

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER

Under Sections 11(1), 11(4) and 11B(1) read with Section 19 of the Securities and Exchange Board of India Act, 1992

In respect of:

SL. No.	NOTICEE(S)	PAN
1	Varanium Cloud Limited	AAZCS6264J
2	Harshawardhan Hanmant Sabale	BMMP59407G

(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 Varanium Cloud Limited

Background:

1. Pursuant to publication of certain newspaper articles and social media posts and receipt of certain complaints raising concerns regarding, *inter alia*, financial statements published and corporate announcements made by Varanium Cloud Limited (“**Varanium**” / “**the Company**”), a company listed on NSE’s SME Platform (NSE Emerge), SEBI decided to examine the matter for possible violations of SEBI laws.
2. Further, on a reference made by SEBI, an examination in this matter was also conducted by National Stock Exchange (“**NSE**”), which submitted a report dated March 19, 2024 (“**NSE Report**”).

About the Company:

3. As per the Company’s disclosures in its Prospectus and details available on MCA Portal, the Company was incorporated on December 21, 2017 and was formerly known as Streamcast Cloud Private Limited. The Company’s registered office address is B-1477, Narayan Arcade, Sawantwadi, District-

Sindhudurg, PIN- 416510, Maharashtra. The Company was listed on September 27, 2022 on NSE Emerge Platform.

4. Varanium is a technology company and, as per its website, is focused on providing services surrounding digital audio, video, and financial blockchain (for PayFac) based streaming services. Its Business Verticals include providing digital audio and video content streaming services to various content owners and telecom operators in India and internationally on a SaaS (Software as a Service) model such as Voice & Video over Internet Protocol solutions (VoIP) in the Business-to-Business and Business-to-Consumer segments. The Company's Business Verticals are also into online payment facilitation services (PayFac), provision of low bandwidth digital education content platforms (EdTech) with complete Learning Management Systems (LMS) focused on non-urban areas under the Edmission brand and provision of information technology-related services to startups and SMEs to help them transition their business to digital platforms and manage the relevant infrastructure on an IaaS (Infrastructure as a Service) model.
5. The details of the promoters and directors and Compliance Officer of the Company are provided below:

Sl. No.	Name of the Promoter
1.	Harshawardhan Hanmant Sabale
2.	Varanium Earth Private Limited
3.	Varanium Lifestyle Private Limited
4.	Varanium Networks Private Limited

Directors and Compliance Officer

Sr. No	DIN	PAN	Name	Designation	Date of Appointment
1	00168418	BMMP59407G	Harshawardhan Hanmant Sabale	Managing Director	01-Jun-19
2	-	DRKPM6055H	Hetal Harshal Somani	Company Secretary	02-Aug-21
3	09588116	BLRPS5717H	Fahim Iunus Shaikh	Executive Director	27-Apr-22
4	09588277	AVMPA0374J	Kalpesh Anil Acharekar	Non-executive Director	27-Apr-22

Sr. No	DIN	PAN	Name	Designation	Date of Appointment
5	09588333	AMQPJ0393P	Vinayak Vasant Jadhav	CFO and Executive Director	27-Apr-22
6	08233777	BPWPS4894E	Pratik Surendrakumar Shah	Independent Director	20-May-22
7	09184058	ALJPJ6647E	Nidhi Jain	Independent Director	20-May-22
8	09592544	AAZCS6264J	Harshita Singhal	Independent Director	20-May-22

6. Details of Promoter shareholding in the Company and shares pledged by the promoters, during the period September 30, 2022 to December 31, 2023 are provided:

Particular	September 30, 2022		March 31, 2023		Stock Split and Bonus	September 30, 2023		December 31, 2023	
	No. of Shares	%	No. of Shares	%		No. of Shares	%	No. of Shares	%
Promoter Shares	63,54,429	63.22	64,54,879	64.22		2,54,06,516	63.19	1,60,90,516	36.38
Number of Promoters' holding Pledged or otherwise encumbered	-	-	7,00,000	10.84		1,63,00,000	64.16	70,00,000	43.50
Break-up of pledge by Promoters									
Harshawardhan	-	-	-	-		1,35,00,000	-	70,00,000	-
Hanmant Sabale									
Varanium Networks Private Limited	-	-	7,00,000	-		28,00,000	-		-

7. The Company vide announcement dated January 23, 2024 stated that *“With reference to the Updates on NSE dated 22nd January 2024 regarding inadvertent error in Shareholding Pattern for the quarter ended 31st December 2023, we hereby inform you that there was an inadvertent error in classification of the promoter group shares. In consideration of aforesaid matter, we will file the revised shareholding pattern by 29th January 2024”*.
8. As per NSE Report, a query was raised on February 12, 2024, through NEAPS portal, seeking clarification from the Company on Change in

Promoter Holding for the quarter ended December 2023. Dis-satisfied with the Company's response, NSE requested for further clarification on February 16, 2024 and continuously followed up telephonically. It also sent a reminder email to the Company on March 15, 2024. However, the Company failed to provide any response on the Exchange's query and no revised shareholding pattern has been filed by Company with the exchange till date.


Findings of Examination:

9. In view of wide ranging issues involved and concerns raised by the investors, the examination by SEBI covered the period from the date of listing i.e. September 27, 2022 to March 31, 2024 ("**Examination Period**"). The focus areas of examination were as under:

- (a) Utilization of IPO proceeds
- (b) 'True and Fair' view of Financial Statements
- (c) Corporate Announcements
- (d) Issues related to raising of capital

A. Utilization of IPO Proceeds:

10. Varanium raised funds from the market through an IPO in September 2022. The details of the said IPO are summarized in the Table below:

Name and ISIN	Varanium Cloud Ltd (INE0JOO01021) 
Segment and Platform	SME – NSE Emerge
IPO Opened On	Friday, September 16, 2022
IPO Closed On	Tuesday, September 20, 2022
Issue Price	Issue Price Rs.122 per share for all categories of Investors
Public Issue Size (shares)	30,00,000
Public Issue Size (value)	Rs.36.60 Crore
Lot Size	1000 shares
Market Maker Quota	4,86,000 shares
Net Public Issue	25,14,000 shares

(Total minus Market Maker's share)	
Category wise eligible subscription for Public	Retail Individual Investors – 12,57,000 shares Non Retail Investors – 12,57,000 shares Total – 25,14,000 shares
No. of times issue subscribed	Final Subscription details after technical rejections: Retail Individual Investors - 4.99 times Non Retail Investors - 5.41 times Market Maker - 1.00 time Overall - 4.52 times
Date of Listing and Trading Approval	NSE EMERGE: Listing Approval: September 26, 2022 Trading Approval: September 26, 2022 Date of commencement of trading: September 27, 2022
Lock-in details at the time of filing of Prospectus (Note that due to the subsequent Split and Bonus shares, the number of locked in shares will become 4 times of figures mentioned herein)	43,40,429 equity shares held by promoter and promoter group and 7,00,000 Equity Shares held by pre-IPO allottees were locked-in for 1 year from the date of allotment i.e. Lock-in release date October 12, 2023. 20,11,000 Equity Shares of Harshawardhan Sabale (in NSDL) were locked-in for 3 years from the date of allotment i.e. Lock in release date October 12, 2025. (post Bonus and Split these locked-in shares are 80,44,000)

11. Apart from raising Rs.36.60 Crore through the IPO, as mentioned in the Table above, the Company also made pre-IPO placement of 7,00,000 equity shares to various shareholders at Rs.99 per share for a total sum of Rs.6.93 Crore. Taking into account the Issue expenses of Rs.3.14 Crore, the net proceeds of IPO came to Rs.40.39 Crore (i.e. Rs.6.93 Crore + Rs.36.60 Crore – Rs.3.14 Crore = Rs.40.39 Crore).
12. The Pre Issue and Post Issue capital structure, as disclosed in the Prospectus was as follows:

Sr.	Particulars	Pre Issue		Post Issue	
		No. of Shares	% Holding	No. of Shares	% Holding
a)	Promoter				
	Harshawardhan Hanmant Sabale	55,76,327	79.08	55,76,327	55.48
b)	Promoter Group				
1	Varanium Networks Pvt. Ltd.	7,75,100	10.99	7,75,100	7.71
2	Varanium Earth Pvt. Ltd.	1	Negligible	1	Negligible
3	Varanium Lifestyle Pvt. Ltd.	1	Negligible	1	Negligible
	Total	63,51,429	90.07	63,51,429	63.19%

13. As per the disclosure dated November 17, 2023 filed by the Company for the quarter ended September 30, 2023, the details of IPO proceeds utilization were as under:

(figures in Rs. Crores)

Original Object	Modified Object, if any	Original allocation	Modified allocation, if any	Funds utilized	Amount of Deviation/ Variation, if any	Remarks of Company
Setting up 3 Nos. Containerized Edge Data Centres	N.A.	23.40	N.A.	13.94	N.A.	No Deviation
Rollout of 3 Edmission flagship Digital Learning Centres	N.A.	8.40	N.A.	3.04	N.A.	No Deviation
General Corporate Purpose	N.A.	8.59	N.A.	8.59	N.A.	No Deviation
Issue Expenses	N.A.	3.14	N.A.	3.14	N.A.	N.A.
Total		43.53		28.71		

14. As per Company's prospectus, the Company received quotation from M/s Avance Technologies Limited to establish three Containerized Edge Data Centres for Rs.23.40 Crore and three Edmission flagship Digital Learning Centres for Rs.8.40 Crore. With regards to the same, NSE sought details of quotations received by the Company, utilisation of IPO funds (in form of Statement of Deviation), Invoices along with supporting documents like delivery Challan, Goods Receipt Note, agreement with M/s Avance Technologies Limited, and to specify if the Company had any relation with M/s Avance Technologies Limited.
15. The Company responded to NSE's query by stating that all the data, files and documents, including invoices of M/s Avance Technologies Ltd., were with the CGST department as the Company was undergoing CGST audit. The Company provided some scanned invoices used in ECD build out and

undertook to provide the full set of documents once received back from the GST authorities. The Company further clarified that neither the Company nor any of its directors, officers or employees were in any way connected with M/S Avance Technologies Limited.

16. It was observed that the Company's Cash and Cash Equivalents at the end of FY23 was Rs.25.82 Crore. The Company's cash flow statement for FY23 showed the following funds flow movement in Company's operating, investing and financing activities:

(Figures in Rs. crores)

Particulars	Funds Inflow	Funds Outflow
Net Proceeds from Issuance of Share Capital	40.39	-
Dividend Paid	-	3.02
Purchase of Fixed Assets	-	14.88
Investments done	-	2.08
Cash Flow from Operating Activity	2.69	
Total	43.08	19.98

17. In the absence of any major cash flow from operating activities in FY23, as reflected in the above Table, it appeared that the funds used for dividend payments, purchase of fixed assets and investments were from IPO proceeds received by the Company. However, except for bills worth Rs.35 Lakh Approx., pertaining to purchase of fixed assets; no other bill was furnished by the Company, when asked for by NSE.

Avance Technologies Limited ("Avance") -

18. Varanium in its Prospectus had claimed to have obtained quotations from Avance for work orders worth Rs.31.80 Crore, as mentioned in Para 14 above. From examination of financial statements of Avance, it was observed that Avance was a BSE listed company offering a wide range of IT services. The revenue and PAT of Avance between FY19 and FY23 were as follows:

(Figures in Rs. crores)

Particulars	FY19	FY20	FY21	FY22	FY23
Revenue from Operations	3.40	0.30	0.04	11.52	30.53
PAT	0.56	(50.61)	(27.57)	(0.62)	0.41

19. It was noted that the value of quotation obtained by Varanium from Avance (i.e. Rs.31.80 Crore) alone surpassed 100% of the revenue of Rs.30.53 Crore reported by Avance in FY23, as mentioned in the above Table.
20. Analysis of Avance's financial statements for FY23 showed that out of its total assets of Rs.434.70 Crore, it had no fixed assets and approximately 96% of its assets fell under the following categories:

Particulars	Amount (Rs. in Crore)
Non-Current Assets - Financial Assets – Investments (various private companies)	236.62
Other non- current assets (trade advances)	141.23
Current Assets - Financial Assets – Investments (includes investment in Jump Networks Limited of Rs.20.27 Lakh)	39.54
Total	417.39

21. As seen from the above Table, Avance had made investments of Rs.20.27 lakh in Jump Networks Limited ("**Jump**"). Upon examination, it was noted that Jump, now known as Winpro Industries Limited ("**Winpro**"), was also a listed entity in which Harshawardhan Sabale (MD of Varanium), served as the MD from February 13, 2020 to March 12, 2021. Additionally, as per media reports, Jump (currently Winpro) signed an annual digital services agreement with 'Amtelfone Incorporated' for a minimum guaranteed revenue of Rs.100 Crore to provide wholesale Voice over Internet Protocol (VoIP) services. It was also noted that 'Amtelfone Incorporated' was a significant sales partner of Varanium in FY23 and first half of FY24.
22. As Avance had no fixed assets, its capability to construct the proposed data centers for Varanium appeared doubtful. Accordingly, booking of expenses and payment of Rs.16.98 Crore by Varanium in FY23 for creation of data centers to Avance out of IPO proceeds looked suspect.

Suspicious Investment in Turmeric Lifestyle Private Ltd ("TLPL"):

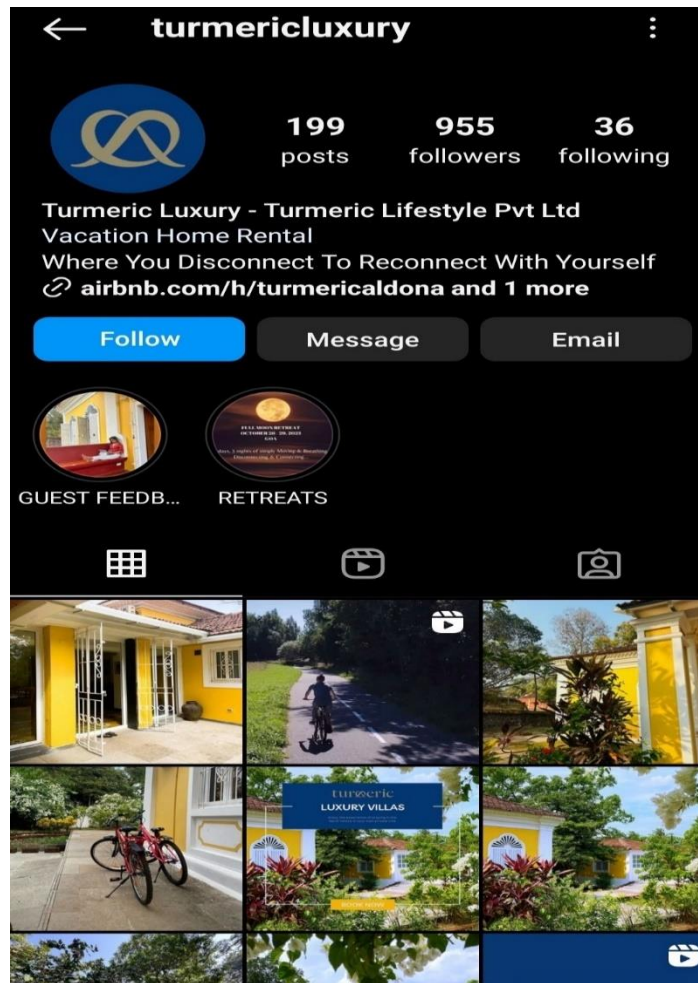
23. As per the financial statements of Varanium for FY23, out of the total investments of Rs.2.08 Crores made during FY23, Rs.1.83 Crore was invested in 3,03,060 Compulsory Convertible Debentures (CCDs) of TLPL. On the other hand, TLPL has in its MGT-7 filing with MCA, disclosed that

TLPL had issued 3,03,060 'Preferential Shares' to Varanium. Further, TLPL reported NIL revenues from FY18 to FY23 in its MCA filings.

24. It was observed that there was no disclosure in the Prospectus of Varanium regarding utilization of IPO proceeds for investment in the CCDs of TLPL. However, the Bank Statement of Varanium Cloud Ltd (with ICICI Bank) showed that immediately upon receipt of net IPO proceeds in its bank account, Varanium transferred Rs.1.50 Crore to TLPL, as detailed below:

Date	From	To	Amt.
26-Sept-22	Closing Balance in Varanium Cloud's ICICI A/c - 344905001130		₹ 1,335
Receipt of IPO proceeds from Escrow Account			
27-Sept-22	Varanium Cloud Escrow A/c (ICICI - `000405136331)	Varanium Cloud A/c (ICICI - `344905001130)	₹ 33,00,00,000
Total			₹ 33,00,01,335
Immediately →Transfer of funds to Turmeric Lifestyle Pvt. Ltd			
27-Sept-22	Varanium Cloud A/c (ICICI - `344905001130)	Transfer to Turmeric Lifestyle Pvt. Ltd (HDFC A/c)	₹ 50,00,000
29-Sept-22			₹ 1,00,00,000
Total			₹ 1,50,00,000

25. In respect of the above, Varanium in its response dated 08-Nov-23 to NSE has submitted - *"The purpose of Varanium Cloud Limited's investment in Turmeric Lifestyle Pvt Ltd. was as **an advance**. We do not consider Turmeric Lifestyle Pvt Ltd as a related party as we have no control over its operations and management whatsoever. Under a contractual arrangement with the founder of Turmeric Lifestyle Pvt. Ltd, all operations and management vest with her solely."*
26. From the above, it was noted that the disclosure made in Varanium's Annual Report for FY23 regarding investment made in TLPL (classified as Financial Assets) was contrary to the submission made to NSE, wherein the payment made to TLPL was classified as Advance.
27. Further, as per social media account of TLPL, it is engaged in the hospitality business of renting villas for vacations / staycations in Aldona, North Goa. Its property is also listed on AirBnB. The screenshot of TLPL's Instagram account is appended below:



28. Accordingly, Varanium (which is a technology company) and TLPL do not appear to be in similar line of business, which creates suspicion on the commitment of Varanium in achieving the stated objectives of its IPO.
29. It is pertinent to note that Harshawardhan Hanmat Sabale, MD of Varanium, was a director in TLPL and held 83.77% stake in TLPL as of 31-Mar-2023, as per filings with MCA. As per Varanium's IPO prospectus, TLPL is a promoter group company.

Setting up of Containerized Edge Data Centers and 'Edmission' Digital Learning Centers

30. As per the disclosure made by the Company, the details of funds utilized for Setting up of Containerized Edge Data Centers and 'Edmission' Digital Learning Centers were as under:

(figures in Rs. Crores)

Original Object	Original allocation	Funds utilized till 30-Sept-23	Utilisation %
Setting up 3 Nos. Containerized Edge Data Centres	23.40	13.94	60%
Rollout of 3 Edmission flagship Digital Learning Centres	8.40	3.04	36%
General Corporate Purpose	8.59	8.59	100%
Issue Expenses	3.14	3.14	100%
Total	43.53	28.71	66%

31. As seen from the above Table, the Company claimed to have utilized 60% of intended allocation of funds for setting up three Containerized Edge Data Centres and 36% of intended allocation for setting up three Edmission Digital Learning Centres

Edge Data Centers (“EDC”)

32. The Company in its Annual Report for the FY23 disclosed that “*We commissioned our first data center in Panjim, Goa in December 2022, followed by our second installation at Kudal, Sindhudurg district and a third in Mumbai.*”
33. However, the Company’s vide email/letter dated April 15, 2024 and April 19, 2024 to SEBI stated “...*please consider that the operations of Kudal Data center had been consolidated with Sindhudurg, Maharashtra in the month of December, 2023. Further, please consider that the Mumbai data center is yet to be launched. Accordingly, at present our company operates from the above mentioned data centers...*”
34. The details of all the functional Edge Data Centers / Hydra, provided by the Company, were as follows:

S. No.	Name of Centre	Complete address	GSTN	No. of Employees (as on 31-Jan-24)
1	Edge Center, Panaji Goa	Silvio Heights, St Inez, Fifth Floor, Building A, Office No Q- 12 & Q- 13, Panjim - Goa 403 001	30AAZCS6264J1ZR	03
2	Edge Center / BPO, Sawantwadi	B-1477, Naryan Arcade, Sawantwadi, Sindhudurg- 416510	27AAZCS6264J1ZE	31

35. To ascertain the veracity of claims made by the Company in various corporate announcements, annual report and IPO proceeds utilization statement regarding business operation developments, several supporting documents were sought from the Company and a site-visit was conducted through NSE. The observations made therefrom are as follows:

Name of Centre	Site Visit Remarks by NSE	Remarks
Edge Center, Panaji Goa	<p><i>Entity Edge Centre was not available. However, the entity Varanium was found operating on this location. The staff mentioned that the entity is operating there since 1 year and the founder is Mr. Harshvardhan. On further enquiry about Edge Centre, the staff there mentioned that they are not aware about it.</i></p> <p><i>No of employees found available during the visit – 6.</i></p>	<ol style="list-style-type: none"> 1. As per the site visit report, there was no Containerised Data Centre at the given address 2. The deed of lease for the premises was dated April 03, 2023, whereas company claimed in its Annual Report that this Centre was commissioned in December 2022 3. Similarly, the “Corporation of the city of Panaji” issued the license to this place of business on January 02, 2024 i.e. much later than the claimed date of commencement of business 4. As per the Electricity Bill issued by Electricity Deptt of Goa, the quantum of electricity consumed was only 06 units for the period 18-Nov-23 to 18-Dec-23, whereas the units consumed for the subsequent billing cycle were 2,450 units. This indicates that the entity did not have any tech intensive operations prior to this period.
Edge Center / BPO, Sawantwadi	<p><i>The entity Edge Centre / BPO, Sawantwadi was not available. However, the address is same as Varanium Cloud Ltd.</i></p>	<ol style="list-style-type: none"> 1. The registered office of the Company and EDC have same address 2. As per the site visit report, there was no Containerised Data Centre at the given address 3. As per the MSEB Electricity Bill, the units of electricity consumed are as follows: November-23 = Zero December-23 = 10 units 4. The Company has claimed vide email/letter dated April 15, 2024 and April 19, 2024, that 31 employees were employed at this center. <p>In this regard, the Company had earlier disclosed in its public announcement dated 08-Nov-23 that –</p> <p><i>“...Hydra vertical, first of its kind BPO & KPO operation set up in Sawantwadi, Sindhudrug proudly boasts of employing 125+ young people from</i></p>

Name of Centre	Site Visit Remarks by NSE	Remarks
		<p>across the surrounding regions with a stellar percentage of female employees in the mix...”</p> <p>“...services range from data entry, accounting, background verification, debt recovery amongst others. By leveraging a combination of its multi-use phygital infrastructure & its edtech/skills development vertical...”</p> <p>In view of the above, it <i>prima-facie</i> appeared that the disclosures made by the Company were misleading and did not give true and fair picture of its business operations.</p>

Edmission Centre (Distance Learning education centre)

36. The Company in its Annual Report for FY23 disclosed – “*Our first Edmission Centre was launched in Sawantwadi, Maharashtra, in February of 2019 in line with our mission of ‘Building a phy-gital ecosystem for the next billion.....As the **next step**, the Company will set up its second Edmission center at **Kudal**, for which it has secured the land. **This center should be up and running in the current year (FY24)**”*
37. From the above, it is observed that while the Company in its Annual Report claimed that the Edmission Centre at Sawantwadi was already operational from the year 2019, it did not provide any details regarding any Edmission Center at Kudal, in its response to SEBI dated April 15, 2024 and April 19, 2024. Further, the Company failed to provide any supporting document for spending Rs.3.04 Crore (i.e. 1/3rd of proceeds earmarked for this object) for the valid and intended purpose of commissioning new Edmission Centres.
38. The details of all the Edmission Centers currently operational as on 15-Apr-24, as provided by Company, are as follows:

Name of Centre	Complete address	GSTN	No. of Employees (as on 31-Jan-24)
Edmission Centre, Sawantwadi	Bala Saheb Thakare, Dyan Probhodani Center , Edmission center, Near Gymkhana, Sawantwadi- 416510	27AAZCS6264J1ZE	107

39. To ascertain the veracity of claims made by the Company in various corporate announcements, annual report and IPO proceeds utilisation statement regarding business operation developments, several supporting documents were sought from the Company and a site-visit was conducted through NSE. The observations made therefrom are as follows:

Name of Centre	Site Visit Remarks by NSE	Remarks
Edmission Centre, Sawantwadi	<i>The Entity was found to be available, the staff there informed that only documentation is done at the said location and that the Varanium main branch which is located in Gujarat. No of employees found available during the visit - 8</i>	<ol style="list-style-type: none"> 1. As per the site visit report, there was no operational Distance Learning Centre at the given address 2. Only 8 employees were available at the given address during site visit, this is in contrast to the submission of Company claiming to have 107 employees working at the said center 3. Persons available at the site conveyed that only documentation work is being done at this center, which does not match with the disclosed scale and nature of operations in Annual Report and various other corporate announcements. 4. The copy of invoices issued by Broadband service provider did not appear to be genuine as it contained incorrect dates of bill and nothing was mentioned about speed of broadband or other technical details

Diversion of funds

40. Varanium raised a total of Rs.40.36 Crore as net proceeds of IPO (including Pre-IPO placement of Rs. 6.93 crores) during the months of August and September 2022.
41. The bank statements including those of the IPO Escrow account and main Current A/c of the Company with ICICI bank were analyzed in detail. From the bank statement of Varanium's ICICI Bank A/c No. 344905001130, it was noted that immediately after receiving the net proceeds of IPO, the Company made large remittances to an entity 'M/s BM Traders'. It also remitted funds to several Promoter Group companies. The quantum of such remittances are summarized below:

Details of remittance from August to December 2022

Remitted to →	BM Traders	Promoter Group Companies*	Total
Q2FY23 (Aug-Sept 2022)	Rs. 7,16,64,700	Rs. 3,23,50,000	Rs. 10,40,14,700
Q3FY23 (Oct-Dec 2022)	Rs. 11,26,41,611	Rs. 2,40,65,500	Rs. 13,67,07,111
Total	Rs. 18,43,06,311	Rs. 5,64,15,500	Rs. 24,07,21,811
As % of Net IPO Proceeds of Rs. 40.36 crores	~46%	~14%	~60%

* Promoter Group Companies for the above calculation are Varanium Lifestyle Pvt. Ltd., Varanium Earth Pvt. Ltd., Varanium Network Pvt. Ltd. and Turmeric Lifestyle Pvt. Ltd.

42. As per the disclosed financial statements and Annual report filed by Varanium, it did not have any significant business relations (as a client or vendor) with any of the recipient entities mentioned above. Accordingly, it was apparent that almost 60% of the IPO proceeds were remitted to an entity which did not appear to serve any of the objects of the public issue of the Company.
43. While searching for information on BM Traders in the public domain, nothing of relevance could be found.
44. Further, an analysis of bank statements of Promoter Group Companies, as received from ICICI Bank, revealed that between August 2022 to April 2024, Varanium transferred a net sum of Rs.35.81 Crore to BM Traders and Rs.14.63 Crore to Promoter Group Companies. Further, Varanium Lifestyle Pvt. Ltd transferred a net sum of Rs.12.73 Crore to M/s BM Traders during the same period. Further, Varanium Networks Pvt. Ltd transferred a net sum of Rs.67 Lakh to M/s BM Traders during the month of March 2024.
45. Further, examination of bank account statement of Mr. Harshawardhan Sabale, promoter and MD of Varanium, showed that he transferred Rs.119 Crore on net basis to BM Traders. A summary of remittance received in / sent from ICICI Bank accounts of Mr. Harshawardhan Sabale to BM Traders during the period August 2022 to March 2024 is provided below:

ICICI Bank accounts of Harshawardhan	Paid to BM Traders	Received from BM Traders	Net Payment to BM Traders
122401500240`	₹ 3,13,13,080	₹ -	
333701501301`	₹ 47,25,10,287	₹ 54,58,000	
344901000352`	₹ 41,51,50,646	₹ -	
344905500008`	₹ 33,36,82,805	₹ 5,55,18,200	
Total	₹ 1,25,26,56,818	₹ 6,09,76,200	₹ 1,19,16,80,618

46. As per the latest information obtained from Punjab National Bank (PNB), BM Traders is a proprietary business of Shri Raj Kishanchand Jagtani. The UDYAM Registration certificate of BM Traders, provided by PNB, showed that BM Traders was involved in the wholesale business of fruits and vegetables. The reported income of BM Traders during the AY24 was a mere Rs.6,47,200.
47. BM Traders in its letter dated April 29, 2024 to PNB had stated that it dealt with agricultural products and did not have any employee in the business. During a site visit to the business address of BM Traders by PNB officials, it was found that it was a residential address and had no business activity.
48. From the above observations, it, *prima facie*, appears that significant sum of monies from IPO proceeds was diverted to BM Traders, which had dubious and questionable financial transactions with the Promoter and Promoter Group Companies of Varanium.

B. 'True and Fair' view of Financial Statements

49. A comparative analysis of company's financial statements - Standalone basis (Balance Sheet, Profit & Loss A/c, and Cash Flow Statement) for the Examination Period, as mentioned in NSE Report, is provided below:

Particulars/Year	FY22	FY23	% Of Increase / (Decrease)
	Rs. Crores	Rs. Crores	
Balance Sheet			
Shareholders' funds	15.12	141.10	833%
Current Liabilities	25.54	42.83	68%
Non-current Assets	35.56	52.78	48%
Current Assets	5.08	131.21	2481%
Investment in Unlisted Entities	3.71	5.79	56%

Particulars/Year	FY22	FY23	% Of Increase / (Decrease)
	Rs. Crores	Rs. Crores	
Profit & Loss Account			
Revenue from Operations	35.35	383.36	984%
Employee Benefit Expense	9.04	1.75	(81%)
Depreciation and Amortisation Expense	0.10	2.10	2074%
Other Expenses	3.88	10.97	183%
Net Profit	8.40	82.45	881%
Cash Flow Statement			
Cash Flow from Operating Activities	31.02	2.68	(91%)
Cash Flow from Investing Activities	(32.45)	(17.40)	46%
Cash Flow from Financing Activities	1.45	40.51	2694%
Net Increase/(Decrease) in Cash and Cash Equivalents	0.02	25.80	106935%
Closing Balance of Cash & Cash Equivalents	0.02	25.82	107035%

50. An analysis by NSE for the increase / (decrease) of more than 25% in any item of Financial Statements compared to its previous year figures is provided below:

Nature of Item	% Change	NSE's remarks
Shareholders' funds	833%	Due to IPO in FY 2022-23 of Rs.43.53 Crore, shareholders' funds have increased. Further the Company recorded profit of Rs.82.45 Crore during FY23.
Current Liabilities	68%	Current liabilities increased from Rs.25.54 Crore to Rs.42.83 Crore. This increase was mainly due to increase in provision for payables from Rs.4.89 Crore to Rs.35.85 Crore.
Non-current Assets	48%	Non-current assets increased from Rs.35.56 Crore to Rs.52.78 Crore. During FY23, CWIP reduced from Rs.30.95 Crore to Rs.3.49 Crore & Plant & Machinery increased by Rs.43.53 Crore. Further, investment in Turmeric Lifestyle Pvt Ltd. increased by Rs.1.83 Crore in FY23.
Current Assets	2481%	Current Assets increased from Rs.5.08 Crore to Rs.131.21 Crore. The increase was mainly due to trade receivables, which increased from Rs.3.87 Crore in FY22 to Rs.102.91 Crore in FY23. Further, bank balance increased by Rs.25.73 Crore during the year, which was on account of increase in Revenues and IPO inflows during FY23.
Investment in Unlisted Entities	56%	During FY23, Company invested Rs.1.83 Crore in Turmeric Lifestyle Pvt. Ltd.
Revenue from Operations	984%	The company revenue increased from Rs.35.35 Crore in FY22 to Rs.383.36 Crore in FY23, primarily due to increase in export sales.
Employee Benefit Expense	(81%)	Employee Benefit Expenses reduced from Rs.9.04 Crore to Rs.1.75 Crore, mainly due to the directors' remuneration

Nature of Item	% Change	NSE's remarks
		which came down from Rs.7.52 Crore in FY22 to Rs.0.24 Crore in FY23.
Depreciation and Amortisation Expense	2074%	Depreciation expenses increased from Rs.0.10 Crore to Rs.2.10 Crore due to addition in property plant & equipment.
Other Expenses	183%	Other expenses increased from Rs.3.88 Crore to Rs.10.97 Crore. Other expenses increased by 183% primarily due to increase in computer & software expenses from Rs.0.02 Crore to Rs.3.32 Crore, business promotion expenses from Rs.0.38 Crore to Rs.1.28 Crore & professional expenses from Rs.2.02 Crore to Rs.3.49 Crore in FY23.
Net Profit	881%	The net profit of the company increased from Rs.8.40 Crore in FY22 to Rs.82.45 Crore in FY23 due to growth in sales by ~985% during FY23.
Cash Flow from Operating Activities	(91%)	Cash flow from operations reduced from Rs.31.02 Crore to Rs.2.68 Crore. In spite of increase in revenue and profits in FY 2022-23, this reduction in cash flow from operations was mainly due to trade receivable, which increased from Rs.3.87 Crore in FY22 to Rs.102.91 Crore in FY23.
Cash Flow from Investing Activities	46%	Cash flow from investing activities increased from negative Rs.32.45 Crore to negative Rs.17.40 Crore. During FY23, Company purchased fixed assets of Rs.14.88 Crore as against Rs.28.70 Crore in FY22.
Cash Flow from Financing Activities	2694%	Cash flow from financing activities increased from Rs.1.45 Crore to Rs.40.51 Crore. This was on account of the IPO proceeds of Rs.43.53 Crore received in FY23.

Significant increase in Revenue from Operations

51. The Company's standalone revenue from operations for FY23 was Rs.383.36 Crore, which was a significant increase of 984.46% compared to Rs.35.35 Crore in FY22. Additionally, the Company's half-yearly financial results for FY24, i.e. 30th September 2023, showed a revenue of Rs.377.33 Crore, almost equivalent to the revenue generated in FY23.
52. In view of the significant increase in revenue, clarifications were sought by NSE from the Company. The Company responded by stating that *"The company has moved from a B2C (Business to Consumer) model in FY22 to a B2B (Business to Business) model from FY23 onwards. Consequently, the revenues from FY23 onwards are gross revenues billed by distributors who sell our services in bulk onwards in the MENA (Middle East and North Africa) region. These contracts are usually bulky and large in nature causing the increase in Gross Revenues. Each such contract brings bulk revenues,*

causing significant growth. Under this model, our gross margin (Revenues minus data center costs) would be the comparable revenue data to FY22 which would then show a far lesser growth. However, under accounting GAAP, we are required to account for gross revenues and data centre costs in the manner shown in our financials, causing a significant increase in revenues on a comparative basis to previous periods. Also attached are all the GST returns for your perusal.”

53. The Company also provided party-wise list of sales, purchase, trade receivables and trade payables for FY23 and first half of FY24. However, when documents were sought by NSE, the Company responded - “All the documents and data files are with the CGST department as the company is undergoing a CGST audit. We will provide the full set of documents once received back from the GST authorities”.
54. As per the GST returns (GSTR-3B) provided by the Company for the period April 2022 to March 2023, a summary of Company’s sales was as under:

Nature of Supplies	Amount in Crores
Outward taxable supplies (other than zero rated, nil rated and exempted)	57.14
Outward taxable supplies (zero rated)	326.21
Total Sales as per the returns =	383.35
Total Sales as per Annual Return of FY 2022-23 =	383.35

55. It was observed from financial statements of Varanium that there was a significant jump in revenue from operations of the Company post listing in September 2022, as seen in the table below:

(figures Rs. In crores)

Particulars	FY22	FY23	April to September 2022	April to September 2023
Revenue from Operations	35.35	383.35	123.56	377.33
Growth	-	985%	-	205%

56. The party-wise details shared by Varanium with NSE showed that sales had been made to following major customers:

(figures in Rs. crores)

	FY23			Six months' period ended September 2023		
Name of Party	Sales	Proportion to total sales (%)	Trade Receivables 31-Mar-23	Sales	Proportion to total sales (%)	Trade Receivables 30-Sept-23
Amtelfone Incorporated	326.22	83.91%	60.21	268.10	71.44%	54.71
Cressanda Solutions Limited	21.07	5.42%	2.37	-	-	2.37
Varanium Lifestyle Private Limited	23.36	6.01%	20.85	-	-	20.32
Varanium Networks Private Limited	11.80	3.03%	11.47	-	-	11.47
Varanium Earth Private Limited	5.90	1.52%	4.97	-	-	4.97
Shree Refrigeration's Pvt Ltd	0.30	0.07%	-	-	-	-
Turmeric Lifestyle Private Limited	0.12	0.03%	-	-	-	-
Courage Clothing LLP	-	-	-	107.16	28.56%	107.15
TOTAL	388.77*	100%	99.87	375.26	100%	200.99

*This figure does not match with corresponding figure in Annual Return, as mentioned in Table under para 54 above


57. The sales made to the abovementioned entities are analyzed below.

Amtelfone Incorporated ("Amtelfone")

58. It was observed that Varanium had recorded sales worth Rs.326.22 Crore (83.91% of total sales) in FY23 and Rs.268.10 Crore (71.44% of total sales) in first-half of FY24 with Amtelfone. As per Varanium's reply to NSE, services provided to Amtelfone (a Distributor of VoIP Services for MENA region) was VoIP services on a wholesale SoftwareAs-A-Service (SaaS) basis.

59. A public domain search on Amtelfone showed a website which contained basic information such as *About*, *Services* and *Contact* but did not provide any information about teams or individuals associated with Amtelfone. The Website only offered a brief overview of the services offered by Amtelfone. Some screenshots of the said website are produced below:

About:




Established in 2001, Amtelfone Incorporated is a VoIP Service Provider specializing in **Internet Telephony Solutions for businesses**, reseller programs and carrier services.

Amtelfone provides various profitable VoIP solutions, which include world class quality VoIP Call Termination at cost-effective rates.

Our vision is to become a major Voip Service Provider.


Services:




Home About **Services** Contact

SERVICES

Want to measure our credibility? Have a look at our services.


**VOICE**

- Lets you have an uninterrupted call and makes the world smile better.
- 24*7 customer support.
- Quality is uncompromised and cost is cut down.
- Clear voice quality without any latency issues.


**SMS**

- Time saving addition to VoIP service.
- Helps resolve customer queries at ease.
- A2P messaging services.
- Provides the flexibility of texting from anywhere and anything.


Contact:




Home About Services **Contact**

**Our Address**

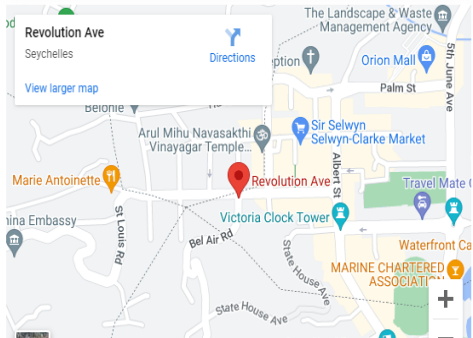
Suite 9, Ansuya Estate, Revolution Avenue, Victoria, Mahe, Republic of Seychelles.

**Email Us**

info@amtelfone.com

**Call Us**

+248 461 0770



60. It was noted from a public domain search that Amtelfone's address was *Suite 9, Ansuya Estate, Revolution Avenue, Victoria, Mahe, Republic of Seychelles*. The said address is common with various companies found in Panama Papers as available in Offshore Leaks Database.
61. Other than the above, no information about Amtelfone was found in public domain. Even as per OpenCorporates, no company named 'Amtelfone Incorporated' was found by NSE.
62. In view of the above observations, all the invoices and agreements with Amtelfone were sought by NSE from the Company. In response, the Company submitted that all the documents and data files were with CGST department due to an ongoing CGST audit and that it would provide the full set of documents once received back from the GST authorities.
63. It was observed that though the Company repetitively claimed in its submission to SEBI and NSE that it was unable to provide supporting documents including details of inward / outward remittances on account of ongoing GST Audit, it failed to provide the copy of Audit intimation or any documentary proof evidencing that GST department had taken possession of all the relevant records of the Company.
64. A copy of the Ledger of Amtelfone, as submitted by Varanium, is as under:

Amtelfone Incorporated					
Ledger Account					
1-Apr-2022 to 31-Mar-2023					
Page 1					
Date	Particulars	Vch Type	Vch No.	Debit	Credit
31-5-2022	Cr Export Sales	Sales	EXP/0001/June-22	17,22,50,719.00	
30-6-2022	Cr Export Sales	Sales	EXP/0002/June-22	17,05,18,162.00	
31-7-2022	Cr Export Sales	Sales	EXP/0003/June-22	21,61,93,464.00	
31-8-2022	Cr Export Sales	Sales	EXP/0004/AUG-22	23,87,48,588.00	
30-9-2022	Cr Export Sales	Sales	EXP/0005/Sep-22	25,92,18,765.00	
31-10-2022	Cr Export Sales	Sales	EXP/0006/Oct-22	28,93,44,811.00	
30-11-2022	Cr Export Sales	Sales	EXP/0007/Nov-22	31,18,03,652.00	
31-12-2022	Cr Export Sales	Sales	EXP/0008/Dec-22	31,45,24,217.00	
31-1-2023	Cr Export Sales	Sales	EXP/0009/JAN-23	32,61,79,792.00	
28-2-2023	Cr Export Sales	Sales	EXP/0010/FEB-23	37,52,12,141.00	
31-3-2023	Cr Export Sales	Sales	EXP/0011/MAR-23	58,82,42,729.00	
	Dr Secur Credentials Ltd	Journal	937		28,74,51,134.00
	Dr Amazon Web Services	Journal	969		9,69,09,860.00
	Dr Amazon Web Services	Journal	971		2,01,84,66,825.00
				3,26,22,37,040.00	2,40,28,27,819.00
	Dr Closing Balance				85,94,09,221.00
				3,26,22,37,040.00	3,26,22,37,040.00

65. As can be seen from the above Table, while sales entries were recorded in the Ledger at the end of each month, no Bank Receipt entries were present throughout FY23. Instead, there were only adjusting journal entries against Secur Credentials Limited and Amazon Web Services.
66. According to the breakup of Trade Receivables provided by the Company (as seen in table under para 56 above), the balance outstanding of Amtelfone, as on 31-Mar-23 stood at Rs.60.21 Crore. However as per the ledger provided (as seen above), the same stood at Rs.85.94 Crores as on 31-Mar-23. Therefore, there is a mismatch in the Trade Receivables recorded by the Company in the ledger of Amtelfone and the data provided by the Company.
67. The ledger of Amtelfore for the first half of FY24, as provided by the Company to NSE, was as under:

Amtelfone Incorporated Ledger Account 1-Apr-2023 to 31-Dec-2023					
					Page 1
Date	Particulars	Vch Type	Vch No.	Debit	Credit
1-4-2023	Cr Opening Balance			85,94,09,221.00	
29-4-2023	Cr Export Sales	Sales	EXP/001/Apr-23	61,38,00,872.00	
14-7-2023	Dr ICICI Bank - 3449050001130	Receipt	72		10,00,000.00
11-8-2023	Dr ICICI Bank - 3449050001130	Receipt	91		11,00,000.00
24-8-2023	Dr ICICI Bank - 3449050001130	Receipt	100		5,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	101		19,00,000.00
28-8-2023	Dr ICICI Bank - 3449050001130	Receipt	102		23,50,000.00
14-9-2023	Dr ICICI Bank - 3449050001130	Receipt	121		2,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	122		2,00,000.00
21-9-2023	Dr ICICI Bank - 3449050001130	Receipt	126		1,27,500.00
23-9-2023	Dr ICICI Bank - 3449050001130	Receipt	130		3,00,000.00
25-9-2023	Dr ICICI Bank - 3449050001130	Receipt	131		50,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	132		50,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	133		50,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	134		50,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	135		50,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	136		5,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	137		45,00,000.00
26-9-2023	Dr ICICI Bank - 3449050001130	Receipt	141		1,25,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	142		1,35,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	143		99,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	145		1,00,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	146		99,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	148		99,00,000.00
27-9-2023	Dr ICICI Bank - 3449050001130	Receipt	150		49,00,000.00
28-9-2023	Dr ICICI Bank - 3449050001130	Receipt	152		1,30,00,000.00
29-9-2023	Cr ICICI Bank - 3449050001130	Payment	428	12,00,000.00	
	Dr ICICI Bank - 3449050001130	Receipt	154		3,00,000.00
	Dr ICICI Bank - 3449050001130	Receipt	155		9,00,000.00
30-9-2023	Cr Export Sales	Sales	EXP/003/June-23	2,06,71,81,291.54	
4-10-2023	Dr ICICI Bank - 3449050001130	Receipt	164		20,00,000.00
				3,54,15,91,384.54	12,44,77,500.00
	Dr Closing Balance				3,41,71,13,884.54
				3,54,15,91,384.54	3,54,15,91,384.54

68. From the above, it is noted that the Company had recorded payments from Amtelfone in its ledger. However, on perusal of Varanium's Bank Statement of ICICI A/c No. 3449050001130, no corresponding credit entries were found in the name of Amtelfone, as stated in its ledger. This raised suspicion
69. Further, the ledger of Amtelfone from April 01, 2023 to December 31, 2023, showed that against a balance of Rs.354.16 Crore (including opening balance of Rs.85.94 Crores and sales during the year), the Company has only recorded receipts of Rs.12.45 Crore. Accordingly, as per the ledger, the outstanding balance as on December 31, 2023, remains at Rs.341.71 Crore.
70. It was noted that as per the breakup of Trade Receivables as on September 30, 2023, outstanding balance for Amtelfone was Rs. 54.71 Crore. However, as per the abovementioned ledger, the outstanding balance as on September 30, 2023, was Rs.341.91 Crore. Therefore, there is a huge mismatch between the Trade receivables and the ledger of Amtelfone.
71. The Company, in respect of sales to Amtelfone, submitted following data to NSE:

(figures in Rs. Crores)

Amtelfone Incorporated	Amount outstanding at beginning of period	Sales during the FY	Amount recovered during the FY	Write-off during FY, if any	Total amount outstanding as of end of period	Relation, if any
FY23	-	326.22	266.01	-	60.21	-
H1 FY24	60.21	268.10	273.71	-	54.71	-

72. As per the above table, the Company received Rs.266.01 Crore in FY23 out of the total sales of Rs.326.22 Crore made to Amtelfone. However, no corresponding Bank Receipt entries were found in the ledger of Amtelfone or in the Bank Statement of the Company in FY23.
73. In view of the abovementioned inconsistencies between Amtelfone's ledger and the Company's submissions, it *prima facie* appears that the Company's sales transactions with Amtelfone and the significant jump in revenue reported by the Company were fictitious.

Cressanda Railway Solutions Limited (formerly known as Cressanda Solutions Ltd.) (hereinafter referred as “CRESSANDA”)

74. It was observed that Varanium had recorded sales worth Rs.21.07 (5.42% crores in FY23) with CRESSANDA (a BSE-listed company currently suspended due to procedural reasons).
75. As per the annual Report of CRESSANDA for FY23 - *“Cressanda Solutions Limited, an India-based company, has positioned itself as a dynamic player in the realm of Information Technology (IT), Digital Media, and IT-enabled services.”*
76. Below is the snapshot of CRESSANDA’s financial performance between FY19 to FY23:

(figures in Rs. Crores)

Particulars	FY19	FY20	FY21	FY22	FY23
Revenue from Operations	0	0	0.09	0.18	75.13
EBITDA	(0.09)	(0.09)	0.00*	(0.06)	1.58
PAT	(0.09)	(0.09)	0.00*	0.27	5.36
Net Worth	24.25	24.17	24.17	24.44	96.24
Long Term Borrowings	0	0	0	0	0

*Less than Rs. 50,000

77. It was observed that CRESSANDA’s revenue jumped significantly from Rs.0.18 Crore in FY22 to Rs.75.13 Crore in FY23. Further, as per the Annual Report of CRESSANDA for FY23, the entire revenue of Rs.75.13 Crore was on account of ‘Trading Sales’ against which Rs.71.77 Crore was recorded as ‘Purchase of Stock-in-Trade’. However as per the Annual Report of Varanium, entire sales were on account of ‘Services’ provided, as observed in the Table below:

Product wise Sales of major Products for last 3 years:				
S. No.	Particulars	FY21 (Rs. In crores)	FY22 (Rs. In crores)	FY23 (Rs. In crores)
1	Voice over Internet Protocol (VoIP)	3.75	30.77	326.22
2	Online Payment Facilitator Services (PayFac)	0.00	3.62	17.84
3	Information Technology Enables Services (ITES)	0.00	0.96	39.29
	Total	3.75	35.35	383.35

78. Therefore, there appears to be a contradiction in the books of CRESSANDA and Varanium where CRESSANDA has recorded Purchase of “*Stock -in-Trade*” and Varanium has recorded “*Sale of services*” for the same transactions.
79. Thus, as per copy of ledger of CRESSANDA for April 1, 2022 to March 31, 2023, entire sales of Rs.21.07 Crore were made in the month of June 2022 as ‘*Data Transfer Social Media Management and IT Consulting Charges*’ against which Rs.18.70 Crore was received in the month of July 2022 and the outstanding balance was Rs.2.37 Crore. As of December 31, 2023, this outstanding balance remained unchanged based on the latest ledger provided.
80. As per the balance sheet of CRESSANDA as on 31-Mar-2023, out of the total assets of Rs.112.29 Crore, Rs 87.74 Crore (approx. 78%) accounted for advances given (long term or short term), whereas CRESSANDA’s total advances in the previous year were only Rs.24.20 Crore. As per the cash flow statement, CRESSANDA raised Rs.49.83 Crore in FY23 by issue of share warrants.
81. The promoter of CRESSANDA is Smart Infraproperties Private Limited (SIPL) holding 0.08% stake in CRESSANDA. SIPL is a West Bengal based company which has filed its financials till 31-Mar-21. The shareholders of SIPL are 9 West Bengal based companies, of which majority are “striked-off” companies.

Varanium Lifestyle Private Limited (hereinafter referred as “VLPL”):

82. It was observed that Varanium had recorded sales worth Rs.23.36 Crore (6.01% of Total) in FY 2022-23 with VLPL.
83. In the annual report of Varanium, VLPL is reported as a related party under the category “*Companies under same management*”. VLPL is also a promoter group entity of Varanium and was incorporated on 22-Apr-21.
84. A summary of VLPL’s sales and purchase transactions for FY23 is provided below:

(figures in Rs. Crores)		
Particulars (FY23)	Purchase	Sales
As per P&L of VLPL reported to MCA	26.27	74.77
As per disclosed RPTs – Purchase from companies under same management	26.16	2.33
% of RPT to total	99.58%	3.11%
Sale of services to VLPL by Varanium Cloud Limited	23.36	

85. It was noted that employee benefit expenses of VLPL increased manifold from Rs.1.45 Crore in FY22 to Rs.18.38 Crore in FY23. As per RPT disclosures of VLPL, remuneration paid to KMPs increased from Rs.1.26 Crore in FY22 to Rs.17.61 Crore in FY23. Harshawardhan Sabale, MD of Varanium, holds 83.01% stake in VLPL and is a KMP in VLPL.
86. From the ledger of VLPL for FY23, it was observed that it's opening credit balance was Rs.2.33 Crore. It was further noted that there were only two sales transactions recorded FY23 (on December 31, 2022 and March 31, 2023) amounting to Rs.23.35 Crore in total. Varanium also recorded purchases of Rs.2.6 Crore in the same account during the same period. After adjusting all the above entries, the outstanding debit balance in ledger of VLPL as on March 31, 2023 was Rs.20.85 Crore, which got reduced to Rs.12.63 Crore as on December 31, 2023.
87. In view of the above observations, the Company's recorded sales of Rs.23.36 Crore to VLPL in FY23 *prima facie* appeared dubious and suspicious.
88. It is important to note that auditor of VLPL for the abovementioned period was same as that of Varanium, viz. A K Kocchar & Associates.

Varanium Networks Private Limited: (hereinafter referred as "VNPL"):

89. It was observed that Varanium recorded sales worth Rs.11.80 Crore (3.03% of total) with VNPL in FY23. In the annual report of Varanium, VNPL was reported as a related party as "*Companies under same management*". VLPL is also a promoter group company of Varanium and was incorporated on 22-Feb-2018. Harshawardhan Sabale, MD of Varanium held 99.99% stake in VNPL as on 31-Mar-22. Further, VNPL and Varanium had the same auditor, viz. A K Kocchar & Associates, for FY23.

90. From the financial statements of VNPL, the following details were observed:

(figures in Rs. Crores)

Particulars	FY22	FY23
Sales	4.94	0.41
Purchase	0.10	0
Other Expenses	2.11	0.21
PAT	0.92	0.28
Total Assets	2.27	14.23
Trade Receivables	-	-
Non- Current Investment	1.95	1.95
Short Term Loans & Advances	0.17	0.28
CWIP	-	10.00

91. As seen from the above Table, VNPL's revenue in FY23 stood at Rs.0.41 Crore only, with nil purchases and other expenses of Rs.0.21 Crore. However, Varanium reported sales of Rs.11.80 Crore to VNPL for the same period, which was contrary to the figure reported in the books of VNPL.
92. Further, as seen above, during the same fiscal year, VNPL'S CWIP increased by Rs.10 Crore. The said increase did not appear to be on account of transactions with Varanium as no such transaction was disclosed in VNPL's RPT disclosure.
93. It was further noted that VNPL in FY23 took loan of Rs.11.52 Crores from companies under same management, which included Varanium (as per the RPT disclosure in VNPL's financial statement).
94. In view of the above observations, Varanium's reported sales of Rs.11.80 Crore to VNPL in FY23, *prima-facie* appears to be suspicious.

Varanium Earth Private Limited: (hereinafter referred as "VEPL"):

95. It was observed that Varanium recorded sales worth Rs.5.90 crores (1.52% of total) with VEPL in FY23.
96. In the annual report of Varanium, VEPL was reported as a related party as "*Companies under same management*". VEPL is also a promoter group company and was incorporated on 15-Apr-21. Mr. Harshawardhan Sabale, MD of Varanium, was part of the KMPs of VEPL and held 99.99% stake in

VEPL as on March 31, 2023. Further, VEPL and Varanium had the same auditor, viz. A K Kocchar & Associates.

97. From the financial statements of VEPL for FY23, the following details were observed:

(figures in Rs. Crores)

Particulars	Purchase	Sales
As per P&L of VEPL reported to MCA	5.02	9.13
As per the disclosure of RPTs – Purchase from companies under same management*	Nil	Nil
% of RPT to purchase	-	-
Sale of services to VEPL by Varanium Cloud Limited	5.90	

*i.e. there is no RPT disclosure in the financials of VEPL. The Trade Receivables o/s as on 31.03.2023 is Rs.7.51 crores.

98. It was observed that the employee benefits expenses of VEPL increased from Rs.5.91 Crore in FY22 to Rs.6.97 Crore in FY23. The Director's remuneration at VEPL increased from Rs.5.64 Crore to Rs.6.60 Crore and the Employee Cost to Sales ratio increased from 24.75% to 76.40% in FY23 over the last financial year.
99. Based on the above observations, Varanium's sales of Rs.5.90 Crore to VEPL in FY23, *prima-facie*, appeared dubious and suspicious.

Shree Refrigeration's Pvt. Ltd

100. It was observed that Varanium recorded sales worth Rs.0.30 Crores (0.07% total) with Shree Refrigeration's Pvt. Ltd. in FY23. As per MCA records, the said company is a Maharashtra based company which is currently under process of 'striking-off'.

Courage Clothing LLP (hereinafter referred as "CCL"):

101. It was observed that Varanium had recorded sales worth Rs.107.16 Crore (28.56% of total) with CCL in First Half of FY24.

102. From the ledger of CCL shared by the Company, it was noted that Varanium had recorded a single accounting entry for sales of Rs.107.16 Crore, with the entire sum remaining outstanding as on December 31, 2023. A snapshot of the said ledger is provided below.

Varanium Cloud Ltd Plot No 244A S V P Nagar, Andheri West Mumbai Courage Clothing LLP Ledger Account 1-Apr-2023 to 31-Dec-2023					
Page 1					
Date	Particulars	Vch Type	Vch No.	Debit	Credit
30-6-2023	Cr Export Sales	Sales	EXP/002/June-23	1,07,15,58,445.00	
				1,07,15,58,445.00	
	Dr Closing Balance				1,07,15,58,445.00
				1,07,15,58,445.00	1,07,15,58,445.00

103. Varanium's line of business did not match with the reported export of goods claimed in the account of CCL. Further, documents pertaining to the sales were not shared by the Company.
104. No details were found regarding any entity by the name Courage Clothing LLP, while doing a public domain search. Upon such observation, NSE had sought from Varanium all the invoices and agreements with CCL, to which Varanium responded by stating - *"All the documents and data files are with the CGST department as the company is undergoing a CGST audit. We will provide the full set of documents once received back from the GST authorities"*.
105. In view of the above, the reported sales of Varanium to CCL appeared fictitious.

Observations with respect to Purchases by the Company:

106. As per the information provided by Varanium to NSE, the Company recorded following purchases from the parties mentioned in the Table below:

(Figures in Rs. Crores)

	FY23			Six months' period ended September 2023		
Particulars	Purchases	Proportion to Total Purchase (%)	Trade Payables 31-Mar-23	Purchases	Proportion to Total Purchase (%)	Trade Payables 30-Sept-23
Amazon Web Services	201.85	77.79%	-	243.53	100%	20.82
Secur Credentials Ltd	33.88	13.06%	-	-	-	-
Avance Technologies Limited	18.43	7.10%	-	-	-	-
Athos Capital Advisors Private Ltd	2.97	1.14%	-	-	-	-
Varanium Lifestyle Limited	2.34	0.90%	-	-	-	-
TOTAL	259.47*	100%	-	243.53	100%	20.82
As per financials	251.37		0.94	243.63		20.09

*While the purchases booked as per the disclosed financials were for Rs.251.37 Crore, the company shared the purchase data with NSE for Rs.266.15 Crore.

107. The party-wise details of the purchases are discussed below.

Amazon Web Services India Pvt. Ltd. ("AWS"):

108. It was observed that Varanium recorded purchases worth Rs.201.85 Crore (77.79% of total) in FY23 and Rs.243.53 Crore (100%) in First Half of FY24, with AWS.
109. As per Company's response to NSE, AWS was providing "*Bare Metal Server Hosting and Data Managed solutions*" to Varanium. To verify the transactions, NSE sought all the agreement/contract and invoices of Amazon Web Services, to which the Company responded - "*All the documents and data files are with the CGST department as the company is undergoing a CGST audit. We will provide the full set of documents once received back from the GST authorities*".

110. An extract of ledger of AWS for FY23, as shared by Varanium, is provided below.

Varanium Cloud Ltd Plot No 244A S V P Nagar, Andheri West Mumbai Amazon Web Services Ledger Account 1-Apr-2022 to 31-Mar-2023					
Page 1					
Date	Particulars	Vch Type	Vch No.	Debit	Credit
1-4-2022	Dr Opening Balance				9,69,09,860.00
31-3-2023	Dr Data Centre Charges	Journal	967		2,01,84,66,825.00
	Cr Amtelfone Incorporated	Journal	969	9,69,09,860.00	
	Cr Amtelfone Incorporated	Journal	971	2,01,84,66,825.00	
				2,11,53,76,685.00	2,11,53,76,685.00

111. It was noted from AWS' ledger that there were no payment entries in the ledger. Instead, adjusting journal entries were recorded towards one of the sales parties, viz. *Amtelfone Incorporated*, indicating there was offsetting of sales and purchases.
112. AWS' ledger from April 01, 2023 to December 31, 2023 also showed that there were no payment entries for nine months of FY24. An extract of the said ledger is provided below.

Varanium Cloud Ltd Plot No 244A S V P Nagar, Andheri West Mumbai Amazon Web Services Ledger Account 1-Apr-2023 to 31-Dec-2023					
Page 1					
Date	Particulars	Vch Type	Vch No.	Debit	Credit
30-6-2023	Dr Data Centre Charges	Journal	167	1,12,37,76,284.00	
30-9-2023	Dr Data Centre Charges	Journal	317	1,31,12,51,032.39	
					2,43,50,27,316.39
	Cr Closing Balance			2,43,50,27,316.39	
				2,43,50,27,316.39	2,43,50,27,316.39

113. According to the breakup of Trade Payables given, the balance outstanding of AWS as on September 30, 2023, was Rs.20.82 Crore. However, based on the ledger shown above, the outstanding balance as on September 30, 2023, was Rs.243.50 Crore. Hence, there is contradiction between the Trades Payable balance recorded in the financials and the shared ledger copy, raising doubt and suspicion about authenticity of purchases made with AWS to the tune of Rs.243.50 Crore.

114. As the Company failed to provide supporting documents for the purchases made from AWS, the authenticity of the said purchase transactions for FY23 and first half of FY24 could not be established.

SecUR Credentials Ltd (“SCL”):

115. It was observed that Varanium recorded purchases worth Rs.33.88 Crore (13.06% of total) with SCL in FY23.
116. SCL is a listed company (on NSE and BSE) which provides services relating to verification of employee background. Harshawardhan Sabale (MD of Varanium Cloud Limited) held 1.22% of stake in SCL as on 31-Dec-23. His current stake in SCL as of March 31, 2024 stands at 17.83%.
117. As per SCL’s financials for FY23, its revenue from operations was Rs.50.01 Crore. Varanium contributed approximately 68% to SCL’s revenue, as Varanium availed services from SCL worth Rs.33.88 Crore in FY23. Below is the extract of ledger of SCL for FY23 in the books of Varanium.

Secur Credentials Ltd					
Ledger Account					
1-Apr-2022 to 31-Mar-2023					
					Page 1
Date	Particulars	Vch Type	Vch No.	Debit	Credit
28-11-2022	Dr Cost of Service	Purchase	2		19,87,120.00
	Dr Cost of Service	Purchase	3		4,46,040.00
	Dr Cost of Service	Purchase	4		11,47,904.00
	Dr Cost of Service	Purchase	5		6,09,588.00
29-11-2022	Dr Cost of Service	Purchase	6		3,31,875.00
	Dr Cost of Service	Purchase	7		8,85,000.00
	Dr Cost of Service	Purchase	8		13,19,240.00
30-11-2022	Dr Cost of Service	Purchase	9		7,45,052.00
	Dr Cost of Service	Purchase	10		11,74,808.00
	Dr Cost of Service	Purchase	11		4,00,905.00
	Dr Cost of Service	Purchase	12		22,98,640.00
	Dr Cost of Service	Purchase	13		4,06,392.00
9-12-2022	Dr Cost of Service	Purchase	14		11,79,410.00
13-12-2022	Dr Cost of Service	Purchase	15		4,06,215.00
	Dr Cost of Service	Purchase	16		19,49,360.00
14-12-2022	Dr Cost of Service	Purchase	17		18,64,400.00
	Dr Cost of Service	Purchase	18		8,46,650.00
16-12-2022	Dr Cost of Service	Purchase	19		6,09,588.00
17-12-2022	Dr Cost of Service	Purchase	20		3,77,010.00
21-12-2022	Dr Cost of Service	Purchase	21		3,95,595.00
	Dr Cost of Service	Purchase	22		3,38,660.00
	Dr Cost of Service	Purchase	23		11,79,882.00
22-12-2022	Dr Cost of Service	Purchase	24		8,85,000.00
	Dr Cost of Service	Purchase	25		17,91,240.00
31-12-2022	Dr Cost of Service	Purchase	26		13,57,00,000.00
27-1-2023	Cr ICICI Bank - 3449050001130	Payment	2120	25,00,000.00	
31-3-2023	Cr IT Services	Sales	DOM/1036/22-23	4,88,52,000.00	
	Dr Cost of Service	Purchase	30		17,95,27,560.00
	Cr Amtelphone Incorporated	Journal	937	28,74,51,134.00	
				33,88,03,134.00	33,88,03,134.00

118. As seen in the above extract, Varanium paid Rs.0.25 Crore only to SCL and the remaining balance was adjusted against Sale of IT services and adjustment journal entry with '*Amtelfone Incorporated*' (a Sales party). This raises doubt about the genuineness of purchases amounting to Rs.33.88 Crore reported by Varanium in FY23.
119. It must be noted that Varanium and SCL are not in the same line of business and Varanium did not have so many employees as to warrant such large payments to SCL for background verification services.

Avance Technologies Limited ("Avance"):

120. It was observed that Varanium recorded purchases worth Rs.18.43 Crore (7.10% of total purchases) with Avance in FY23. As per Company's response to NSE, the said purchase pertained to work related to EDC build (Edge Data Centre). The issues pertaining to the dealing of Varanium with Avance have already been discussed under the head 'utilization of proceeds' above.
121. It was noted that instead of recording the said expenses of Rs.18.43 Crore on Edge Data Centre as fixed assets, the same were booked as expenditure in the Statement of Profit and Loss of Varanium.

Athos Capital Advisors Pvt. Limited ("Athos"):

122. It was observed that Varanium had recorded purchases worth Rs.2.97 Crore (1.14% of total) from Athos in FY23. The Company failed to provide the ledger of Athos.
123. It was noted that M/s First Overseas Capital Ltd (SEBI registered Merchant Banker) was the lead manager for the IPO of Varanium. It was further noted that Athos was involved in the IPO of Varanium in an advisory role.
124. As per the copy of mandate letter dated April 11, 2022 between Athos and Varanium, Athos provided advisory services for assisting the Company in collation of data for drafting of Draft Prospectus and Prospectus, advising the Company in interaction with NSE for in-principle approval, advising the Company on selection of SEBI registered Merchant Banker and other Intermediaries, interaction with all the intermediaries for issue process, and assisting the Company in listing related documentations.

125. Further, the said mandate letter stated that *“The fees payable by the Company for the proposed Corporate Advisory will be Rs.250.00 Lacs (Rupees Two Hundred and Fifty Lacs Only) + GST, which is non-refundable and is payable in stages...”*
126. Shri Jinesh Mehta, director of Athos, submitted to SEBI on April 16, 2024 – *“As informed to you during meeting, I am a chartered accountant and provide corporate advisory services to the company planning for IPO and other fund raisings from the earliest stage till the closure of fund raising and if IPO than till listing of securities. Accordingly, we had acted as corporate advisors to Varanium Cloud Limited (VCL) and not as advisor to the issue and had assisted the company in the process of their IPO. We had worked with the company from pre IPO stage till the listing of their shares on NSE emerge and had assisted them wherever they needed assistance in documentation.....We have received fees as per mandate letter from VCL in different stages and sum of Rs., 6 lakhs from First overseas Capital Ltd as referral fees...”*
127. It was observed from Bank Statement of Escrow Account (ICICI A/c 000405136331) of Varanium’s IPO that the fees of Athos for corporate advisory services was paid through the said Escrow Account on September 27, 2022 as an issue expense. Accordingly, the disclosure of Athos as a vendor in the books of Varanium for a sum of Rs.2.97 Crore appeared suspicious.

Inference drawn:

128. In view of various inconsistencies observed across various accounts in the financial books of the Company and other observations as discussed above, the authenticity of Varanium’s financials including Sales and Purchase figures, as disclosed in the books of accounts of the Company, appear suspect.

C. Corporate Announcements

129. Varanium, after its listing, made several public announcements relating to business development, fund raising plans, venturing into new lines of

business and about its robust operations across verticals. A summary of some of the major announcements made is provided below:

Date of Corporate Announcement	Category	Particulars of announcement
28-Oct-2022	Expansion of business	<i>Company has entered into Processing Service Agreement with Que Processing Service Private Limited to launch Rupay Prepaid Cards Leveraging Its Phy-Gital Infrastructure in Non-Urban Markets</i>
02-Nov-22	Diversification into Clothing business through e-Commerce	<i>Company has entered into License Agreement with Smiley World Limited to leverage its eCommerece-As-A-Service Solution for Launching a D2C Collection of Licensed Branded Apparel</i>
29-Nov-22	International Tie-up with alleged merchandise company	<i>Company has partnered with Japanese Media and Brand House, The Pokemon Company to Launch Exclusively Licensed Apparel and Stationery</i>
05-Dec-22	EDC Centre Goa	<i>Company's first proprietary designed Edge Data Centre ("EDC") under its brand Hydra shall go live in Goa on December 27, 2022. Following the first proprietary EDC, the company is working on 2 (two) more EDC which shall go live before March 31, 2023. The two proposed EDC shall be based out in Kudal (Sindhudurg District) and in Mumbai respectively. Further, post March 31, 2023 company is targeting to make live one EDC every month in FY 2024. These EDC are expected to play a major role in improving the Company's gross margins as well as it shall bring high compute environments closer to the user which is a critical component of the 5G rollout requirement</i>
07-Dec-22	Launch of PE / VC Fund in tech-space	<i>Varanium Cloud Limited has informed the Exchange that subject to all the regulatory approvals, the company will launch Varanium Phygital Fund Starting with a corpus of Rs 25 crores. The Fund will take Strategic minority equity positions in companies that are in its phy-gital value chain and that support innovation and employment especially in non-urban areas of India</i>
14-Dec-22	New Clothing brand	<i>New brand Vestria for young women of the Globe in partnership with leading Jewellery firm Sky Gold Ltd</i>
27-Dec-22	Update on EDC Centre, Panji	<i>"The launch of our proprietary designed Edge Data Centre in Goa at Panjim on the 27" December, 2022. This centre has been inaugurated under our brand Hydra. The</i>

Date of Corporate Announcement	Category	Particulars of announcement
		<i>launch aims to facilitate unswerving and proficient computing in smaller cities and dispersed locations</i>
17-Jan-23	Business Agreement	<i>Agreement with Secur Credentials Ltd to Provide High Compute, Cost Effective BPO Operations in Non-Urban Areas</i>
24-Jan-23	Business update on EDC	<i>'Company s proprietary designed Edge Data Centre ("EDC") Kudal (Sindhudurg District) and in Mumbai shall go live on February 21, 2023 and March 31, 2023 respectively'</i>
20-Feb-23	Launch of EDC in Kudal	<i>'The launch of our proprietary designed Containerised Edge Data Centre inKudal, Sindhudurg, Maharashtra, on 20" February, 2023.</i>
08-Mar-23	Major investment (discussed in detail later)	<i>'Update on share purchase agreement with fastway transmission private limited</i>
22-Apr-23	New Business Vertical	<i>Varanium Cloud Limited (Company), in partnership with QMS MAS (Medical AlliedServices), unveiled a cloud-based medical wearable device called Vyana on 21 April 2023</i>
31-May-23	New client acquisition	<i>Multi-Year, Pan India Contract with SecURCredentials Ltd for providing cost effective Process Outsourcing Services Hosted on Microsoft Workflow for Bank of Maharashtra</i>
09-Jun-23	USD 10 million funding in yet to be formed subsidiary	<i>Board of Directors have discussed and approved the conditional term sheet of USD 10 Mn for 10% stake in the subsidiary that will be formed for the Hydra Web Services business segment received from The Brown Family Trust. The investment is subject to completion of due diligence and signing of the final investment agreement and related transaction documents.</i>
09-Jun-23	Plan for incorporation of several subsidiaries	<i>Incorporation of Wholly Owned Subsidiary Companies in India</i>
07-July-23	Major business agreement	<i>Roll out of over 1,000 seats across India in partnership with Arrise BPO, One of India's Leading ISO Certified BPO Companies</i>
14-July-23	Debt Acquisition	<i>Agreement to Acquire Secured Debt In Rolta India Limited</i>
09-Aug-23	Launch of EDC Centre, Mumbai	<i>Launching of Mumbai Edge Data Centre (EDC)</i>
08-Nov-23	Business update	<i>Business update about Employment Generation in KPO space in Sawantwadi and Kudal district of Maharashtra</i>

Date of Corporate Announcement	Category	Particulars of announcement
08-Nov-23	Change of Registered Office	<i>Consolidation of operations in sindhudurg and change in the company s registered office to sawantwadi</i>
22-Nov-23	International business development	<i>Link of the Videos relating to the data center planned, designed, and built in Malta under the leadership and vision of our Managing Director, Mr. Harshawardhan Sabale</i>

130. The abovementioned corporate announcements appeared to be misleading in view of the following observations, which have already been recorded in this Order.

- a) The figures of sales and purchases as disclosed by major sellers and purchasers of the Company in their books of accounts did not match with the corresponding figures of sales and purchases reported by the Company in its books of accounts.
- b) The Company's major announcements, such as revenue projections or product launches, were not aligned with the financial data presented in its financial statements
- c) The ambitious projections or promises in Company's announcements were not supported by its financial performance or historical data.
- d) The announcements appeared to be advertorial in nature and lacked important information, which could mislead investors regarding Company's financial position.
- e) The Investor's Earning Calls were peculiarly pre-meditated with vetted line of questioning and no follow-up questions were allowed during such calls.

131. Apart from the above, the Company also made certain other corporate announcements, which are discussed below.

Incorporation of USA based subsidiary

132. In an intimation dated October 26, 2023 to the exchange about 'Board Meeting to be held on 03 November 2023', the Company disclosed the following business to be transacted in the said meeting:

*“To consider and discuss on **raising of funds via Listing of the Subsidiary Company with NASDAQ/New York Stock Exchange (NYSE)** and other matters incidental or connected therewith”.*

133. Subsequently, on November 03, 2023, the Company made the following announcement with respect to formation of a new subsidiary, viz. Varanium Cloud INC.

*“Pursuant to Regulation 30 of the Listing Regulations read with Part A of Schedule III of the Listing Regulations, we hereby inform you that we have incorporated a new Wholly Owned Subsidiary in Delaware, USA by the name of **Varanium Cloud INC.** The Wholly Owned Subsidiary Company was incorporated on October 26, 2023. The incorporation documents are yet to be received from the state.*

Below are the further details provided-

- *Industry to which entity belong- Information Technology & Cloud Services*
- *Objective- The object of incorporation of this wholly owned subsidiary is to expand cloud and other IT related services in USA.*
- *Nature of consideration- USD 1000 (Shares 1000 at USD 1 per share)*
- *Yet to commence business operations*
- *The incorporation documents are yet to be received from the state.”*

134. As seen from the above disclosure, the value of proposed investment by Varanium was \$1,000 which came to a meagre Rs.83,288 (i.e. at the exchange rate of 1USD = INR 83.288 as on 26-Oct-23).

135. Further in FY24, Varanium reported the following revenue from operations –

(figures in Rs. crores)

Particulars	Q1 FY24	Q2 FY24	Q3 FY24
Standalone	170.61	206.72	3.04
Consolidated	170.61 (same as standalone)	206.72 (same as standalone)	→ 395.15

136. As can be seen from above Table, the Company earned a revenue of Rs.395.15 Crore on consolidated basis in Q3 of FY24, whereas its standalone revenue in the same period was only Rs.3.04 Crore. The same meant that Rs.392.11 Crore out of the consolidated revenue of Rs.395.15 Crore was earned from the newly formed subsidiary, viz. Varanium Cloud INC, in less than two months.
137. In response to NSE's queries regarding the above, the Company shared Independent Auditors Review Report by *AbdoSolutions* and the Standalone statement of revenue but failed to provide the requisite details like invoices, contracts, employee details etc. As regards the party wise breakup sought by NSE for Q3 FY24, the Company replied that - *"we would like to inform you that our auditors are still awaiting the US CPA Institute approval for the sharing of the ledgers as requested by you, we will be sharing the ledgers once the approval is received"*.
138. The Company did not furnish the party-wise sales breakup with regard to the foreign subsidiary to NSE by citing pending approval from US CPA Institute.
139. As the USA based subsidiary had shown huge revenue of Rs.392.11 Crore, within a short span of two months, as referred to above, SEBI raised several queries to the Company. The Company's response and the observations with respect to the same are as follows:

S. No.	Particulars	Company's Response	Observations
1.	Employee details	Zero as on 31-Mar-24	Raises suspicion about sales figures reported for the quarter ended December 2023
2.	Details of auditors	No details provided	Despite submitting an auditor report to NSE, the Company failed to provide basic details of US auditor like Engagement letter, Name and Contact details of audit firm and its partner. This raises question on the authenticity of the submitted audit report
3.	Details of borrowings	No details provided	As company has infused only USD 1,000 capital in the Company and there are no other borrowings, the scale of business claimed does not appear to be true
4.	Invoices of sales	Not provided	

S. No.	Particulars	Company's Response	Observations
5.	Party-wise break-up of Sales	Not provided	Absence of any supporting document, suggests that stated sales figures and scale of operations are misleading
6.	Bank statements	Not provided	
7.	Professional opinion on the plans of listing subsidiary on NASDAQ / NYSE	Not provided	The claims made by the company regarding listing of its subsidiary on mainboard platform of US based stock exchanges appear to be non-genuine

140. As seen from above, the Company failed to furnish the clarifications sought by SEBI. The Company and its Managing Director failed to respond to the queries of SEBI even after multiple reminders.

Preferential issue for acquisition of Fastway Transmission Pvt. Ltd ("Fastway")

141. It was observed that Varanium made following announcements regarding a Preferential Issue:

Date	Corporate Announcement
12-Jan-23	<i>Issuance of upto 1,00,00,000 Equity shares of face value of 10/- each, on a preferential basis ("Preferential Issue") in accordance with Chapter V of the SEBI (ICDR) Regulations, 2018, as amended, and other applicable laws, at a price of Rs. 1250/- per Equity Share aggregating to Rs. 1250 Crore for the purpose of acquisition. AND Approved the draft notice convening the Extra Ordinary General Meeting of the Members of the Company on Saturday February 11, 2023, to seek necessary approvals of the members</i>
11-Feb-23	<i>Outcome of EGM – approval of resolutions related to preferential allotment</i>
15-Feb-23	<i>Board of Directors of the Company in the meeting held today discussed and approved the acquisition of up to 14,53,44,256 equity shares with a face of Rs.10 each representing up to 100% of the paid-up share capital ("Purchase Shares") of Fastway Transmissions Private Limited, for a total purchase consideration of up to Rs. 2,683 crores. The consideration payable shall be discharged by way of consideration in cash. The acquisition will be subject to execution of the Share Purchase Agreement and other related definitive documents, as may be required. "The acquisition will provide the Company with a platform, infrastructure and user base for becoming one of India's largest content distributors</i>

	<p><i>using its streaming technology, one of India's largest Edge Data Center providers and hyper local ecommerce service providers."</i></p> <p><i>"The acquisition is expected to be completed before September 30, 2023"</i></p>
08-Mar-23	<i>Acquisition of Fastway Transmissions placed on hold due to certain complaints received by the Company</i>

142. In respect of the above, the Company made following disclosure in its Annual Report of FY23:

"To strengthen our presence in this space, we are in talks to acquire Fastway Transmissions Private Limited at a consideration of over Rs. 2,000 crores. We are doing a Preferential Issue to garner funds for this acquisition. We hope to accomplish the fund-sourcing plan and the acquisition in the current year."

143. In respect of the abovementioned preferential issue of 1,00,00,000 equity shares proposed by the Company, NSE raised certain observations on the application for in-principle approval and sought clarification/additional documents vide letter dated March 02, 2023. As the Company failed to respond, the Exchange, on June 06, 2023, sent another letter to the Company returning the Company's application due to its failure to respond to NSE's queries.

144. The Company failed to provide any further update regarding its plans of acquiring Fastway Transmission Private Limited. As the Company's stated plans was for acquiring a regional cable player for an amount of Rs.2,683 Crore with entire consideration to be paid in Cash, the developments around these announcements were examined and the following were observed:

- (a) Fastway Transmissions Pvt. Ltd did not file its financials with MCA after FY22. As per the last available financials of FY22, its consolidated net-worth was only Rs.615 Crore, total non-current liabilities were around Rs.350 Crore and trade payables of around Rs.206 Crore.
- (b) The release of CRISIL dated February 20, 2023 contained the remarks – *"Issuer not cooperating, based on best-available information; Rating Revised to 'CRISIL B/Stable Issuer not cooperating'*

(c) As per a news media report in the month of December 2023 - “*Punjab Police launched a manhunt for the ‘absconding’ owner of Fastway Transmissions Gurdeep Singh Jujhar and others associated with it...*”

145. Considering Fastway's diminished net worth due to substantial debts and its lack of cooperation with rating agencies, Varanium’s proposal to acquire Fastway for an all-cash transaction worth Rs.2,683 Crore (which is nearly 20 times Varanium's net worth), appeared ill-conceived and indicative of a ploy to mislead investors into providing fresh capital through preferential allotment.

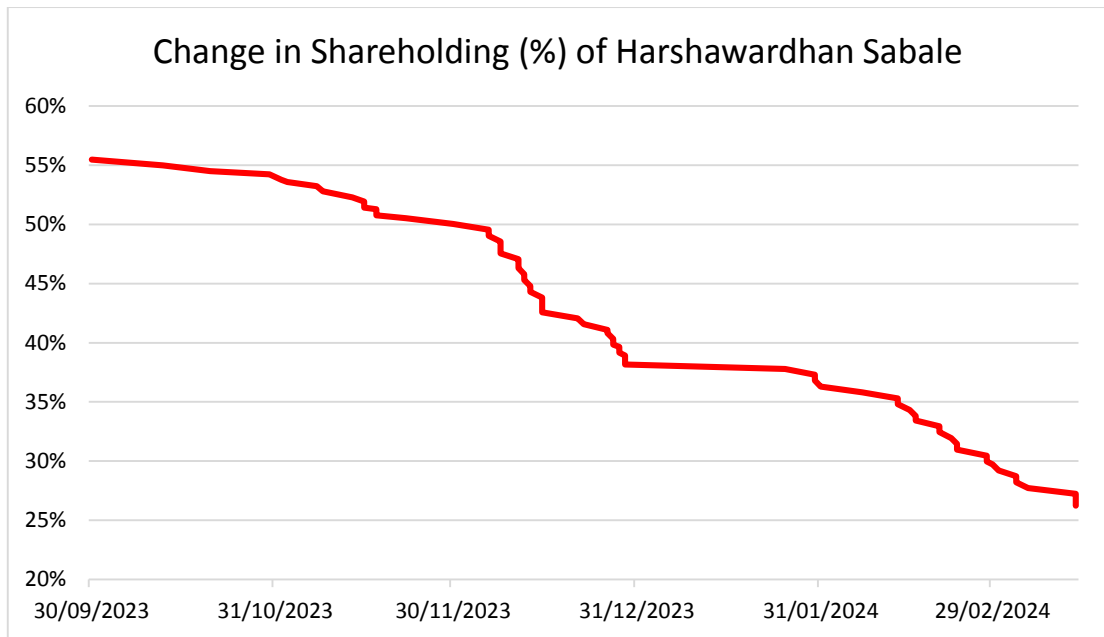
Divestment of Stake by the Promoter cum Managing Director

146. It is evident from above that Shri Harshawardhan Sabale, MD of the Company, *prima-facie*, engaged in fraudulent practices by presenting inflated and misleading information about the Company's growth and prospects. It was observed that despite numerous positive corporate announcements boasting about the company's success and expansion, the MD surreptitiously reduced his shareholding in Varanium significantly through on-market sales, betraying a lack of confidence in the very company he championed.

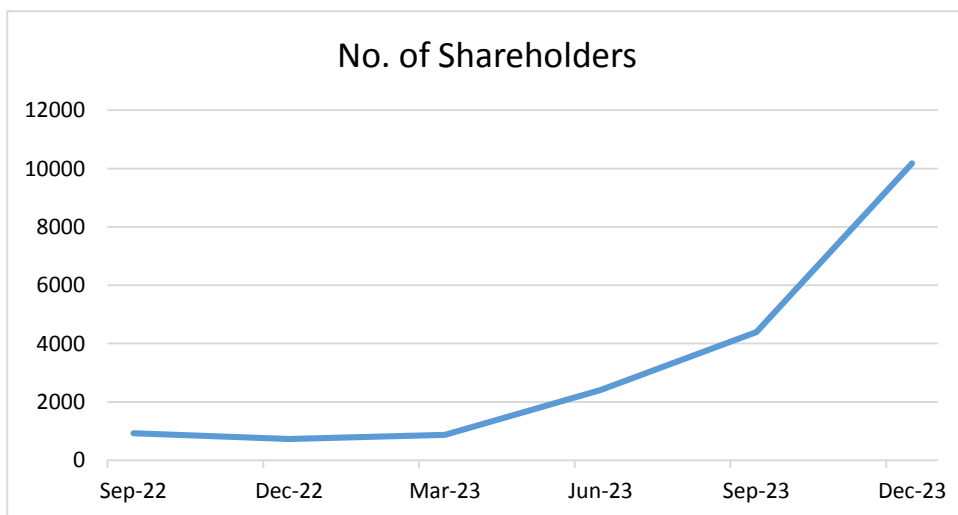
147. It was observed that the first lock-in on shareholding of Promoter and Promoter Group was released on October 12, 2023. Currently, 20,11,000 Equity Shares of Harshawardhan Sabale (in NSDL) continue to be under lock-in for 3 years from the date of allotment i.e. till October 12, 2025. The details of change in shareholding of Promoter and Promoter Group are as follows:

Particular	September 30, 2022		March 31, 2023		Stock Split and Bonus	September 30, 2023		December 31, 2023	
	No. of Shares	%	No. of Shares	%		No. of Shares	%	No. of Shares	%
Promoter Shares	63,54,429	63.22	64,54,879	64.22		2,54,06,516	63.19	1,60,90,516	36.38

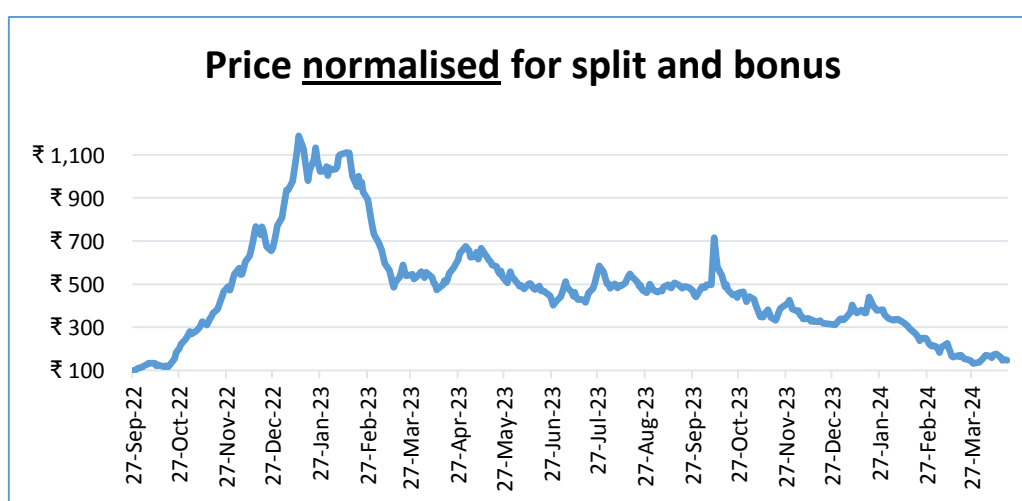
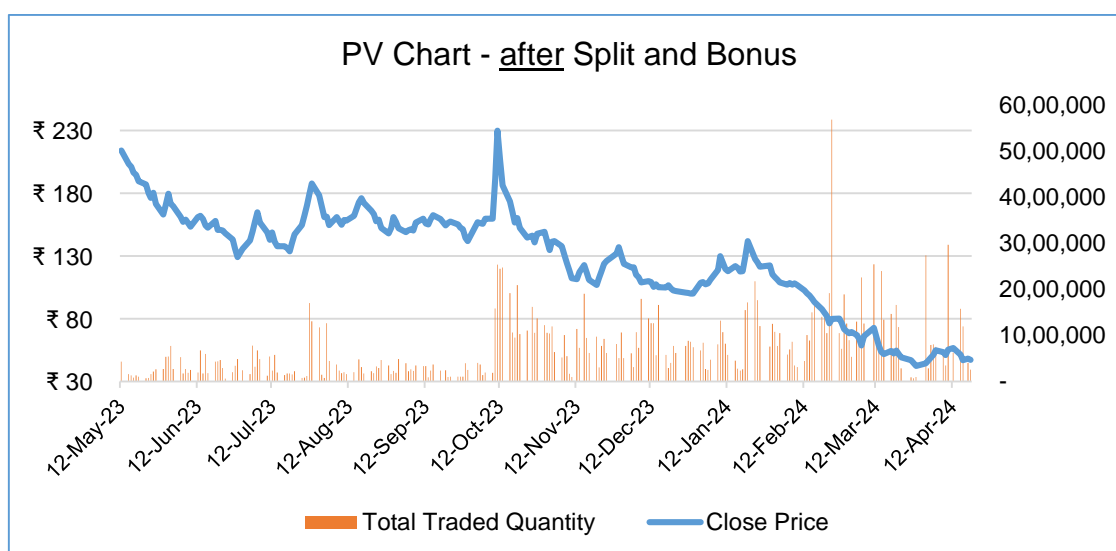
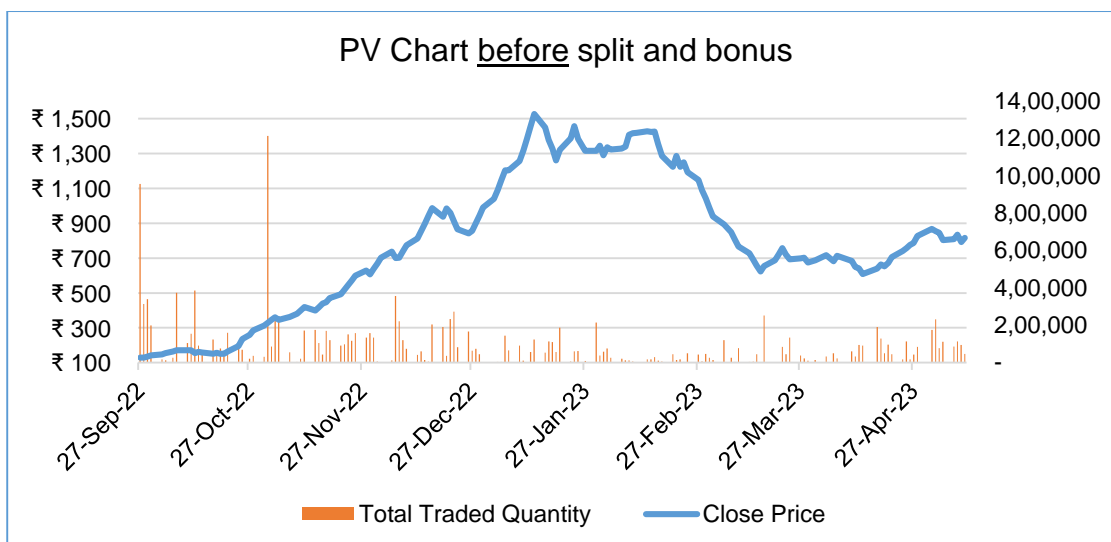
148. A graph representing the change in shareholding of Mr. Harshawardhan Sabale is depicted below:



149. The graph above shows that Mr. Harshawardhan Hanmant Sabale sold his entire shareholding in Varanium, which was not under lock-in as per the provisions of SEBI (ICDR) Regulations, 2018.
150. It was observed that the number of shareholders in Varanium increased over the period:



151. While the number of shareholders in Varanium increased, as shown above, the share price of Varanium also witnessed rapid rise and subsequent fall during the examination period. The price volume chart for different phases are depicted below:



Note: The above chart has been made by normalizing the listing price to a base price of Rs. 100 and multiplying the post- 'split and bonus' market price by 4 for maintaining the base.

Indicative returns earned by Harshawardhan Sabale

152. The Table below provides the detail of indicative returns earned by Harshawardhan Sabale by selling shares of Varanium.

Particulars	Harshawardhan	Varanium Network
No. of shares sold in the market after release of lock-in till March 31, 2024	1,25,61,000 shares	14,00,000 shares
Sales consideration (as per data received from NSE)	Rs. 124,62,17,950	Rs. 17,95,23,000
<u>Less: Cost of Acquisition</u> Adjusted no. of shares with Bonus and Split = Harshawardhan: 1,25,61,000 shares / 4 = 31,40,250 shares Varanium Network Ltd: 14,00,000 shares / 4 = 3,50,000 shares As per the prudent calculation on the basis of data available in prospectus ("Capital Build-up section"), cost of acquisition per share is Rs. 10 Therefore, total cost of acquisition = adjusted no. of shares x Rs. 10	(Rs. 3,14,02,500)	(Rs. 35,00,000)
Add: Sales consideration from Rights Entitlement As per the data received from NSE	Rs. 1,28,04,850	Rs. 81,900
Net gains realised by the promoters	Rs. 122,76,20,300	Rs. 17,61,04,900

Note: For the purpose of above calculation, the pledged 17,00,000 shares of Varanium Networks Pvt. Ltd, invoked by the pledgee i.e. Visagar Financial Services Ltd. later, have not been taken into consideration, as the requisite data from the promoters was not received by SEBI even after multiple reminders.

D. Capital Raising Plans

153. The Company, vide its letter of offer dated September 26, 2023, issued 40,20,574 partly paid-up equity shares of face value of Rs. 5/- each at a cash price of Rs. 123/- per Equity Share in the ratio of 1 Rights Equity Shares for every 10 fully paid-up equity shares held by the existing Equity Shareholders to raise a sum of Rs.48.46 Crore. The payment schedule for the Rights Equity Shares was as under:

Amount Payable per Rights Equity Share (₹)	Face Value (₹)	Premium (₹)	Total (₹)
On application	2.5	59	61.5
One or more subsequent Call(s) within three months	2.5	59	61.5
Total (₹)	5.0	118	123

154. The intended use of the net proceeds of the Rights Issue by the Company, as per the Letter of Offer is mentioned below:

S. No.	Particulars	Total (₹)	Estimated deployment of Net Proceeds for the FY 2023-24
1.	To augment the existing and incremental working capital requirement of our company- Hydra BPO Unit	36.37 crores	36.37 crores i.e. 100%
2.	General Corporate Purposes	12.08 crores	6.06 crores
	Total (₹)	48.46 crores	42.44 crores

155. As seen from above, the Company's stated intent of the Rights Issue was *inter alia* to raise Rs.36.37 Crore for augmenting the existing HYDRA BPO units and working capital requirement for the same, all of which was intended to be utilized within the same financial year i.e. 2023-24.
156. As per the Annual Report for FY23 of the Company – “**Hydra vertical**, we create edge data centers for reliable and efficient computing in non-urban cities or specific locations.” And “HydraWeb remains dedicated to revolutionizing the landscape of high compute, cost-effective BPO and KPO operations in nonurban areas...We commissioned our first data center in Panjim, Goa in December 2022, followed by our second installation at Kudal, Sindhudurg district and a third in Mumbai.”
157. However, the Company's in its response to SEBI dated April 15, 2024 and April 19, 2024 stated - “...please consider that the operations of Kudal Data center had been consolidated with Sindhudurg, Maharashtra in the month of December, 2023. Further, please consider that the Mumbai data center is yet to be launched. Accordingly, at present our company operates from the above mentioned data centers...”

158. The details of all the functional Edge Data Centers / Hydra provided by Company as on April 15, 2024 are as under:

Name of Centre	Complete address	GSTN	No. of Employees (as on 31-Jan-24)
Edge Center, Panaji Goa	Silvio Heights, St Inez, Fifth Floor, Building A, Office No Q-12 & Q-13, Panjim - Goa 403 001	30AAZCS6264J1ZR	03
Edge Center / BPO, Sawantwadi	B-1477, NaryanArcade, Sawantwadi-Sindhudurg-416510	27AAZCS6264J1ZE	31

159. From the above, it was observed that the Company raised Rs.23.40 Crore in the IPO for setting up 3 containerized Edge Data Centers (Hydra) and as per the statement of utilization disclosed by the Company, Rs.9.46 Crore remained un-utilized as on September 30, 2023. Despite having un-utilized sum available with the Company raised for development of such Edge Centres, the Company came up with the Rights Issue for augmenting the existing Centres and increasing their working capital to the tune of Rs.36.37 Crore. Even after raising such huge sums of money, the Company was operating with only 2 Edge Data Centres. The concerns regarding their viability and scale of operations have already been discussed in the section relation to IPO proceeds utilization.

Summary of prima-facie findings

160. The abovementioned prima-facie observations and findings clearly indicate that Varanium has mis-utilized the IPO proceeds and has manipulated its financial statements by recording fictitious sales and purchases. The mis-stated financial statements had presented a rosy picture about the financial health of the Company, leading to increase in investors' interest in the stock. The same is evident from the increase in number of public shareholders from around 1000 in September 2022 to more than 10,000 in December 2023. The share price of Varanium also witnessed significant increase during the said period. The promoter, taking advantage of such price rise, off-loaded shares and made huge gains, as already discussed above. A significant

portion of gains appears to have been diverted to BM Traders about which little is known.

161. In view of the above, it is alleged that Varanium and its Managing Director, Mr. Harshawardhan Hanmant Sabale, has violated the provisions of Sections 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d), 4(1) and 4(2)(f), (k) & (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (**"PFUTP Regulations, 2003"**).

Extract of the legal provisions allegedly violated:

162. The relevant provisions of SEBI Act, 1992 and PFUTP Regulations, 2003, are reproduced hereunder for ready reference:

SEBI Act, 1992

Sec 12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of Regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

Explanation – For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following: —

(f) knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;

(r) knowingly planting false or misleading news which may induce sale or purchase of securities

Need for SEBI's Intervention:

163. The genesis of the *prima facie* violations observed in the instant matter has its roots in the SME IPO of Varanium which thereafter continued through the bonus issue and stock split followed by the Rights Issue. It has *prima facie* emerged that the money raised through the IPO and subsequent Rights Issue was not used for the intended purpose mentioned in the offer documents.

Instead, the Promoter shifted part of IPO funds to an entity, BM Traders, and the end use of such funds is not known.

164. What has emerged clearly from the examination done by SEBI and NSE is the fact that Varanium through its Promoter, Mr. Harshawardhan Hanmant Sabale, spun an intricate web of apparently dubious transactions and tried to paint a picture that did not represent the fundamentals of the Company. The Company made public announcements meant to give an impression to unsuspecting investors that Varanium was a top-notch IT service provider that was entering greenfield areas.
165. In its effort to present such a picture, Varanium and its Promoter entered into transactions that appeared only on paper. Nothing was actually happening on ground and no economic activity was evident in any manner. No employment was generated as claimed by the Company.
166. All the financial statements of Varanium are shrouded in questionable transactions. The balance sheet does not give a true picture of the affairs of the Company. Most of the sales and purchase transactions were mere ledger / book entries. The bank account statements of Varanium did not show up adequate credit / debit entries to support the claimed sales / purchases. The Company was unable to provide supporting documents backing the sales / purchase transactions.
167. In the entire sequence of events and the narrative built by the Promoter through public announcements, a positive sentiment was created which induced a large number of retail investors into purchasing the stock.
168. This presented an opportunity to the Promoter entities to exit the Company and reduce their stake significantly at the cost of gullible investors. The huge gains made by the Promoter as mentioned in Para 152 above clearly shows the intent and purpose behind such public announcements. Clearly, these actions benefitted the Promoter only. If this state of affairs is allowed to continue at Varanium, the investors' interest is likely to suffer. I thus find it a fit case to issue interim directions against the Company and its Promoter.
169. At the same time, retail investors need to exercise certain level of due diligence while investing in SME companies and not be swayed by seemingly

attractive returns that may quickly come their way. In other words, investors need to be realistic and responsible about their return expectations.

Directions:

170. Keeping in view the foregoing factual deliberations involving financial misstatements of Varanium and the observations thereon recorded in the preceding paragraphs and in order to protect the interests of shareholders of Varanium and other investors and the integrity of the securities market, 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 the following directions, which shall be in force until further orders: -
- (a) Varanium (Noticee 1) and Mr. Harshawardhan Hanmant Sabale (Noticee 2) are restrained from buying, selling or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders. If the entities have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 7 days from the date of this order. The 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.
 - (b) Mr. Harshawardhan Hanmant Sabale (Noticee 2) is restrained from acting as a Director / Key Managerial Personnel of any listed company or its subsidiary or any company which intends to raise money from the public or any SEBI registered intermediary, until further orders.
171. The foregoing *prima facie* observations, contained in this Order, are made on the basis of the material available on record. The Noticees 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.
172. The above directions shall take effect immediately and shall be in force until further orders.

173. A copy of this Order shall be forwarded to National Financial Reporting Authority for examining any lapses by the statutory auditor of Varanium, viz. AK Kocchar & Associates (Firm Reg. No. 0120410W), in respect of the *prima facie* violations found against Varanium and take action, as deemed fit.
174. A copy of this order shall be served upon Noticees, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

DATE: MAY 10, 2024

PLACE: MUMBAI

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA