Further, as per regulation 19 (1) of LODR Regulations, the Nomination and Remuneration Committee ("NRC") shall have minimum three directors, all directors shall be non-executive and at least fifty percent of the directors shall be independent directors. The composition of the NRC of MFL during FY18 and FY19 was as under:

Period	Number of Directors on NRC	Number of independent directors required to be on the NRC	Actual no of independent Directors in NRC (excluding Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel)
FY18	3	2	1
FY19	3	2	1

101. In view of the fact that Mr. Bharatbhai J Patel and Mr. Devalbhai B Patel were not qualified to be independent directors, it was observed that the composition of the AC during FY18 and FY19 was *prima facie* in violation of the provisions of regulation 19 (1) of LODR Regulations.

E.2 Failure to appoint qualified CFO and Chairman of Audit Committee

102. Mr. Navinchandra Dahyalal Patel was executive director (since March 10, 2015) and CFO (since March 25, 2019) and Mr. Ajitkumar Narayanbhai Patel was independent director and chairman of the AC (for FY20 and FY21) of MFL. It was observed that Mr. Navinchandra Dahyalal Patel and Mr. Ajitkumar Narayanbhai Patel, *inter alia*, submitted in their statements before SEBI that their educational qualification was "12th pass". However, in the minutes of the meeting of AC and the Board, MFL had shown their educational qualification to be "Graduate". In this regard, MFL submitted vide letter dated March 4, 2024 that they were both graduates in commerce. Documents pertaining to their educational qualification were not available in MFL's records.

103. Further, Mr. Navinchandra Dahyalal Patel, CFO, *inter alia*, submitted in his statement before SEBI that he was a relative of the MD of MFL and did not attend any committee meetings including meetings of the AC. He further submitted that

he did not have any financial knowledge/background but he signed the financial statements of MFL and issued the certificate under regulation 17(8) of the LODR Regulations, relying on his relative, the MD of MFL, Mr. Hiteshkumar Gaurishankar Patel. He also failed to reply of most of the finance/accounts related findings/observations/queries put before him.

104. Mr. Ajitkumar Narayanbhai Patel, the chairman of the AC, *inter alia*, submitted that he was unaware of the role and responsibility as Chairman of AC and acted as the Chairman of AC free of cost as the MD of MFL was his friend. He further submitted that he did not know the meaning of financial statements and only signed the meeting related documents brought before him. He also submitted that he did not have any idea about RPTs and gave approval for RPTs as per the instructions of HGP.

105. Thus, the submissions of the CFO and Chairman of AC indicated that they were financially illiterate and did not have accounting or related financial management expertise. Although there is no specific provision for the qualifications and experience of CFO in LODR Regulations, with regard to a member of the AC, regulation 18 (1) (c) of LODR Regulations, *inter alia*, specifies that all members of AC shall be financially literate and at least one member shall have accounting or related financial management expertise.

106. Accordingly, by appointing a person who was not financially literate as Chairman of the AC, MFL *prima facie* violated the provisions of regulation18 (1) (c) of LODR Regulations.

E.3 Reclassification of promoter shareholding

107. It was observed that during FY22, HGP, the promoter and MD of MFL acquired the shares of all four other promoters, viz., Mr. Ravikumar Gaurishankar Patel, Mr. Jatinbhai Ramanbhai Patel, Mr. Navinchandra Dahyalal Patel and Ms. Manjulaben Patel, through *inter se* transfer of shares among promoters by way of gift and became the sole promoter holding 49.28 per cent shares of MFL.

108. In this regard, BSE in its examination report submitted that MFL did not apply for reclassification of the status of promoters after transfer of the shares among the promoters as per the requirement of LODR Regulations despite MFL being asked to apply for such reclassification or to submit revised shareholding pattern with zero promoter holding for the 4 transferee-promoters.

109. Thus, by not applying for reclassification of status of promoters and not disclosing all the promoters in the shareholding pattern, it was *prima facie* found that MFL violated the provisions of regulations 31(4) and 31A (2) of LODR Regulations.

E.4 Non-disclosure of Material event

110. It was observed that a search was conducted by the CGST Authority on February 19, 2021 and April 20-21, 2022. HGP, the sole promoter and MD of MFL was arrested on July 19, 2022 under section 69 of Central Goods and Service Tax Act, 2017 ("CGST Act") for committing the offence specified under section 132(1)(a) of CGST Act. He was directed to be released on bail vide order of the Hon'ble Gujarat High Court dated November 14, 2022. However, the company did not make any disclosure in respect of the said material events.
111. In this regard, MFL submitted before BSE that the arrest was illegal and MFL had approached the Hon'ble High Court for the same. MFL also submitted that since the matter was sub judice, disclosing the facts would have affected the image of HGP and also of the company.
112. However, MFL later made the disclosure of the arrest as a material event on January 6, 2023 pursuant to BSE's intervention although it has still not made any disclosure regarding the investigation and search and seizure proceedings as required to be done in terms of the provisions of LODR Regulations. In this regard, HGP, in his deposition before SEBI accepted that the arrest not being disclosed initially by MFL was a mistake.
113. Therefore, in view of the delay in disclosure of arrest of Managing Director of MFL and failure to disclose the search and seizure proceedings by CGST Authority, it is found that MFL *prima facie* violated the provisions of regulation 30(2) read with Para A of Schedule II of LODR Regulations.

F. Investigation findings regarding role of entities

F.1 Role of Board of Directors

(I) *Role of Mr. Hiteshkumar Gaurishankar Patel, Promoter and Managing Director of MFL:*

114. HGP, being the Managing Director of MFL signed the company's financials from FY18 to FY24. Further, he was also shown as one of the signatories on the

Certificate under regulation 17(8) of LODR Regulations during FY21 to FY24, *inter alia*, stating that financial statements of MFL presented a true and fair view of its financial performance and were in compliance with the existing accounting standards, applicable laws and regulations.

115. Considering the irregularities observed as discussed above, the statement of HGP was recorded by SEBI wherein he, *inter alia*, admitted that his arrest and the search and seizure proceedings by CGST Authority were not disclosed as material events which was a mistake and the disclosures were done after intervention by BSE. He also submitted that Mr. Ajitkumar Narayanbhai Patel, Chairman of AC had all the knowledge related to financial transactions and was lying regarding his financial literacy. He also admitted that a few buyer/supplier firms of MFL were in the name of his relatives.

116. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 35.83 crore was received by HGP.

(II) Role of Mr. Navinchandra Dahyalal Patel, Promoter, Executive Director & CFO:

117. Mr. Navinchandra Dahyalal Patel, was the promoter and executive director of MFL. He was also appointed as CFO in FY19. Being the whole time director ("WTD") of MFL, he signed the company's financials from FY19 to FY24. Further, he was also shown as one of the signatories on the Certificate under regulation 17(8) of LODR Regulations during FY19 to FY24, *inter alia*, stating that financial statements of MFL presented a true and fair view of its financial performance which were in compliance with existing accounting standards, applicable laws and regulations.

118. Mr. Navinchandra Dahyalal Patel, *inter alia*, submitted during his deposition that he was a relative of the MD of MFL and did not attend any committee meetings including meetings of the AC till date. He further submitted that he did not have any financial knowledge but he signed the financial statements of MFL and issued the certificate under regulation 17(8) of the LODR Regulations, relying on his relative, HGP, who was the MD of MFL. He also failed to reply of most of the finance/accounts related findings/observations/queries put before him.

119. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 1.37 crore was received by Mr. Navinchandra Dahyalal Patel.

***(III) Role of* Mr. Ravikumar Gaurishankar Patel, Promoter, Whole Time Director & CFO:**

120. Mr. Ravikumar Gaurishankar Patel was the Promoter and Executive Director of the company. He was the CFO of MFL for FY17 and FY18. Being the whole time director of MFL, he signed the company's financials for FY18. Further, he was also shown as one of the signatories on the Certificate under regulation 17(8) of LODR Regulations for FY18, *inter alia*, stating that financial statements of MFL presented a true and fair view of its financial performance which were in compliance with existing accounting standards, applicable laws and regulations.

121. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 8.99 crore was received by Mr. Ravikumar Gaurishankar Patel.

***(IV) Role of* Mr. Jatinbhai Ramanbhai Patel, Promoter and Whole Time Director:**

122. Mr. Jatinbhai Ramanbhai Patel was the promoter of MFL till FY22 and its whole time director during FY18 and FY19. He is/was partner/director of many entities, viz., Mementos Foods Pvt. Ltd., Button Industries Pvt. Ltd, Rinkal Enterprise Private Limited, Mishtann Shoppee India Pvt. Ltd. etc., with whom MFL had made circular transactions during the Investigation Period.

123. In response to summonses issued by SEBI for appearance in person, he responded that he was on a business tour and would update SEBI regarding personal appearance whenever he returned from tour. However, he did not appear in person before SEBI.

124. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 0.79 crore was received by Mr. Jatinbhai Ramanbhai Patel.

Investigation findings regarding the role of MD/WTD/CFO

125. The details of attendance of the managing director/ whole time director / CFO in the Board of Directors meetings of MFL during the Investigation Period are as under:

Name of Director/ CFO	FY18	FY19	FY20	FY21	FY22	FY23	FY24
	Number of Board meetings held						
	15	14	6	5	10	7	13
	Number of Board meetings attended						
Mr. Hiteshkumar Gaurishankar Patel, MD	15	14	6	5	10	6	13
Mr. Navinchandra Dahyalal Patel, Whole Time Director & CFO	15	14	6	5	10	7	13
Mr. Ravikumar Gaurishankar Patel, Promoter, Whole Time Director & CFO (Director till October 31, 2018)	15	-	-	-	-	-	-
Mr. Jatinbhai Ramanbhai Patel, Promoter & Whole Time Director (Director till October 31, 2018)	15	-	-	-	-	-	-

126. In view of the involvement of the managing director/ whole time director / CFO in the day to day decision making process of a company and having access to information such as the financial position of the company, annual accounts, etc., it is their duty and responsibility to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. In view of the aforesaid findings of the investigation, it is noted that Mr. Hiteshkumar Gaurishankar Patel, Managing Director, Mr. Navinchandra Dahyalal Patel, Whole Time Director and CFO, Mr. Ravikumar Gaurishankar Patel, whole time director and CFO, and Mr. Jatinbhai Ramanbhai Patel, whole time director, failed to perform their duties and obligations which resulted in publication of untrue and misleading financial statements of MFL for FY18, FY19, FY20, FY21, FY22, FY23 & FY24. Therefore, it was *prima facie* found that these four directors violated the provisions of regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(1), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7), 4(2)(f)(iii)(12) and 4(2)(f)(iii)(13) of LODR Regulations.

127. Further, by virtue of being partners/ directors/ promoters of group entities which were involved in fictitious sales/purchases with MFL, and in terms of section 27(1) of SEBI Act, 1992, these directors are also *prima facie* found responsible for violations committed by MFL, i.e., regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a),

(b), (c) of SEBI Act, 1992 and regulations 4(1) (a), (b), (c), (d), (e), (g), (h), (i) and (j), 4(2)(e)(i), 17(1)(b),18(1)(a), (b) and (c),19(1), 23(2), 23(4), 23(9), 30(2) read with Para A of Schedule II, 31A (2), 33(1)(c), 34 (3) read with schedule V and 48 of LODR Regulations and section 11C (2) read with section 11C (3) of SEBI Act, 1992.

128. Further, Mr. Hiteshkumar Gaurishankar Patel, Managing Director, Mr. Navinchandra Dahyalal Patel, Whole Time Director and CFO, and Mr. Ravikumar Gaurishankar Patel, Whole Time Director and CFO, by furnishing false certification of the company's financial statements, are *prima facie* found to have violated regulation 17(8) of the LODR Regulations.

129. Furthermore, Mr. Jatinbhai Ramanbhai Patel, Whole Time Director is also *prima facie* found to have violated provisions of section 11C (5) of SEBI Act, 1992.

F.2 Role of independent directors and members of audit committee

130. Under LODR Regulations, the responsibilities of members of the AC in a listed company include oversight of a listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and credible. Further, the members of AC have a duty of approving and reviewing the disclosure of any related party transaction.

(I) Role of Mr. Bharatbhai Jethabhai Patel, independent director and AC member:

131. Mr. Bharatbhai Jethabhai Patel was the independent director of MFL from September 30, 15 to July 03, 2019 and was also the AC member during FY18 and FY19. He attended all the Board meetings and Audit Committee meetings held during FY18 and FY19.

132. Further, Mr. Bharatbhai Jethabhai Patel is/was the partner/director of many entities, viz., Gayatri Trading, Arihant, Mishtann Shoppee India Pvt Ltd, Salepush Overseas Pvt Ltd, Acoustic Eco Foods Pvt Ltd, Tremento Exports Private Limited, Acoustic Eco Foods Pvt Ltd, etc., with whom MFL had booked fake sale/purchase transactions during the Investigation Period.

133. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 1.09 crore was received by Mr. Bharatbhai Jethabhai Patel.

(II) Role of Mr. Devalkumar Bharatbhai Patel, independent director and AC member:

134. Mr. Devalkumar Bharatbhai Patel was the independent director of MFL from September 30, 15 to July 03, 2019 and was also the member of the AC during FY18 and FY19. He attended all the Board meetings and Audit Committee meetings held during FY18 and FY19.

135. Further, Mr. Bharatbhai Jethabhai Patel is/was the partner/director of many entities, viz., Arihant, Mishtann Shoppee India Pvt Ltd, Button Industries Pvt Ltd, Dharati Marketing, Gayatri Trading, Patel Brothers etc., with whom MFL had booked fake sale/purchase transactions during the Investigation Period.

136. Out of the net amount of Rs. 87.35 crore which was diverted/ misutilised/ misappropriated by MFL as mentioned at para 92 above, the investigation found that an amount of Rs. 1.55 crore was received by Mr. Bharatbhai Jethabhai Patel.

(III) Role of Mr. Ajitkumar Narayanbhai Patel, independent director and chairman of AC:

137. Mr. Ajitkumar Narayanbhai Patel was the independent director of MFL during FY19 to FY21 and was also the chairman of AC during FY19 and FY20. He attended all the Board meetings held during FY19 and FY20.

138. As mentioned earlier at para 104 above, during his deposition before SEBI, he, *inter alia*, admitted that he was unaware of his duty, role and responsibility as Chairman of AC and that he only signed the AC meeting related documents brought before him and gave approval for RPTs as per instructions of the MD of MFL.

(IV) Role of other independent directors and members of audit committee:

139. The period of membership of the other members of AC (who were also independent directors of MFL) are as under:

Name of audit committee members	Period of membership (FYs)
Mr. Bhaveshkumar Vasantbhai Patel	FY18, FY19
Mr. Ravikumar Ramanbhai Patel	FY19
Mrs. Heemaben Janakkumar Patel	FY19, FY20
Mr. Utpalbhai Dineshbhai Raval	FY20, FY21
Mrs. Bhumi Jayantkumar Gor	FY21, FY22,FY23, FY24
Mr. Rajnish Pathak	FY22, FY23, FY24
Mr. Ashish Agarwal	FY22,FY23, FY24

Investigation findings regarding the roles of Independent Directors and Members of Audit Committee

140. MFL was *prima facie* involved in mis-statement/misrepresentation of its financial statements during the entire Investigation Period. Upon perusal of the minutes of meetings of the board of directors and AC as provided by MFL, it was observed that the independent directors had not raised any concerns on the financials of the company. This indicates that the above mentioned independent directors as members of board of directors and AC of MFL did not perform their roles and duties cast on them by LODR Regulations and were involved in gross misconduct, negligence, and professional wrongdoing.

141. Thus, by failing to perform their duties and obligations which resulted in publication of untrue and misleading financial statements of MFL, it was *prima facie* found that these independent directors violated the provisions of regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7) and 4(2)(f)(iii)(12) of LODR Regulations.

142. Further, as members of the AC, it was *prima facie* found that these independent directors violated the provisions of regulation 18(3) read with Para A of Part C of Schedule II of LODR Regulations.

143. In addition, Mr. Bharatbhai Jethabhai Patel and Mr. Devalkumar Bharatbhai Patel, by being a partner/director/promoter of group entities, which were involved in the fictitious sales/purchases with MFL and by receiving a part of the amount diverted/ misutilised/ misappropriated by MFL, are *prima facie* found to have violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.

F.3 Role of other entities

Sr. No.	Name of entity	Findings of the investigation	Provisions prima facie found to be violated
1	Mr. Kanakkumar Vinodbhai Patel	(i) He was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Received an amount of Rs. 45.18 crore out of the Rs. 87.35 crore diverted by MFL. (iii) Failed to appear before SEBI and failed to furnish information regarding the entities in which he was a partner/promoter/director, in response to SEBI's summonses, without any justifiable reasons for such failure.	Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992; Section 11C(5) of SEBI Act, 1992.
2	Mr. Surendra Yadav	(i) He was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Failed to appear before SEBI and failed to furnish information regarding the entities in which he was a partner/promoter/director, in response to SEBI's summonses, without any justifiable reasons for such failure.	
3	Ms. Tejal Ravikumar Patel	(i) She was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Received an amount of Rs. 15.07 crore out of the Rs. 87.35 crore diverted by MFL.	Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.
4	Ms. Nikitaben Devalbhai Patel	(i) She was a partner/director of majority of the group entities which were involved in fictitious sale/purchase transactions with MFL. (ii) Received an amount of Rs. 0.05 crore out of the Rs. 87.35 crore diverted by MFL.	

5	Ms. Manjulaben Gaurishankar Patel (Mother of HGP)	Received an amount of Rs. 0.54 crore out of the Rs. 87.35 crore diverted by MFL.	Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act, 1992.
6	Ms. Rekhaben Kanakkumar Patel (Wife of Mr. Kanakkumar Vinodbhai Patel)	Received an amount of Rs. 19.77 crore out of the Rs. 87.35 crore diverted by MFL.	
Auditors of group entities			
7	Md. Nurudin Jiruwala	Failed to furnish various information, details, etc. in respect of the group entities as sought by SEBI vide summons without any justifiable reasons for such failure	Section 11C (2) read with section 11C (3) of SEBI Act, 1992
8	Mikil Dineshbhai Vora		
9	Vishal Bipinchandra Doshi		

Need for interim directions

144. The *prima facie* findings recorded in this Order lay bare the misrepresentation of large proportions in financial statements by MFL, primarily by inflating sale and purchase figures by booking fictitious transactions with fake/non-existent entities created in the names of the MFL's promoters/directors and their relatives. The fact that more than 90% of the credit and debit entries in the bank accounts of these entities were either amongst themselves or with MFL shows the level of fraud with which MFL perpetrated money transfer scheme with the help of multiple shell entities. These entities, which had no business operations of their own, functioned as pass-through vehicles and conduits for fund transfer amongst

themselves and MFL. Such acts by MFL, a listed company, impaired the rights of the investors and caused harm to the securities market.

145. Further, the gross misrepresentation of financials by MFL continuously for seven years, viewed in the light of the disclosure based regime of the securities market, has potential to impair the integrity of the securities market.

146. This is of concern, given the fact that the destiny of MFL and over 4.2 lakh of its shareholders lies essentially in the hands of one person, i.e., HGP, who is the Managing Director and now also the sole promoter of MFL holding approx. 43% shares of MFL. He controls several of the fake buyers/sellers of MFL through his relatives. The fact that he recently garnered approx. Rs. 50 crore by offloading around 3 crore MFL shares and still holds another 47 crore shares of MFL illustrates the risk of imminent financial loss especially to unsuspecting retail shareholders who are unaware of the machinations of HGP who seeks to unjustly enrich himself at the expense of common shareholders.

147. What makes this case stand out is the sheer scale of manipulation of the Company's financials and its dramatic rise in the recent years. The Company commands a market cap of approx. Rs. 1600 crore on BSE (as on December 4, 2024) and the growth rate of the scrip price of MFL during the Investigation Period has outpaced the growth of BSE Sensex by several multiples. Equally disturbing is the fact that the number of public shareholders of the Company spiked from a mere 516 at the end of FY18 to 4.23 lakh at the end of the September 2024 quarter, an 800-times rise within a span of around six years.

148. The lengths to which the Company had gone to hoodwink its shareholders and the broader securities market in general is visible at the first glance of its immaculately designed website where the company, *inter alia*, claims that its branded basmati rice is one of the finest aromatic basmati rice available in the market. In order to further bestow legitimacy on MFL's exaggerated claims, the website also features a dedicated page containing a collection of "choicest" recipes which can be prepared from the *"finest of basmati grains sourced from the rich and fertile plains of Himalayas"*. It is time that this façade comes to a close as the only connection it has to the 'finest basmati grains' and 'rich and fertile plains of Himalayas' is in the empty words reflected on MFL's website. MFL being a listed company with little genuine business and a sizeable number of

public shareholders, the claims on its website constitute deliberate misrepresentation and fraud. The aroma of the finest Mishtann Basmati advertised on its website does little to cover the deep fraud perpetrated by the promoter, his relatives and associates.

149. The nonchalance with which the Company indulged in its misdeeds reached new heights when MFL entered into an MoU with the Government of Gujarat in December 2021 for setting up apparently India's biggest grain based ethanol project. MFL in its filing with the BSE in October 2022 claimed that in accordance with the 'Atmanirbhar Gujarat, Atmanirbhar Bharat' initiative of the Government of India, the proposed ethanol project would aid in reducing India's burden of import of crude oil! Given the fact that almost all of the sale/purchase transactions of MFL since FY20 were *prima facie* found to be fictitious, such tall claims by the company were brazenly fraudulent.

150. Apart from the inflation of sale/purchase figures and the circular flow of funds between MFL and its purported buyers/sellers, MFL also overstated its inventory, diverted its rights issue proceeds, excessively booked electricity expenses and improperly appointed its CFO, independent directors and members of the AC. Further, the misdeeds of the Company were not limited to the domain of the securities market but also appear to involve evasion of GST by fraudulently claiming GST exemption which led CGST Authority to conduct search and seizure proceedings and ultimately, arrest HGP.

151. The state of affairs discussed in this Order also reveal a larger systemic rot since the purported watchdogs in the corporate structure, viz., audit committee and statutory auditor were silent observers to the machinations employed by MFL and its directors. This was evident in the fact that certain members of the AC were not financially literate and the statutory auditor simply relied on the inventory details maintained by MFL in the Tally software and its sale/purchase registers, rather than physically verifying the stock or carrying out any third party verification with the purported buyers/sellers of MFL.

152. The *prima facie* findings which lead me to the conclusion that this case warrants immediate interference and issuance of interim directions are summarized below:

(a) MFL has negligible fixed assets on its books, negative cash flow from its operating activity and a very low inventory as compared to its sizeable sale figures and 84% of the total sales and 91% of the total purchases booked by MFL during the Investigation Period were *prima facie* found to be fictitious involving circular flow of funds. Since it is a listed company with little real business, there is a possibility of MFL continuing its practice of misreporting its financials in the future too.

(b) By consolidating its financials with those of its Dubai-based wholly owned subsidiary (whose sales/purchases were also found to be *prima facie* fictitious) for FY24, MFL has artificially shown heavily inflated sales and profits figures during FY24, thereby misrepresenting its financials in order to attract gullible investors.

(c) The share of trade receivables of MFL out of its total assets has been constantly rising over the years, so much so that as of the end of September 2024 quarter, trade receivables constituted almost all the assets (approx. 97%) of MFL. Considering that almost all of the sale/purchase transactions of MFL since FY20 were *prima facie* found to be fictitious, there is little possibility of these trade receivables ever being realised and it seems quite probable that these trade receivables would have to be written off in due course in compliance with applicable accounting standards. This would further impact the Company's financials and ultimately the shareholders.

(d) The number of public shareholders of MFL have drastically increased from a mere 516 at the end of FY18 to 4.23 lakh by the end of September 2024 quarter. The published manipulated financial statements of MFL are still in public domain and are being relied upon by the unsuspecting investors and stakeholders to make investment decisions and the public shareholding at the end of September 2024 quarter is more than 50%. On the other hand, in July-August 2024, HGP, the sole promoter of MFL, offloaded around 3 crore shares of MFL held by him garnering an approx. Rs. 50 crore and the promoter holding, in general, is declining since March 2024 quarter. Thus, the sole promoter appears to be waiting to for an opportune time to offload his shares to the detriment of the retail investors.

(e) MFL filed a draft letter of offer for a rights issue amounting to approx. Rs 150 crore in the month of May 2023 with SEBI but the same was later withdrawn by MFL. However, the company later came up with a rights issue amounting to Rs.49.9 crore in the month of April 2024 and the issue proceeds were found to be misutilised/ misappropriated by transferring the issue proceeds to partners/ directors of its group entities. Further, on August 13, 2024, the company filed a fresh draft letter of offer with the stock exchange for another rights issue of an amount of less than Rs. 50 crore. Since there is no requirement of filing a draft letter of offer with SEBI for a rights issue of an amount less than Rs. 50 crore, it is apparent from the aforesaid modus operandi that MFL intended to circumvent SEBI's oversight and compliance with ICDR Regulations, by withdrawing the initial Rs. 150 crore rights issue and then proceeding to raise money in multiple smaller tranches through rights issues of amounts less than Rs. 50 crore. Given the track record of the Company, there is every possibility that in case the Company is allowed to go ahead with the proposed rights issue, it may again divert its proceeds.

Order:

153. Keeping in view the foregoing, I, in exercise of the powers conferred upon me under sections 11, 11(4) and 11B (1) read with section 19 of the SEBI Act, 1992, hereby issue by way of this interim order cum show cause notice, the following directions, which shall be in force until further orders:

(a) Noticee No. 1 is restrained from raising money from the public, until further orders.

(b) Noticee Nos. 1 to 5 are restrained from buying, selling or dealing in securities, or accessing capital market either directly or indirectly, in any manner whatsoever until further orders. If the said 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 order or at the expiry of such contracts, whichever is earlier. The said Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

(c) Noticee Nos. 2 to 13 are restrained from associating themselves with any intermediaries registered with SEBI, any listed public company or any company that intends to raise money from the public, until further orders.

(d) Noticee No. 1 is directed to bring back the Rights issue proceeds amounting to Rs. 49.82 crore misutilised/ misappropriated/ diverted through group entities and the amount of Rs. 47.10 crore which was misutilised/ misappropriated/ diverted to promoters/directors of MFL and their relatives through fictitious sales/purchases with group entities.

(e) Noticee No. 1 is directed to constitute a new Audit Committee and place the copy of the SEBI order/findings before it. The new Audit Committee is directed to have enhanced oversight of related party transactions including approvals as applicable, financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible. Further, the new Audit Committee is directed to ensure that the company is complying with the requirements of LODR Regulations.

154. BSE is directed to not approve any rights issue application filed by MFL till further orders.

155. The foregoing *prima facie* observations contained in this Order, are made on the basis of the material available on record. The said *prima facie* findings shall also be considered as a show cause notice and the Noticee Nos. 1 to 13 are directed to show cause as to why suitable directions/prohibitions under Sections 11(1), 11(4) and 11B(1) of SEBI Act, 1992, including the directions of restraining them from accessing the securities market including buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary or any other directions as deemed fit by SEBI, should not be issued against them.

156. Further, the Noticee Nos. 1 to 24 are also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under Sections 11(4A) and 11B(2) read with Sections 15A(a), 15HA and/or 15HB of the SEBI

Act, 1992 for the above alleged violations of provisions of SEBI Act, 1992, PFUTP Regulations and LODR Regulations, as the case may be.

157. The Noticee Nos. 1 to 24 may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed in that regard.

158. The above directions shall take effect immediately and shall be in force until further orders.

159. A copy of this order shall be served upon the Noticees, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

DATE: DECEMBER 05, 2024 **ASHWANI BHATIA**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA