QJA/SS/CFID/CFID-SEC6/32688/2026-27

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) read with Section 15A(a), 15HA and 15HB of the Securities and Exchange Board of India, Act, 1992 read with Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995.

In respect of:

Noticee No.	Noticee Name	PAN
1.	Tarapur Transformers Limited	AACCT5456G
2.	Choudhary Global Limited	AAACB3270G
3.	Veedhata Towers Private Limited	AACCV3179N
4.	Lorraine Finance Private Limited	AAACL2920P
5.	Rohit Steel Lamination Private Limited	AADCR2185B
6.	Deekay Iron and Steel Private Limited	AACCD3168P
7.	Kumudini Engineering Private Limited	AABCO1260G
8.	Ashadeep Multitrade Private Limited	AAFCA6788F
9.	Suresh Sakharam More	AQCPM4556D
10.	Rajendra Kumar Choudhary	AABPC6898D
11.	Kanji Dayabhai Chavda	ACIPC4150B
12.	Suresh Kumar Choudhary	ABFPC5325G
13.	Anil Mahabir Gupta	AACPG1082G
14.	Kiren Shrivastav	ASWPS1437K
15.	Michael Elias Dalmet	AJWPD2047F
16.	Reena Omprakash Trivedi	ATOPT6549E
17.	Rachana Baria	AVGPB1881K

Noticee No.	Noticee Name	PAN
18.	Pooja Soni	DIBPS4061P
19.	Ganesh Gangaram Madhari	BSLPM1368P

(The abovementioned persons are hereinafter individually referred to by their respective names or Noticee number and collectively as "the Noticees")

In the matter of Tarapur Transformers Limited.

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A. *Background.*

1. Tarapur Transformers Limited ("TTL/Company") is a public limited company whose shares are listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange Limited ("NSE"). The main activities of TTL are manufacturing, repair, refurbishment and

upliftment of transformers. The background of the Noticees, as per the disclosures made by TTL in its Annual Report for FY 2018-19 to FY2022-23 is provided in the following table:

Table 1- Details of the Noticees

Noticee No.	Role
1.	TTL/Company
2.	Promoter group entity of TTL
3.	Promoter group entity of TTL/Related party
4.	Promoter group entity of TTL/Related Party
5.	Connected to TTL by common directors/Related party
6.	Connected to TTL by common directors/Related party
7.	Connected to TTL by common directors/Related party
8.	Connected to TTL by common directors/Related party
9.	Managing Director
10.	Non-Executive Non-Independent Director
11.	Chief Financial Officer
12.	Non-Executive Non-Independent Director
13.	Independent Director
14.	Independent Director
15.	Independent Director
16.	Independent Director
17.	Company Secretary
18.	Company Secretary
19.	Director of Noticee No. 5

2. The shareholding pattern of TTL during April 01, 2018 to March 31, 2023 and shareholding of the promoter group of the TTL for the Quarter ending March 2023 - September 2024 were as detailed in the following tables: -

Table 2- Shareholding pattern of TTL during April 01, 2018 to March 31, 2023

Shareholding	Mar-18		Mar-23		Sep-24	
	No. of Equity Shares	%	No. of Equity Shares	%	No. of Equity Shares	%
Promoter	87,03,055	44.63	87,03,036	44.63	87,03,036	44.63
Public	1,07,96,956	55.37	1,07,96,975	55.37	1,07,96,975	55.37
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 3- promoter group shareholding for Quarter ending March 2023 - September 2024

Promoter Name	No. of Equity shares	% of shareholding
Rajendrakumar Anandilal Choudhary	2,72,545	1.40
Manjulata Rajendrakumar Choudhary	10	-
Varshadevi Choudhary	10	-
Prabhadevi Choudhary	10	-
Mohan Waman Randive	1	-
Bilpower Limited#	84,16,460	43.16
Choudhary Global Ltd	14,000	0.07
Promoters	**87,03,036**	**44.63**
Public	**1,07,96,975**	**55.37**
Total	**1,95,00,011**	**100.00%**

#Bilpower Limited (under liquidation) pledged 100% of its shares in TTL.

3. The annual financial performance of TTL during the period April 01, 2018 to March 31, 2023 was as following:

Table 4- Annual financial performance of TTL

(Rs. in crore)

Particulars	2018-2019	2019-2020	2020-2021	2021-2022	2022-23	2023-24
Revenue from Operations	11.95	11.95	1.59	2.53	3.48	0.16
PAT	0.74	-10.25	-26.64	6.13	-22.92	-1.25
Net Worth	39.25	28.99	2.35	8.48	-14.46	-15.32
Long-term Borrowings	-	-	-	-	-	-
Property, Plant and Equipment	20.82	13.85	12.42	6.66	5.71	4.87

B. *Investigation and Show Cause Notice.*

4. Securities and Exchange Board of India ("SEBI") conducted investigation and based on the Investigation Report ("IR") submitted by the Investigating Authority ("IA") formed a *prima facie* opinion that the Noticees have possibly violated the provisions of SEBI Act and the regulations made thereunder during the period April 01, 2018 to March 31, 2023 ("Investigation Period/IP") and, thus, it was decided to proceed against them.

5. Based on such *prima facie* opinion, a common Show Cause Notice ('SCN') dated June 20, 2025 was issued to the Noticees and served upon them.

C. Snapshot of the SCN:

6. Briefly stated, the following allegations have been made in the SCN:

   a) **Diversion of funds through loans & advances**: During the IP, TTL transferred a net amount of Rs. 31.46 crore (Rs. 22.48 crore +Rs. 8.98) in the form of interest free loans and advances to 'non-existent' connected/related entities and by writing off or by creating provision or not recovering the said loans, TTL fraudulently diverted the its funds to promoter group/connected/ related entities.

   b) **Trade Receivables:** As per the Annual Report of TTL for FY 2022-23, TTL has written off the outstanding Trade Receivables amounting to Rs. 14.37 crore. The outstanding trade receivables of TTL due from Noticee No. 5, 6, 7 and 8 appeared suspicious as they were arising due to sales made to non-existent related/connected entities. Thus, by recording fictitious transactions and booking non-genuine sales/ purchases, TTL fraudulently misrepresented its financial statements and inflated its revenue and net-worth during the IP. This has led to publication of false and misrepresented financial statements for FY 2018-19 to FY 2022-23. This act of TTL operated as a device to deceit and defraud the investors dealing in the shares of TTL.

   c) **Corporate Governance failures:**

      (i) Non-disclosure of related party transactions;

      (ii) Misleading disclosure with respect to convening of Audit Committee meetings; and

      (iii) False and misleading disclosure with respect to constitution of Audit Committee.

   d) **Summons**: Non-compliance of summons/misleading submissions and failure to provide complete information by the Noticees.

7. In light of the above, SCN has alleged that the Noticees violated the relevant provision of the Securities and Exchange Board of India Act, 1992 ("SEBI Act"), Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations").

D. Replies to the SCN and Hearing.

8. All the Noticees except Noticee No.18 availed the opportunity of hearing on different dates during the month of May 2026 to June 2026 and filed written submissions till July 19, 2026. The Noticees have mostly denied/ disputed the allegations and have pleaded their *bona fide.*

E. Consideration of Issues and Findings.

9. Noticee No. 18 did not file any reply to the SCN. Vide email(s) dated April 23, 2026, she sought adjournment of hearing scheduled on April 24, 2026. When another opportunity of personal hearing was provided to her on May 26, 2026, she again sought to again reschedule the hearing and also requested one-month time to file reply to the SCN. In the interest of natural justice, Noticee No. 18 was granted a final opportunity of hearing on June 5, 2026 and was further informed that the matter will be proceeded with on the basis of materials available on records in case of failure to appear for the scheduled hearing. However, despite service of the notices and grant of three opportunities of hearings on different dates, she did not submit any reply to the SCN and failed to appear for hearing.

10. I, therefore, find that Noticee No. 18 is avoiding and keeping away from the proceedings deliberately in spite of sufficient time and opportunities provided to her. In the facts and circumstances as discussed herein, I, therefore, presume that the charges alleged against Noticee No. 18 are admitted by her. It is noted that Hon'ble SAT in the matter of ***Classic Credit Ltd. vs. SEBI [2007] 76 SCL 51 (SAT -MUM)*** *inter alia* held that: –"*the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them*". The Hon'ble SAT also made such observations in case of ***Sanjay Kumar Tayal & Ors. vs. SEBI (in appeal No. 68/2013)*** decided on February 11, 2014, that- "*.....appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices"*. I, therefore, infer that Noticee No. 18 has admitted to the allegations and charges alleged in the SCN and matter can be proceeded *ex parte* in terms of Rule 4(7) of the Adjudication Rules based on the material available on record.

11. TTL has raised a technical objection that it is not the recipient or beneficiary of any part of the fund diversion. TTL being the company allegedly deprived of funds, cannot in law be directed

to disgorge those very sum on a joint and several or transferor liability basis because disgorgement is an equitable remedy directed at stripping unjust enrichment from the person who actually obtained the gain. Any monetary extraction directed against TTL falls in substance and in ultimate incidence upon its public shareholders who hold 55.37% of its equity. As on date, TTL has 18,072 public shareholders holding 78.05% of its total equity share capital. I find that in the instant proceeding there is no contemplation of disgorgement of proceeds against Noticees.

12. I have carefully considered the allegations made in the SCN, the replies and submissions of the Noticees and the documents such as the investigation report relied upon in the matter, as well as the written / oral submissions made on behalf of the Noticees and documents submitted along with their replies, etc. The nature of allegation and the findings therein, is discussed hereinafter.

i. *Diversion of funds*:

13. The fund transfers, showing 'Loans and Advances' given by TTL, as disclosed in its Annual Reports as on March 2021, 2022 and 2023 were as under:

Table 5- Fund transfers by TTL

(Rs. in crore)

Loans & advances	**As on March 31, 2021**	**As on March 31, 2022**	**As on March 31, 2023**
Related Party	6.15	12.62	8.67
Others	9.87	8.49	5.37
Sub-total	**16.02**	**21.11**	**14.04**

14. The basis of this allegation is broadly as under: -

(a) In its Annual Report for FY 2022-23, TTL had considered transfer of (Rs. 8.67 crore to Noticee No.2) and others (Rs. 5.37 Crores) total Rs.14.04 crore (outstanding as on March 31, 2023) as doubtful Loans and Advances. However, it had not created any provision with respect to the doubtful Loans and Advances of Rs.14.04 crore in FY 2022-23 and FY 2023-24 despite considering the same as doubtful as on March 31, 2023 and had created a provision for the amount of Rs. 8.67 crore due from Noticee No.2 only during the quarter ending June 2024.

(b) As on March 31, 2021/ March 31, 2022/ March 31, 2023, amounts were due from from *related/connected parties* of TTL viz; Noticee No. 2 (Rs. 8.67 crore), Noticee No.3 (Rs.5.23 crore) and Noticee No.4 (Rs. 9.94 crore). Total Rs 22.48Crores.

(c) TTL had written off Loans and Advances amounting to Rs. 14.01 crore. It created a provision in the quarter ending June 2024 in respect of outstanding debt of Rs. 8.67 crore from Noticee No. 2. TTL had not disclosed any interest income received/ receivable from Noticee No. 2. There was also no increment in the outstanding balance receivable from Noticee No. 2 in the books of TTL on account of any interest provision. The bank statements of Noticee No.2 also did not indicate any payment towards interest by it.

(d) The bank statements showed that TTL received only Rs. 1.36 crore as against the entire amount (Rs. 5.23 crore) from Noticee No.3. However, both TTL and Noticee No. 3, during the investigation, falsely stated that TTL had recovered the entire amount of Rs. 5.23 crore from Noticee No. 3 as on March 31, 2023 and the outstanding due from Noticee No. 3 was '*NIL'*.

(e) The bank statement analysis revealed that Noticee No. 4 had outstanding amount of Rs. 9.94 crore to TTL during FY 2022-23. However, Noticee No. 4 created a provision for only Rs. 8.20 crore as against outstanding amount of Rs. 9.94 crore. Further, Noticee No.1 had written off Rs. 8.20 crore receivable from Noticee No. 4 and the balance as on March 31, 2023 was shown '*NIL*' outstanding.

(f) Considering the discrepancy in the books of account of TTL and the bank statement analysis, investigation observed that its financial statements, with regard to the loans and advances granted to Noticee No. 4 were misrepresented. Moreover, Noticee No. 4 in its submissions during investigation had submitted that it had not taken any loan from TTL during FY 2018-19, however, the bank statement analysis revealed that even during FY 2018-19, TTL had transferred an amount of Rs. 2.24 crore to Noticee No. 4.

15. Following facts are undisputed in this case: -

(a) **Related/connected Parties: -** Noticee No. 2, 3 and 4 were connected/ related party of the TTL as under:

i. Noticee No. 2 - promoter group entity of TTL, is owned by 'Promoter/ Promoter group of TTL and their 'relatives' and '*Related/ connected parties of TTL'*, managed by the directors and audited by the same auditor as that of the TTL.

ii. Noticee No. 3 – promoter group entity of the TTL is owned and managed by *'Promoter/ Promoter group of TTL and their relatives'*.

iii. Noticee No. 4 - company owned and managed by present/past directors of '*TTL and the related/ connected/ promoter group entities of TTL'*. Together with its director, Noticee No. 4 also held 8.88% shareholding in Noticee No. 2, a promoter group entity of TTL.

(b) **Money transfers amongst TTL and Noticees No.2, 3 and 4.**

Noticee No. 2

i. TTL had transferred total Rs. 9.83 crores to Noticee No. 2 i.e. during FY 2020-21(Rs.1.81 crore), FY 2021-22 (Rs. 6.19 crores) and FY 2022-23 (Rs.1.83 Crore); out of which Noticee No.2 had repaid only Rs. 1.17 crore i.e. Rs. 0.58 crore during FY 202-22 and Rs.0.59 crore during FY 2022-23. Noticee No. 2 had not repaid the balance amount of Rs. 8.67 crore.

Noticee No. 3

i. TTL had transferred total Rs. 6.72 crore to Noticee No. 3 i.e. Rs.1.95 crore (during FY 2019-20, Rs. 2.89 crores during FY 2020-21 , Rs. 1.89 crore during FY 2021-22 and Rs. 0.01 crore during FY 2022-23. Out of said Rs. 6.72 crore, Noticee No. 3 had repaid only Rs. 2.86 crore to the Noticee.

ii. Out of total Rs. 5.23 crore (Rs 5.22 crore outstanding as on 31/03/2022 + Rs 0.01 crore granted during FY 2022-23), Noticee No.1 received only Rs. 1.36 crore during FY 2022-23 and had failed to recover the balance amount of Rs. 3.87 crore from Noticee No. 3.

Noticee No.4

i. TTL had transferred Rs. 13.07 crore to Noticee No. 4 i.e. Rs. 2.24 crores during FY 2018-19, Rs. 2.62 Crore during FY 2019-20, Rs. 1.48 crore during FY 2020-21, Rs. 2.12 crore during FY 2021-22, Rs. 4.62 crores during FY 2022-2023. As on March 31, 2023, Noticee No. 4 had repaid only Rs. 3.13 crore to TTL and had outstanding amount of Rs. 9.94 crore payable to Noticee.

16. Ld Advocate Vinay Chauhan appearing for TTL (Noticees No.1), 9 and 12 contended that the IR makes allegations based on suspicion alone and submitted that the transactions of the company (TTL) as stated in the SCN were all business transactions and not fictitious. The allegations in the SCN is contradictory as there are instances where repayments of loans and advances were

being made which goes contrary to the allegation of siphoning of funds and that SCN has also not established any link or co-relation between misrepresented financial results and the increase in trading in the scrip of the company during the investigation period.

17. Noticee No. 2, 3 and 4 have contended that the impugned transactions were *bona fide* commercial transactions in the nature of *'loans and advances'*, duly documented, accounted for, and supported by banking channels and admitted in the IR. According to them: -

(a) The transaction between TTL and Noticee No. 2 and 4 were governed by a duly executed loan agreement, under which TTL extended an aggregate facility. To recover the outstanding dues, legal recourse is initiated by filing a petition under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC) against Noticee No. 2 and 4 before the Hon'ble National Company Law Tribunal (NCLT) on February 02, 2024 and February 27, 2024. The same demonstrates that TTL was treating Noticee No. 2 and 4 as a debtor and is pursuing recovery through due process of law.

(b) If Noticee No. 2 and 4 were mere conduit or had aided and abetted any alleged diversion of funds, there would have been no commercial basis to make repayments to TTL, nor would TTL have initiated insolvency proceedings for recovery. The conduct of TTL and Noticee No. 2 and 4 is consistent with a genuine lender-borrower relationship.

(c) An amount of Rs. 3.86 crore was due and payable by Noticee No. 3 to TTL. At the same time, TTL had a corresponding liability payable to Noticee No. 8, thus, to facilitate settlement of inter-company dues, TTL, vide its letter dated December 26, 2022, authorized and instructed Noticee No. 3 to remit the sum of Rs. 3.86 crore directly to Noticee No. 8, with instructions to debit TTLs account in the books of Noticee No. 3 for the said amount. Pursuant to the above, the amount receivable from Noticee No. 3 was adjusted against the trade receivables recoverable from Noticee No. 8. As a result of this adjustment/ no dues remained outstanding from Noticee No. 3. Accordingly, the ledger of TTL reflected '*Nil'* closing balance in respect of Noticee No. 3 under loans and advances.

(d) SEBI admits in the IR that the impugned transactions as *"Loan* and advances", recognises repayments from concerned borrowers to TTL and also does not question the disclosures of said transactions as 'Loans and Advances' to be false. It only alleges said transactions *"to be suspicious in nature since they were given to non-existent related parties of TTL".* How the Noticees No.2,3 and 4 could be *"non- existent"* if there was repayment by them to TTL and they were responding to IA during investigation.

18. It is quite obvious that the instant case is not a financing involving fake or deceptive fund entries in books such as fictitious invoices or artificial capital injections. It is also not a case suggesting that the financial transactions between TTL and Noticee No. 2, 3 and 4 were through informal channel. The IR does not make observation *qua* Noticees No.2,3 and 4 that they are *'non – existent'* in a sense that there are no transactions with such companies. The IR clearly brings out that neither TTL nor the Noticees No. 2,3 or 4 were operational during IP. Further, Noticees No.2,3 and 4 were non- existent at their respective registered office addresses or any place indicated by the persons in charge of their affairs.

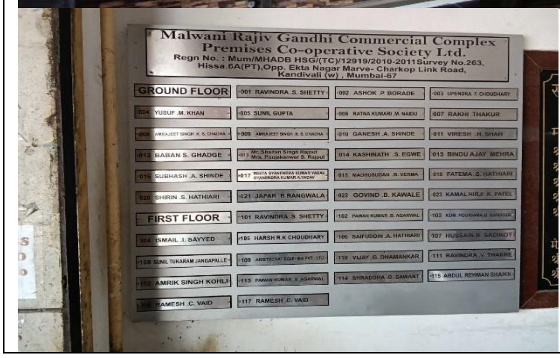
19. The IR predominantly supposes impugned transaction as *"Loans and Advances"* while narrating the facts about misrepresentation and untrue statement based on weak financial health of TTL; non- existent operational capacity of connected / related entities who are paper companies/conduits, minor repayments and erroneous provisioning/ writing off as links of alleged device of fraudulent fund diversion. In my view, while the IAs need to be specific on their stand and find the truth after holistic assessment of facts with justifiable reasons with clarity and precision, the Noticees cannot be given allowance merely on account of technicalities regarding perfunctory observations and listing of events without recording the specific context in the IR as contended. What needs to be determined in this case is as to whether the impugned funds transfers were genuine and *bona fide* loan transaction between the said parties wherein TTL was a lender and Noticees No.2, 3 and 4, respectively were the borrowers; Or, it was an unexplained and *mala fide* diversion of funds of TTL to those claimed borrowers.

20. On careful reading of the SCN, it is deduced that no fault can be found with it as the whole gamut of facts narrated therein broadly alleges fraudulent fund diversion of a listed company to related/connected entities of promoters which also need to be seen in light of misleading /false disclosures and active concealment, if any, alongwith the conduct of the parties. In this case, the basis of allegations stems from the allegation of fraudulent fund diversion, misrepresentation of the book and accounts of TTL and flouting the corporate governance requirements. The severity of violation is dependent on the role / of the Noticees in the company during the IP. In order to find the truth, the whole gamut of facts and circumstances need to be examined carefully and holistically.

TTL/ Noticee No.1

21. Indisputably, during relevant period of the impugned transactions, the TTL's operations were standstill and the only positive contributor in its annual performance was its property, plant and equipment and it had meagre revenue (Rs. 0.16 crore) from its operations and its PAT and networth are consistently negative. During investigation, when a site visit was conducted at the registered office of TTL it was found that its office was locked and there were no visible office operations or employees present during the site visit. The photograph of the address of TTL taken during investigation is as following: -

Pictures of site visit at the registered address of TTL as per MCA



22. Investigations found that only the shutter of the office was open, however, the office was locked. It was visible that TTL occupies is only ~100 sq. ft. place with a table, a printer, a few chairs and some records. Cooperative Society Office informed that TTL was *"Not Operational"*. The security guard at premises said that the officials of the company (Harsh Choudhary) usually visit once in every 7-8 days. He also stated that Flat S-112 (TTL) and S-105[1] (Noticee No. 3) belongs to the same persons. Noticee No.10 had stated that TTL currently has no business and only a peon and the company secretary occasionally visits the office

[1] *situated in the same premises and erstwhile registered office of TTL*

23. It is intriguing that such a company having negligent resources and negative profits lends huge money without any interest, without any security and without any approval of its board, audit committee and shareholders as required by law. It is an admitted fact that promoters (including Noticee No.10) of TTL held a substantial percentage of shares during the investigation period and the shareholding pattern of the promoters had not changed during the period of investigation. Noticee No.10 directly (holding 1.40 % shares) and indirectly [through Bilpower Limited (43.16%) and relative i.e. his wife] having dominant position in the promoter group of TTL. Bilpower Limited (BPL), a listed company, is a related party as disclosed in the Annual Reports of TTL for FY 2018-19 to FY 2022-23. The following table shows the shareholding pattern of BPL as on September 30, 2019:

Table 6: Shareholding pattern of BPL for the Quarter ending September 2019

Name of the Shareholder	Type	No. of Shares	%
Rajendrakumar Choudhary HUF	Promoter/ Promoter group of TTL and their relatives	22,00,000	10.48
N K Choudhary HUF	Promoter/ Promoter group of TTL and their relatives	11,15,624	5.31
Suresh Kumar Choudhary HUF		94,294	0.45
Nirmala Suresh Chaudhary		40,000	0.19
Varshadevi Choudhary		37,800	0.18
Harsh Choudhary		100	0.00
Prabhadevi Choudhary		100	0.00
Noticee No. 10		100	0.00
Noticee No. 2		100	0.00
Promoters		34,88,118	16.61
Public		1,75,13,482	83.39
Total		2,10,01,600	100.00

24. It is pertinent to mention that the assets and cash reserves of any company are inherently for the expansion and interest of the business of the company and its shareholders. Section 185 of the Companies Act, 2013 provides a negative command and is thus a mandatory provision to prohibit a company to advance any loan, directly or indirectly, or *give any guarantee or provide any security in connection with any loan taken by,*

- Directors of the company,
- Directors of the Holding company,

- Relatives of the directors of the company,
- Relatives of the directors of the holding company,
- Partners of directors of the company and holding company,
- A firm including LLP wherein the director of the company or its holding company is a partner.

25. Section 185 of the Companies Act, 2013, prohibits 'step loan' or 'indirect' loans which are claimed by the Noticees to be the nature transactions in this case. The scope of sub section (1) of section 185 is very wide as it includes the words such as "indirect" and expressions like "loan represented by book debt". The term "book debt" implies that, if the company has given any goods or services to the director or any of the aforesaid prohibited parties listed out in sub section (1) of section 185 and the said person has not paid for the same for abnormally extended periods then such transactions may be considered as a loan in the nature of book debts. Hence, the purview of section 185 is not only limited to loan in the nature of money but also with regard to supply of good and services. Hon'ble Bombay High Court in ***Dr. Fredie Ardeshir Mehta v. Union of India [1991] 70 Comp. Cas. 210 (Bom.)***, while interpreting the corresponding provision under the Companies Act, 1956 held that when a company lends to an intermediary knowing that the funds will reach a director, the transaction is an indirect loan to that director regardless of how many entities stand in between. This interpretation still applies equally to Section 185(1) of the Companies Act, 2013.

26. Amendment of 2017 in Section 185(2), relaxed the law by permitting loans to director-interested entities subject to a special resolution and restricted end-use. The Section 185(3) exception only protects the transaction if the funds are used for the subsidiary's principal business activities. The moment they are onward lent to a director, the condition is violated and the original transaction itself becomes tainted. Section 186 independently requires that any inter-corporate loan beyond sixty percent of paid-up share capital and free reserves, or one hundred percent of free reserves, whichever is higher, must be approved by a special resolution of shareholders. Additionally, the the MCA Compliance Facilitation Scheme, 2026 under General Circular No. 01/2026 requires all companies to file annual returns and financial statements, which increases regulatory visibility into inter-corporate lending patterns across the board.

27. In the instant case, funds were granted in clear non-compliance of Section 185 and/or 186 of the Companies Act, 2013.

Noticee No.2.

28. Noticee No.2 is the promoter group entity of TTL. In the shareholding pattern of TTL filed with the stock exchanges, Noticee no.2 was disclosed as a 'Promoter group' of TTL. As on March 31, 2023, the shareholding of Noticee No.2 in TTL was 0.07%. It was owned by *'Promoter/ Promoter group of TTL and their relatives'* and '*Related/ connected parties of TTL'*, managed by directors of TTL and audited by the same auditor as that of TTL i.e. (Dalal & Kala Associates). From the list of shareholders of Noticee No. 2 it is noted that the significant shareholding of Noticee No.2 (approx. 85.22% as on March 31, 2018 and March 31, 2019 and approx. 48.70% as on March 31, 2020, March 31, 2021 and March 31, 2022) was with '*Promoter/ Promoter group of TTL and their relatives'* and '*Related/ connected parties of TTL'*. Further, Noticees No. 10 and 12 were common directors in TTL and Noticee No.2. Thus, Noticee No. 2 is the promoter entity of TTL and its *related party*.

29. Investigation found that Noticee No. 2 was not operating on its address available as per MCA records *(2-3, Floor-1, Plot-30, Baroda Street, Tata Power Carnac Bunder, Chinch Bunder, Mumbai 400009*[2]*)* and the name board of Noticee No. 2 could not be found on the said premises. The photograph of the premises taken during investigation is as following: -

Pictures of site visit at the registered address of Notice No. 2 as per MCA
 

30. The warehouses of Khimji Poonja & Co and Janak Cargo Movers Private Limited were operating on the said premises. Noone, including workers of both these entities, was aware/ had any knowledge of Noticee No. 2. Meenakshi Gupta (one of the director of Noticee No. 2), stated that Noticee No. 2 was operating at address. '*S-105, Rajiv Gandhi commercial complex, Kandivali.'* IA has found that as per MCA records, this address is the registered office address of Noticee No. 3 (another promoter group entity to whom substantial funds were given by TTL) and it was also the previous registered office of TTL till July 2023. Further, Noticee No. 2 was not operating even at this address. Noticee No.2 was thus found to be a *'paper company'* that is non-existent at the registered address.

31. Noticee No. 2 had disclosed in its Annual Report that it is engaged in the business of construction of buildings. However, as per in its response dated November 02, 2023 to SEBI, it had claimed that it is engaged in trading activities. It is a company with '*NIL'* revenue from operations, *NIL* inventory, negligible tangible assets, negligible employee cost and negative net worth for the past four Financial Years from 2018-19 to 2022-23. Further, 97.03% to 98.42% of its assets comprised of Investments/ Loans and Advances given during the said past four Financial Years which all were received from TTL.

32. The fund transactions between TTL and Noticee No.2 did not have any interest payable if at all it was loan transaction as claimed. TTL had not disclosed any interest income received/ receivable from Noticee No.2 under *related party transactions*. There was also no increment in the outstanding balance receivable from Noticee No. 2 in the books of TTL on account of any interest provision. The bank statements of TTL also do not indicate any payment towards interest by Noticee No.2 to it. Noticee No.2 has repaid the only a miniscule portion (Rs. 1.17 Crore) out of the total Rs. 9.83 crore received by it from TTL and major portion of funds given by TTL (Rs. 8.67 crores) is used by Noticee No.2.

Noticee No. 3.

33. In its Annual Reports for the FY 2020-21, FY 2021-22 & FY 2022-23TTL, TTL disclosed Noticee No. 3 as a '*related party'* by virtue of it being '*Company of relative of KMP'* of TTL. It is a promoter group entity of TTL as per Regulation 2(1)(w) of the LODR Regulations read with regulation 2(1) (pp)(iv) of the LODR Regulations. As per section 2(76) (iv) of Companies Act, 2013, a *'related party'* of a Company includes a private company in which a director/ manager or his relative is a member/ director.

34. Investigation found that Noticee No.3 was not operating and its address , as per MCA records, '*S-105, 1st Floor, Rajiv Gandhi Commercial Complex Ekta Nagar, Kandivali-West Mumbai Maharashtra 400067*[3]*)'* was closed from past four years. The photograph of the premises taken during investigation is as following: -

Pictures of site visit at the registered address of Noticee No. 3 as per MCA

35. It was found that the above address of Noticee No.3 was the previous registered office of TTL until July 11, 2023. Further, Noticee No. 3 was also a non-operational and merely a *"paper company"* that was non-existent at the registered address.

36. Harsh Choudhary son of Noticeee No.10 holds 95% shares of Noticee No.2 and is its promoter. Remaining 5% shares of Notcee No.3 are held by a single person viz; Mr. Rajendrakumar Drolia. Harsh Choudhary and Manjulata Choudhary, wife of Noticee No.10 , are the directors of Noticee No.3. Noticee No.3 is a promoter group entity of TTL, being owned and managed by 'Promoter/ Promoter group of TTL and their relatives'. It is also a related party of TTL under Section 2(76) of the Companies Act, 2013 by virtue of Harsh Choudhary, son of Noticee No. 10, being a shareholder (member having 95% voting rights) and director of Noticee No. 3. TTL disclosed Noticee No.3 as a *related party* only for the period FY 2020-21 onwards and failed to disclose it as a related party and the transaction amongst them as *related party transaction* for FY 2019-20.

37. Further, in the Annual Report, Noticee No. 3 had disclosed that it is engaged in the business of manufacturing and trading of deodorants and other cosmetic products. However, in it's response

to SEBI dated November 01, 2023, it claimed that it is involved in the business of investments. On perusal of the its financials it is seen that it is a Company with '*NIL*' revenue from operations, *NIL* inventory, *NIL* tangible assets, negligible employee cost and negative net worth for the past five Financial Years. Further, 97.16% to 99.89% of the assets of Noticee No.3 comprised of investments/ loans and advances given during the past five Financial Years.

38. Out of Rs. 6.72 crore transferred by TTL to Noticee No.3, it had repaid only Rs. 2.86 crore to the former. Out of Rs. 5.23 crore (Rs 5.22 crore outstanding as on 31/03/2022 + Rs 0.01 crore granted during FY 2022-23), TTL received only Rs. 1.36 crore during FY 2022-23 and had failed to recover the balance amount of Rs. 3.87 crore from Noticee No.3. However, both TTL and Noticee No.3, in their submissions to SEBI, have falsely stated that TTL had recovered the entire amount of Rs. 5.23 crore from Noticee No.3 and, as on March 31, 2023, the outstanding due from Noticee No.3 was '*NIL'*. On perusal of the financial statement of Noticee No.1 for the FY 2020-21, FY 2021-22 and FY 2022-23, it is noted that TTL had not disclosed any interest income received/ receivable from Noticee No.3 under *related party transactions*. Further, there was no increment in the outstanding balance receivable from Noticee No. 3 in the books of Noticee No.1 on account of interest provision. The bank statements of Noticee No. 3 also do not indicate any payment towards interest by it to TTL. Further, Noticee No. 3, in its submissions during investigation had, *inter-alia*, stated that it had not paid any interest for the loans and advances taken from TTL.

Noticee No.4

39. From the list of shareholders of Noticee No. 4, I find that the significant shareholder of Noticee No. 4 was a past director TTL. Further, the father of Noticee No. 16 (independent director of TTL) was the director of Noticee No. 4 during the relevant period. As on March 31, 2018 to March 31, 2022, the 100% shareholding of Noticee No. 4 was held by Chandrashekhar Trivedi (99%) and Sudha Chandrashekhar Trivedi (1%). Chandrashekhar Trivedi, the significant shareholder of Noticee No. 4 was the past director of TTL and the related/ connected parties of TTL as given in the following table: -

Table 7- Significant shareholder of Noticee No.4

<table>
<tr><th>Sl. No.</th><th>Name of the Company</th><th>Type</th><th>From</th><th>To</th></tr>
<tr><td>1</td><td>Tarapur Transformers Limited</td><td>-</td><td>30/05/2015</td><td>30/05/2016</td></tr>
<tr><td>2</td><td>Aesthetic Stampings & Laminations Limited</td><td rowspan="2">Related/ Connected Party of TTL</td><td>09/08/2014</td><td>05/01/2015</td></tr>
<tr><td>3</td><td>Bil Energy Systems Limited</td><td>30/05/2015</td><td>30/05/2016</td></tr>
</table>

Sl. No.	Name of the Company	Type	From	To
4	Bilpower Limited		30/05/2015	30/05/2016
5	Laukya Alloys And Steel Private Limited		05/01/2006	31/07/2013
6	Noticee No. 4		24/06/1997	31/07/2013

40. During the investigation period, Omprakash Trivedi and Mr. Rajesh Ganpat Gotadwere were the directors of Noticee No.4. Omprakash Trivedi, a director of Noticee No.4 is the father of Ms. Reena Omprakash Trivedi (Noticee No.16), an independent director of TTL. Ms. Reena Omprakash Trivedi was a Director in TTL for the period July 21, 2022 to July 17, 2023. Further, Mr. Rajesh Ganpat Gotad and Mr. Omprakash Trivedi are the present/past directors of TTL and its related/ connected parties as given in the following table: -

Table 8- Present/past directors of TTL and its related/ connected parties

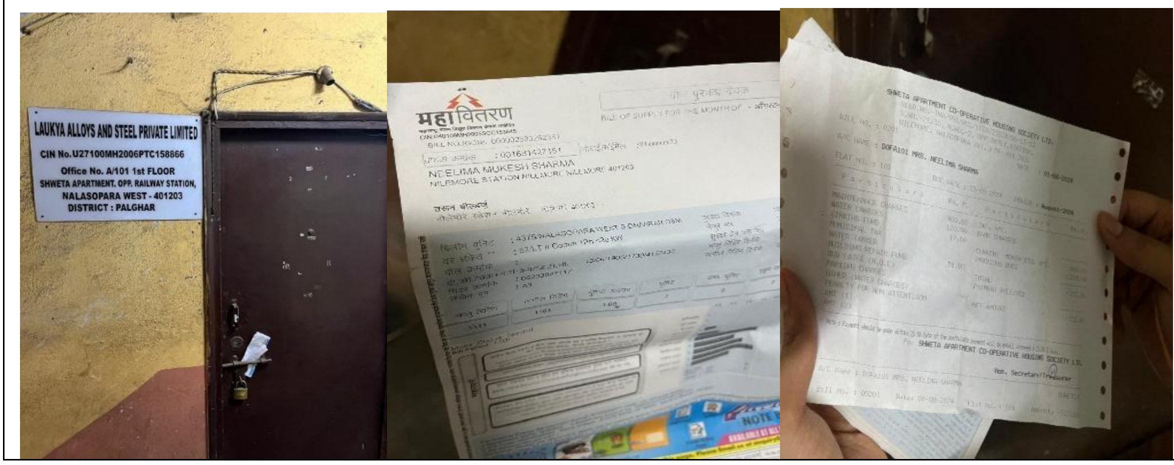
Sl. No.	Name of the Company	Type	Mr. Rajesh Ganpat Gotad		Mr. Omprakash Trivedi	
			From	To	From	To
1	Tarapur Transformers Limited	-	13.02.2015	14.08.2015	-	-
2	Kumudini Engineering Private Limited	Related/ Connected Party of TTL	03.07.2023	-	16.01.2009	-
3	Laukya Alloys And Steel Private Limited	Related/ Connected Party of TTL	01.06.2017	-	26.06.2015	-
4	Choudhary Global Limited	Promoter group Entity of TTL	13.03.2018	09.05.2023	-	-
5	Veedhata Towers Private Limited	Promoter group Entity of TTL	31.03.2015	01.06.2017	-	-
6	Aesthetic Stampings & Laminations Limited	Related/ Connected Party of TTL	-	-	03.08.2015	15.02.2018

41. Noticee No. 4 held 4.27% shares in Noticee No.2. Additionally, Omprakash Trivedi, director of Noticee No.4 also held 4.61% in Noticee No.2. Thus, Noticee No.4 and its director together held

8.88% in Noticee no.2, a promoter group entity of TTL. As per section 2(76) (iv) of Companies Act 2013, a related party of a Company includes a private company in which a director/ manager or his relative is a member/ director. In the instant matter, Omprakash Trivedi, a director of Noticee No.4 is father of Reena Omprakash Trivedi (Noticee No.16), an independent director of TTL. While Reena Omprakash Trivedi was a Director in TTL for the period July 21, 2022 to July 17, 2023, her father Omprakash Trivedi, was a Director in Noticee No.4 for the period June 20, 2015 to date. Accordingly, Noticee No.4 is a *related party* of TTL. However, TTL failed to disclose Noticee No.4 as its related party for FY 2022-23 & FY 2023-24.

42. Investigation found that Noticee No. 4 was not operating and its address, as per MCA records, at *'Office No. A /101, 1st Floor, Shweta Apartment, Opp Railway Station Nallasopara West Thane Maharashtra 401203)'* was closed and locked and a sign board of *'Laukya Alloys and Steel Private Limited'* was found at that premises. No one in the surrounding could recognise Noticee No.4. Electricity bill and Maintenance bill were found on the door of that premises. The consumption of seven units in the electricity bill showed that the premises was non-operational. The photograph of the premises taken during investigation is as following: -

Pictures of site visit at the registered address of Noticee No. 4 as per MCA



43. Investigation found that Noticee No. 4 is also "a paper company" that is non-existent at the registered address. On November 01, 2023, Noticee No.4 had stated before IA that it is involved in the business of accepting and/ or giving loans and advances. However, it neither features in the list of NBFCs registered with RBI nor in the list of NBFCs whose Certificate of Registration has been cancelled by RBI. On perusal of the financials of Noticee No. 4, it is noted that it is a Company with negligible revenue from operations, negligible inventory, NIL tangible assets,

negligible employee cost and negative net worth for the past four available Financial Years. Further, 77.47% to 99.91% of the assets of Noticee No. 4 comprised of funds given during the past four available Financial Years.

44. From the submissions of Noticee No. 4, TTL, and its statutory auditor, it is observed that TTL had written off Rs. 8.20 crore receivable from Noticee No.4 and had '*NIL'* outstanding balance as on March 31, 2023. However, the bank statement analysis reveals that it had outstanding amount of Rs. 9.94 crore to TTL during FY 2022-23. Thus, it is established that that the financial statements of TTL were misrepresented. Admittedly, as claimed by Noticee No.4, during investigation that it had not taken any loan from TTL during FY 2018-19. Thus, the payment of an amount of Rs. 2.24 crore by TTL to Noticee No. 4 during FY 2018-19 as shown in its bank statement was not a loan but unexplained funding by TTL.

45. Upon seeking clarifications from TTL, with respect to the funds given by it to Noticee No. 2, 3 and 4, *inter alia* with regard to relevant approvals from its Board, Audit Committee and Shareholders, documentation such as loan agreement, if any, interest component, tenure of loan and supporting documents including certified copies of Minutes of Meetings of Board/ Audit Committee, wherein the provisioning/ write off of loans and advances made to Notices No.2 and 4 were discussed, it did not provide any details and documents. TTL evaded and failed to provide the copies of minutes of meetings of its Board/ Audit Committee/ Shareholders, where granting the loans and advances to Noticee No. 2, 3, and 4 and provisioning of loans and advances made were discussed.

46. Similarly, when clarification was sought from Noticees No. 2, 3 and 4, *inter alia*, with regard to Loan agreements or any other relevant documentation prescribing the rate of interest, tenure of loan, purpose of loan etc., entered between them and TTL and whether they paid any interest to TTL, all of them failed to provide the documents and information. Noticee No. 3 had submitted that there was no loan agreement with TTL and it had borrowed the funds from TTL for *'urgent business needs'*.

47. During investigation, Dalal & Kala Associates (the Statutory Auditor of TTL for FY 2018-19 to FY 2021-22) and GRANDMARK & Associates (the Statutory Auditor of TTL for FY 2022-23), also confirmed that when as a matter of due diligence and audit procedure they demanded the loan agreements or the terms and conditions of the loan agreements with Noticees No. 2,3 and 4 and verified whether the loan has been granted through proper banking channels, no agreements

or the terms and conditions were provided by the management of TTL, however the loan was given through banking channels.

48. However, during the instant proceedings, Noticees No. 2 and 4 have attempted to support their claim, by filing copy of respective purported agreements dated 1st February 2021 in case of Noticee No.2 and 1st day of April 2019 in case of Noticee No. 4; with TTL. *Ex facie*, these documents are copies of certain covenants written on a plain paper without any execution by way of paying stamp duty and registration and the purported agreement in case of Noticee No.2 has not been signed by any witnesses. Both the agreements have identical covenants with Noticee No.1 including interest at the rate 1% per month to be paid to TTL. The claimed loans are taken by the respective Noticees No. 2 and 4 for a period of 3 months from the date of last disbursement and these two Noticees have to return the entire outstanding loan alongwith interest thereon at the end of 3 months from the date of last disbursement. The agreed amount of loan is maximum Rs, 10 crores in case of Noticee No. 2 and Rs. 15 crores in case of Noticee No. 4. If such agreement were to be acted upon, then effectively, the TTL can hold on the last disbursement forever to defer the trigger date of repayment by Noticees No. 2 and 4 as there is no time limit for disbursement and restriction on frequency of disbursement. Surprisingly, the purported agreements also provided death of the borrower as an event of default. If such agreement was existing, nothing prevented Noticee No. 2 and 4 to furnish a copy as requisitioned by IA. But all these Noticees i.e. TTL, Noticee No. 2 and 4 failed to do so. In all probabilities these agreements seem to be an afterthought.

49. Be that as it may, these unstamped documents are not admissible as evidence for any purpose whatsoever, including collateral purposes, until the deficiency is cured. It is pertinent to mention that Hon’ble Bombay High Court, held that where the agreement was neither registered nor properly stamped, then admitting the unstamped instrument even for collateral purpose, would amount to receiving such document in evidence which is prohibited under Section 35 of Stamp Act, 1899. The Court stated that there is absolute bar against admissibility of unstamped instrument, be it for main or collateral purpose, unless requirements of proviso (A) to Section 35 of Stamp Act are complied with.[4] I, therefore, reject these documents and also the claim of TTL, Noticee No. 2 and 4.

[4] *Salim Baig v. Sayyad Nawid, 2025 SCC OnLine Bom 2819, decided on: 29-7-2025*

50. For Noticee No. 3 it has also been contended that in order to facilitate settlement of inter-company dues, it had authorized and instructed Noticee No. 3 to remit the sum of Rs. 3.86 crore directly to Noticee No. 8, with instructions to debit its account in the books of Noticee No. 3 for the said amount. At the outset there is denial of the fact that there was no loan transaction between TTL and Noticee No.3. Further, such submission of behalf of the TTL is contradictory to what it had stated during investigation when it had stated that it had recovered the entire amount from Noticee No. 3 as on March 31, 2023. The reference of inter-corporate dues was not made at the time of investigation. The submission is, therefore, not reliable on this count alone. In addition, I find it bizarre that the purported letter dated December 26, 2022 relied by TTL, whereby it has claimed to have instructed Noticee No. 3 to remit the sum of Rs. 3.86 crore directly to Noticee No. 8, is acted upon by Noticee No. 3 on April 25, 2022 i.e. 8 months before the said instruction was issued by Noticee No.1. I, therefore, find that the letter dated December 26, 2022 of TTL is a self-serving statement manufactured as legal proof simply by writing entries into its own accounting books as an afterthought to camouflage its fraudulent act. Legally, a company's ledger account is relevant as business evidence but it lacks standalone evidentiary value. It cannot establish liability or a debt on its own without independent corroborative proof. Bank statements of respective Noticees do not support any such claim made by either TTL or Noticee No. 3.

51. In support of its claim, TTL has also submitted that – in order to recover the outstanding dues, it initiated proceedings by filing a petition under Section 7 of the IBC against Noticee No. 2 and 4 before the NCLT ('the Adjudicating Authority'), Mumbai on February 02, 2024 and February 27, 2024. In this regard, it is pertinent to mention that a proceeding under section 7 of the IBC is filed by a financial creditor to initiate corporate insolvency resolution process (CIRP) to resolve the distressed companies. An operational creditor can file CIRP application Section 9 of the IBC. These proceedings are measure of last resort to rescue and resolve the ailing company and is not a recovery mechanism as claimed. Further, it presupposes existence of *"financial debt"* as defined under Section 5(8) of the IBC or "operation debt" as defined under Section 5(21) of the IBC. Thus, there must be a legally valid agreement to prove *financial debt'*/*Operational debt,* as the case may be, and the '*default'* in repayment of financial debt/operational debt to the tune of prescribed threshold i.e. Rs 1/ crore.

52. TTL filed CIRP petition against Noticee No. 4 on March 12, 2025 whereas it has been claimed that it was filed in February 2024. It is pertinent to note from the information available in public domain that TTL filed a defective CIRP application against its '*related party'* Noticee No. 2 before Hon'ble NCLT, Mumbai on February 12, 2024 which could not be removed by TTL till 2 years and on 09.02.2026, Hon'ble Adjudicating Authority imposed upon TTL a cost of Rs. 50,000 which it had deposited in Prime Minister's National Relief Fund on June 01, 2026 pursuant to direction issued by Hon'ble Adjudicating Authority. Hon'ble Adjudicating Authority had issued a notice under Section 9(5) of the IBC with direction to TTL to remove the defects pointed out in the order. On April 29, 2026, TTL has filed a defect free CIRP application.

53. On the latest date of hearing on July 29, 2026, it was noted by Hon'ble Adjudicating Authority observed that the additional affidavit filed by TTL was silent in regard to the defect as stated in the order dated April 29, 2026 of the NCLT to the effect that loan agreement attached along with the application was un-stamped. Hon'ble Adjudicating Authority further noted that the amount, involved in the said application was Rs.8.66 crores, as per audited balance sheet of TTL for the financial year ending March 31, 2024. Similarly, audited balance sheet of the TTL for the year ending March 31, 2026 on Page No. 108 reflects that claimed loan from TTL was at an amount of Rs.5.69 crores. No other audited balance sheet of the Noticee No. 2 is available on the MCA portal. TTL had admitted that Noticee No.2 is its related party. TTL undertook to clarify these issues and also file Form D[5] from NeSL (National E-Governance Services Limited- the Information Utility). The matter has been listed next on September 8, 2026. Thus, the petition is still at a very nascent stage and Hon'ble Adjudicating Authority has yet not gone into truth of nature of transactions between related parties i.e. TTL and Noticee No. 2 and Noticee No.4. The petition of Noticee No.2 is still at the stage of notice under Section 7(5) of the IBC i.e. for rectification of defects within 7 days of receipt of Notice under section 7(5). Hon'ble Adjudicating Authority is yet to determine existence of '*debt'* and '*default'* after getting information about nature of relationship between TTL and Noticee No.2. Further, it is interesting to note that TTL approached to Hon'ble Adjudicating Authority, when SEBI commenced investigation and started making queries to Noticeees by way of summonses during October 2023 – February 2024 and so on. Considering the conduct of parties in totality, filing the CIRP

[5] *Form D of NeSL is a digital Record of Default (RoD) issued by the Information Utility under the IBC and it serves as legal, time-stamped proof showing debt details, default status,*

applications, that too with inherent defects in the garb of recovery of loan/debt from related parties sans compliances as dealt with hereinabove, also seems to be an afterthought.

54. For the purpose of the instant proceedings, it is established that the amount given by TTL to Noticee No.2 and Noticee No.4, was misrepresented as 'loans and advances'. The Noticees No.2 has claimed in its reply that the said fund transfers of Rs.8.67 crores as on March 31, 2023 was reduced to Rs. 8,23,35,000 as on March 31, 2025 and as submitted by it before Hon'ble Adjudicating Authority, it is reduced to Rs. 5.69 crore as on March 31, 2026. The purported agreements which seem to be an afterthought is also silent about any specific purpose. It merely says that the money was required for "*business purpose".*

55. Admittedly, and as demonstrated above, Noticee No.2 ,3 and 4 had no business activity and were not operational at all and the entire funds transferred by TTL to them were for the benefit of Noticee No.10 and his family. I also find that the Noticees No. 2, 3 and 4, being *"paper companies"* [6]were used as a vehicle for fraud perpetrated in this case. In my view, the whole facts and circumstances and conduct of the Noticee clearly indicate that the repayment of small amounts prior to and after the investigation was also a device to cover up the true nature of transaction as non-genuine and unexplained fund transfers.

56. Undoubtedly, rather indisputably, no approvals of board/ audit committee /shareholders of TTL were taken with regard to the *related party transactions* involving financing of Noticees No. 2, 3 and 4 by TTL, as required under Regulation 23 of the LODR Regulations. Further, Noticee No. 1 did not disclose, misrepresented and also concealed the disclosures of *related parties* and *related party transactions* as found hereinabove.

57. It is pertinent to note that TTL and persons in charge of its affairs actively concealed the related parties and related party transactions. If at all the transaction in question was a loan transaction as claimed, they must disclose it under related party transactions which obligation was brazenly flouted. It is also important to mention that Section 189 of the Companies Act 2013 requires every company to maintain a statutory register (in Form MBP-4) detailing all contracts and arrangements where directors or key managerial personnel have a personal interest or overlap, covering transactions under Section 184(2) and Section 188. Section 189 specifically addresses contracts or arrangements with related parties, as defined under Section 2(76) of the Companies

[6] *The shell or ghost companies existing only on paper with no physical existence, no active business operations and no meaningful assets.*

Act,2013 which includes directors, their relatives, and entities in which they have a significant influence The register must contain information such as the date of the contract, names of the parties, principal terms and conditions, duration, and details about the interest of directors or key managerial personnel. This helps in ensuring that all related party transactions are fully documented and transparent. In this case, the purported transactions were not mentioned by TTL in the statutory register. This further reinforces the findings that the fund diversion to related parties was not a genuine loan transaction but a sham transaction and fake arrangements to hide the truth and trick the law. The active concealment of the transactions as related party transaction and not mentioning the contracts in MBP-4 also show that the purported and non- admissible agreements relied upon in this case were non- existent at the relevant time and were produced as an afterthought device.

58. The Statutory Auditors of TTL i.e., M/s Dalal & Kala Associates (for FY 2018-19 to FY 2021-22) and GRANDMARK & Associates (for FY 2022-23), had, *inter-alia*, raised similar concerns in the Audit Reports as following:

"<u>With regard to unsecured loans given to party not covered in the register maintained under section 189 of the Companies Act, 2013</u>: The Company has sent balance confirmation letters to parties who are not covered in the register maintained under section 189 of the Companies Act, 2013, but in most of the cases the company have not received written confirmation confirming the balance outstanding as at March 31, 2019/ March 31, 2020/ March 31, 2021/ March 31, 2022/ March 31, 2023. Further in respect of loans granted, repayment of the principal amount was not as stipulated and payment of interest has also not been regular."

59. I, therefore, find that the fund diversion by TTL to Noticees No. 2,3 and 4 was a fraudulent diversion of the listed company's resources which is against the interest of the public shareholders. Such acts and conduct of transferring shareholder's money to Noticees No. 2, 3 and 4 and later by writing off or by creating provision or not recovering, TTL had diverted Rs. Rs. 22.48 crore to them for the benefit of Noticee No.10 and his family.

60. Thus, the impugned fund transfers by TTL to Noticees No. 2, 3 and 4 was not a loan transaction but unexplained fund diversion with *mala fide* design to benefit the promoters of TTL. TTL being a listed entity, having invested in it the hard earned monies of public investors, diverted its funds, when it was not having any profitability, commensurate revenue and non-functional business, in the garb of loans and advances to related /connected entities having no operations/financial track record and were 'paper companies' used as conduits in the whole

scheme of perpetrators. In all, TTL had fraudulently, transferred net amount of Rs. 8.67 crore to Noticee No. 2, Rs.3.87 crore to Noticee No. 3 and Rs. 9.94 crore to Noticee No. 4 interest free. Thus, total Rs. 22.48 crore were transferred by Noticee No.1 to its connected/related entities who all were paper companies used as vehicle of fraudulent scheme orchestrated in this case. Further, by writing off and not recovering the said funds from these three Noticees, TTL had diverted Rs. 22.48 crore.

ii. ***Trade receivables: -***

61. The details of outstanding trade receivables of TTL as disclosed in its Annual Reports, are as following:

Table 9- Outstanding trade receivables of TTL

(Rs. in crore)

Trade Receivables	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Due for period exceeding 6 months	17.98	14.41	26.67	24.29	-
Other receivables	8.57	12.69	-	3.56	-
Sub-total	**26.55**	**27.10**	**26.67**	**27.85**	**-**
Provision for doubtful debts	3.07	2.28	10.17	1.70	-
Total	**23.48**	**24.82**	**16.50**	**26.15**	**-**

62. Annual Report of TTL for FY 2022-23, showed that during FY 2022-23, it had written off the outstanding trade receivables amounting to total Rs. 14.37 crore. The majority of the trade receivables were outstanding from four parties *viz*. Noticee No. 5, 6, 7 and 8. The details of which are dealt with hereinafter.

Noticee No. 5.

63. As on March 31, 2018 to March 31, 2022, Krishna Kumar Banarasi Sharma and Mukesh K Sharma were the past directors of Noticee No. 5 and related/ connected parties of TTL namely, Noticee No. 6 and Aesthetic Stampings & Laminations Limited (ASLL). Further, during the IP, Noticee No. 15, Noticee No. 19 and Laxman Gangaram Madari were the directors of Noticee No. 5. Noticee No. 15, Noticee No. 19 and Laxman Gangaram Madari were also the current/past directors of TTL and its related/ connected parties namely, BESL, Noticee No. 5, 6 and ASLL. Thus, TTL and Noticee No.5 are *related parties* with each other and also with BESL, Noticee No. 6 and ASLL.

64. The outstanding trade receivables of TTL due from Noticee No.5 were Rs. 2.97 crore during FY 2019-20, Rs. 5.55 Crore during FY 2020-21 and Rs. 5.97 Crore during FY 2021-22. It became "Nil" during FY 2022-23. TTL had written off Rs 5.52 crore outstanding trade receivables from Noticee No.5 during FY 2022-23.

65. Investigation found that at the registered office address of Noticee No.5 as per MCA records *(1st Floor, Shop 7-A, Plot No 89 AB CTS No. 319 319 1, Village Kandivali, Kandivali Industrial Area, Opp. NKGSB Bank, Kandivali (W), Mumbai, 400067*) there was a name board of Noticee No.5 but the premises was closed/locked. Upon general enquiry, the neighbouring shops/offices stated that they have not seen any officials of Noticee No.5 nor they have seen it operational in past 4 years. The photograph of the premises taken during investigation is as following:

Pictures of site visit at the registered address of Noticee No. 5 as per MCA

66. Noticees No. 5 and 6 share the same address. Further, in their Annual Reports their address mentioned is *"B-503, Dheeraj Diamond CHS Ltd., Chincholi Bunder Road, Malad – West, Mumbai 400064 IN*", which is the residential address of Laxmi Gangaram Madari (one of the directors of Noticee No.5 appointed only on paper on behalf of TTL).

67. Noticee No. 5 is a non-operating company, with *NIL* inventory, *NIL* employee benefit expense, *NIL* tangible assets, negligible profit after tax, and negligible net worth and some revenue from operations and purchases, for the past four available financial years. The sales and purchases of Noticee No. 5 dropped to NIL for FY 2020-21 and FY 2021-22. Also, the GSTN[7] of Noticee No.5 '27AADCR2185B1ZM' was cancelled w.e.f. August 31, 2022.

[7] *Source: https://services.gst.gov.in/services/searchtp*

68. Though Noticee No. 5 had recorded some revenue from operations and purchases for FY 2018-19 and FY 2019-20, it is noted from its Sale and Purchase Registers that 100% of sales and purchases of Noticee No. 5 for FY 2018-19 and FY 2019-20 were only with TTL and its related parties i.e. BIL Energy Systems Limited (BESL) and ASLL. All the purchase and sale transactions were made on the same date and the profit margin on the sale transactions was negligible. Considering that Noticee No.5 is a non-operational entity, it is alleged that the sale and purchase transactions entered into by TTL with Noticee No. 5 were fictitious. Such transactions as mentioned these in its sale and purchase registers of TTL are given in the following table: -

Table 10- Fictitious transactions entered into between TTL and Noticee No. 5 as per the sale and purchase registers of TTL.

(Rs. in crore)

Particulars		**2018-19**		**2019-20**	
		Amount	**%**	**Amount**	**%**
PURCHASE REGISTER	Purchases of TTL from Noticee No.5	2.35	23.52	0.60	4.27
	Total Purchases of TTL	**9.99**	**100.00**	**14.05**	**100.00**
SALE REGISTER	Sales of TTL to Noticee No.5	-	-	0.99	6.78
	Total Sales of Noticee No.1	**14.19**	**100.00**	**14.60**	**100.00**

Note: Amounts inclusive of GST

69. Noticee No. 5 had shown the entry '*Loans & Advances outstanding to TTL'*. It is noted that the amounts of '*Trade Receivables outstanding from Noticee No. 5'* shown by TTL and the amounts of *'Loans & Advances outstanding to TTL'* shown by Noticee No. 5 were exactly the same. Further, Noticee No. 5 in its submissions to SEBI claimed that it had taken loans and advances, carrying outstanding balance of Rs. 5.97 crore as on March 31, 2022, *'for business purpose'* from Noticee No.1. In its purchase registers, TTL showed sale to the tune of Rs. 0.99 crore to Noticee No. 5 and purchase to the tune of Rs. 2.95 crore from Noticee No. 5. The same is confirmed from sale and purchase registers of Noticee No. 5. Further, the increment in the trade receivables of TTL outstanding from Noticee No. 5 was not reflected in the sales register of TTL. The same is given in the following table:

Table 11- Increment in the trade receivables of TTL outstanding from Noticee No. 5

(Rs. in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Trade Receivables Outstanding from Noticee No.5	-	2.97	5.55	5.97	-
Increment in Trade Receivables	-	2.97	2.57	0.42	-
Sale of TTL to Noticee No.5 (as per sale register of TTL)	-	0.99	-	-	-

70. TTL had incorrectly recorded the loans and advances as trade receivables outstanding from Noticee No. 5, thereby overstating the trade receivables and understating the funds transferred. The bank statements of TTL and Noticee No.5 for the period April 01, 2018 to March 31, 2023, show that TTL had transferred a total amount of Rs. 9.75 crore to Noticee No. 5 and had received a total amount of Rs. 0.77 crore from Noticee No. 5. Out of Rs. 9.75 crore received by Noticee No. 5 from TTL, Rs. 5.97 crore was on account of Loans and Advances given by TTL to Noticee No. 5. TTL had incorrectly recorded the loans and advances given to Noticee No. 5 as trade receivables outstanding from Noticee No. 5 and during FY 2022-23 had written off Rs. 5.51 crore, thereby diverting Rs. 5.51 crore from the company. The balance Rs. 4.24 crore (Rs. 9.75 crore – Rs. 5.51 crore) paid by TTL to Noticee No. 5 was noted to be against the fictitious purchases made by TTL from Noticee No. 5 and the receipt of Rs.0.77 crore by TTL from Noticee No. 5 was noted to be against fictitious sales/ recovery of outstanding loans and advances made by TTL to Noticee No. 5, thereby diverting Rs. 3.47 crore (Rs. 4.24 crore – Rs. 0.77 crore) from TTL. Thus, causing total loss of Rs. 8.98 crore (Rs. 5.51 crore + Rs. 3.47 crore) to the shareholders of TTL.

Noticee No. 6.

71. As on March 31, 2018 to March 31, 2022, Krishna Banarasi Sharma and Mukesh Sharma held 50% shares each of Noticee No. 6. Krishna Banarasi Sharma and Mukesh K Sharma were the past directors of related/ connected parties of TTL in Noticee No. 5, Noticee No.6 and ASLL. During the IP, Noticee No. 15, 19 and Ms. Laxmi Gangaram Madari, who are the present/past directors of TTL and its related/ connected parties, were also the directors of Noticee No. 6.

72. The outstanding trade receivables of TTL due from Noticee No.6 were Rs. 8.93 crore during FY 2018-19, Rs. 6.07 crore during FY 2019-20 , Rs. 4.34 crore during FY 2020-21 and Rs. 3.30 Crore during FY 2021-22. It became “Nil” during FY 2022-23. TTL had written off Rs 0.85 crore outstanding trade receivables from Noticee No.6 during FY 2022-23.

73. Noticees No.5 and 6 share the same address. Further, in their Annual Reports their address mentioned is “B-503, Dheeraj Diamond CHS Ltd., Chincholi Bunder Road, Malad – West, Mumbai 400064 IN”, which is the residential address of Laxmi Gangaram Madari (one of the directors of Noticee No.6 appointed only on paper on behalf of TTL).

74. Noticee No. 6 is a non-operating company, with *NIL* inventory, *NIL* employee benefit expense, *NIL* tangible assets, negligible profit after tax, and negligible net worth. Though Noticee No.6 had recorded some revenue from operations and purchases for FY 2018-19 and FY 2020-21, it is noted from its Sale and Purchase Registers that100% of sales and purchases of Noticee No. 6 for FY 2018-19 and FY 2020-21 were only with TTL and its related parties i.e. ASLL. All the purchase and sale transactions were made on the same date and the profit margin on the sale transactions was negligible.

75. Considering that Noticee No.6 is a non-operational entity, it is alleged that the sale and purchase transactions entered into by TTL with Noticee No.6 are fictitious. As per the sale registers of TTL[8], TTL recorded a sale of Rs. 6.99 crore (constituting 49.29%) in FY 2018-19 and a sale of Rs. 5.28 crore (constituting 36.19%) in FY 2019-20 to Noticee No.6. TTL used Noticee No.6, which acted as a conduit entity, for inflating the sale transactions and trade receivables. Thus, TTL misrepresented its financial statements for the period FY 2018-19 to FY 2022-23.

76. Noticees No. 1 and 6 made contradictory submissions during investigation with respect to the trade receivables of TTL and the corresponding trade payables of Noticee No.6 as given in the following table: -

Table 12- Contradictory responses of TTL and Noticee No.6

(Rs. in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Trade Receivable from Noticee No.6-Response of TTL	8.93	6.07	4.36	3.30	-
Trade Payables due to TTL-Response of Noticee No.6	-	8.14	1.71	1.06	0.85

77. Further, TTL stated that the receivable of Rs 0.85 crore due from Noticee No. 6 was written off in its books of account. However, the Sale and Purchase Registers of Noticee No.6 indicate that

[8] *Submitted by the Statutory Auditor of TTL*

Noticee No. 6 made wrongful submission before SEBI with respect to purchases from TTL relating to FY 2018-19.

Noticee No. 7.

78. As on March 31, 2018 to March 31, 2022, Omprakash Trivedi and his wife Laxmi Trivedi held 50% shareholding each in Noticee No. 7. Omprakash Trivedi and Ms. Laxmi Trivedi were also the directors of Noticee No. 7 during the IP. Omprakash Trivedi was the past director of related/ connected parties of TTL namely, Noticee No. 4 and ASLL. Further Omprakash Trivedi and Laxmi Trivedi, the directors and shareholders of Noticee No. 7 are the parents of Noticee No.16, an independent director of TTL. Further, Noticee No. 7 held 9.42% in Noticee No. 2, a promoter group entity of Noticee No.2. Omprakash Trivedi, director-shareholder of Noticee No. 7 also held 4.61% in Noticee No. 2.

79. Thus, Noticee No.7 is owned and managed by past director of related/ connected parties of TTL. It is also a related party to TLL in view of directorship of Noticee No. 16 in TTL during July 21, 2022 to July 17, 2023 and directorship of Omprakash Trivedi and Laxmi Trivedi, the parents of Noticee No. 16, in Noticee No.7. Together with its director, Noticee No.7 held stake of 14.03% in Noticee No.5, a promoter group entity of TTL. Noticee No. 7 and TTL both have common internal auditor.

80. As per section 2(76) (iv) of Companies Act, 2013, a *related party* of a company includes a private company in which a director/ manager or his relative is a member/ director. While Noticee No. 16 was a Director in TTL for the period July 21, 2022 to July 17, 2023, her father Omprakash Trivedi, was a Director in Noticee No. 7 for the period January 16, 2009 to till date and her mother Laxmi Trivedi, was a Director in Noticee No. 7 for the period January 16, 2009 to July 10, 2023. Accordingly, Noticee No. 7 is a related party of TTL during FY 2022-23 and FY 2023-24. However, TTL did not disclose it as related party for FY 2022-23 and FY 2023-24.

81. The outstanding trade receivables of TTL due from Noticee No.7 were Rs.11,07 crores during FY 2018-19, Rs. 7.62 crore during FY 2019-20, Rs. 6.96 crore during FY 2020-21 and Rs. 7.46 Crore during FY 2021-22. It became "Nil" during FY 2022-23. TTL had written off Rs 6.17 crore outstanding trade receivables from Noticee No7 during FY 2022-23.

82. Notice No. 7 is also a non-operating company with NIL inventory, NIL employee benefit expense, negligible profit after tax, and negligible net worth. Though Noticee No.7 had recorded revenue from operations and purchases for FY 2018-19 and FY 2019-20, in its Sale and Purchase Register it had shown that its 100% purchases were from TTL and its related party BESL and its 100% sales were shown to TLL and its related party ASLL. The purchase and sale transactions were made on the same date. The profit margin on the above-mentioned sale transactions is negligible.

83. Investigation found that at the registered office address of Noticee No.7 as per MCA records at *(Shop No B/126, 1st Floor, Sonal Amit Shopping Centre Opp. Railway Station Nallasopara West District Palghar Vasai Thane 401203*) there was a name board of *Shreenathji Metals* but the premises was closed/locked. Upon general enquiry, no one in the surrounding could recognized Noticee No.7. The watchman of the building said that *Shreenathji Metals* is operating there since approx. 1.5 years and prior to that there was a beauty parlour at the said premises for a long time. The photograph of the premises taken during investigation is as following:

Pictures of site visit at the registered address of Noticee No. 7 as per MCA


84. Thus, Noticee No.7 is a non-operating company, with NIL inventory, NIL employee benefit expense, negligible profit after tax, and negligible net worth. Further, 100% of sales and purchases of KEPL for FY 2018-19 to FY 2019-20 were only with TTL and related parties of TTL i.e., ASLL. Considering that KEPL is a non-operational entity with no physical presence, it is alleged that the sale and purchase transactions entered into by TTL with Noticee No.7 are

fictitious. TTL recorded a sale of Rs. 0.92 crore (constituting 6.48%) in FY 2018-19 to Noticee No.6 and used it as a conduit entity, for inflating the sale transactions and trade receivables. Thus, TTL misrepresented its financial statements for the period FY 2018-19 to FY 2022-23.

85. Further, TTL had stated that the receivable (Rs 6.17 crore) due from Noticee No.7 of was written off in its books of account during FY 2022-23. However, Noticee No.7, in its response to SEBI dated November 01, 2023, had stated as following:

Table 13- Response of Noticee No.7

(Rs. in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Purchases from TTL	-	-	-	-	-
Trade Payables due to TTL	-	0.46	0.67	0.11	1.35
Sales to TTL	-	3.11	-	-	-
Trade Receivables due from TTL	-	0.12	-	0.62	0.06

86. TTL and Noticee No.7 had given contradictory responses with respect to the trade receivables of TTL from Noticee No.7 and the corresponding trade payables of Noticee No.7 to TTL as given in the following table:

Table 14- Contradictory Responses of TTL and Noticee No.7

(Rs. in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Trade Receivable from KEPL-Response of TTL	11.07	7.62	6.96	7.46	-
Trade Payables due to TTL-Response of Noticee No.7	-	0.46	0.67	0.11	1.35

87. However, the Sale and Purchase Registers of Noticee No.7, indicate that it made wrongful claim before SEBI with respect to purchase from Noticee No.1 relating to FY 2018-19.

Noticee No. 8

88. Harish Makharia was the past director of ASLL, a *related party* of TTL. Further, Noticee No. 7, the shareholder of Noticee No. 8 was also the related party of TTL for the FY 2022-23 and FY 2023-24. Noticee No. 13 a director of Noticee No. 8 was also the director of TTL and ASLL. Noticee No. 13, a director of Noticee No. 8 was a director in TTL during FY 2020-21 to 2023-

24. As he was a common director in Noticee No. 8 and TTL for the period January 31, 2021 to June 06, 2023 Noticee No. 8 is a *related party* of TTL as per section 2(76) (iv) of Companies Act 2013. However, TTL failed to disclose Noticee No. 8 as its *related party* for FY 2020-21, FY 2021-22, FY 2022-23.

89. The outstanding trade receivables of TTL due from Noticee No.8 were Rs. 5.67 crore during FY 2019-20, Rs. 6.43 crore during FY 2020-21 and Rs. 8.03 crore during FY 2021-22. It became "Nil" during FY 2022-23.

90. During investigation, Noticee No.8 claimed that it was engaged in the business of manufacturing of tools and dies multiproduct and deals in iron and steel.However, from its financials it was noted that it is also a non-operating company, having negative net worth, negligible employee benefit expense, negligible inventory, negligible tangible assets, negligible profit after tax, and some revenue from operations and purchases, for the past three available financial years.

91. Investigation found that Noticee No. 8 was not operating at its registered office address, as per MCA records at *(Gala No 7, Dewan & Shah, Industrial Estate No 01, Navghar Opposite BSNL Telephone Exchange, Vasai Road (East), Palghar 410210*). An entity named Elmech Engineers, has been operational on the said premises since approx. 1.5 years. Upon general enquiry, no one in the surrounding could recollect Noticee No.8. The photograph of the premises taken during investigation is as following:

Pictures of site visit at the registered address of Noticee No. 8 as per MCA

92. It was thus found that Noticee No.8 is also a non-operating company, negative net worth, negligible employee benefit expense, negligible inventory, negligible tangible assets, negligible profit after tax, and some revenue from operations and purchases, for the past three available financial years. Considering that AMPL is a non-operational entity with no physical presence, it is alleged that the sale/ purchase transactions entered into by TTL with Noticee No.8 are fictitious. In its sale registers, TTL recorded a sale of Rs. 7.83 crore (constituting 53.63%) in FY 2019-20 to Noticee No.8 using it as a conduit entity, for inflating the sale transactions and trade receivables. Thus, TTL misrepresented its financial statements for the period FY 2018-19 to FY 2022-23.

93. During the investigation, TTL had failed to provide its comments on the claim of Noticee No. 5 that the later had taken loans and advances carrying outstanding balance of Rs. 5.97 crore as on March 31, 2022, from TTL for '*business purpose'*. With respect to the outstanding trade receivables due from Noticee No. 5, 6, 7 and 8, TTL had *inter-alia* failed to provide: *Documentation in support of the sale made to AMPL including but not limited to e-way bills, sales invoices etc.* On seeking clarifications from Noticees No. 5, 6, 7 and 8 w.r.t. the outstanding trade payables due to TTL, they also failed to submit *inter-alia* the *Documentation in support of the purchases made from TTL including but not limited to e-way bills, purchase orders, invoices etc.*

94. TTL in his submission has contended that-

   a. Noticee No. 5 has been supplying raw materials to TTL, and the payments made were towards such genuine commercial transactions. The commercial relationship between TTL and Noticee No. 5 has been on a principal-to-principal basis and at arm's length. TTL did not classify loans and advances extended to Noticee No. 5 as trade receivables. The write-off of ₹5.51 crore during FY 2022-23 was carried out after due assessment of recoverability, in accordance with applicable accounting standards and the policy of the Company, and was duly approved by the Board of Directors. The said write-off cannot, by any stretch of imagination, be construed as *"diversion of funds'*. It is denied that the payments aggregating to ₹4.24 crore represented consideration towards fictitious purchases, or that receipt of ₹0.77 crore represented fictitious sales or recovery of alleged loans. All purchase transactions were genuine, supported by tax invoices, e-way bills, LR/transportation documents, and material receipt records. The allegation of diversion of ₹3.47 crore, and consequently of total loss of ₹8.98 crore to the shareholders, is therefore baseless, misconceived, and devoid of merit.

b. Noticee No. 6 supplied raw materials to TTL and the payments made by it were solely towards such genuine commercial transactions. All such transactions were undertaken on a principal-to-principal basis, at arm's length, and are supported by valid tax invoices, e-way bills, transportation documents, and material receipt records maintained in the normal course of business. The outstanding trade receivables due from Noticee No. 6 were subsequently settled during FY 2024-25.

c. Noticee No. 7 has been supplying raw materials to TTL, and the payments made were solely towards such genuine commercial transactions. All such transactions are supported by valid tax invoices, e-way bills, transportation documents, and material receipt records maintained in the normal course of business. The outstanding trade receivables due from Noticee No. 7 were subsequently settled.

d. It had commercial transactions with Noticee No. 8, including purchase of raw materials and the amounts paid by it to Noticee No. 8 were solely towards such genuine commercial transactions. All purchase transactions with Noticee No. 8 were genuine as the payments were effected through banking channels and are duly reflected in the books of account of the Company. An amount of ₹3,86,00,000/- payable by TTL to Noticee No. 8 towards legitimate trade payables was settled pursuant to its letter dated December 26, 2022. Noticee No. 3 remitted the said amount directly to Noticee No. 8 on behalf of TTL, and the same was adjusted against receivables due from Noticee No. 3. The said transaction was undertaken solely as a mode of settlement of existing liabilities and did not result in any fresh outflow, loan, or advance from TTL to Noticee No. 8.

95. The contentions of Noticee No. 5, 6, 7 and 8 are identical and are summarized as under:

a. These Noticees were engaged in the business of manufacturing of iron and steel.

b. Delay in liquidation of the outstanding trade receivables were solely due to severe financial and operational difficulties faced as a consequence of the COVID-19 pandemic and its aftermath, which adversely impacted its business operations, liquidity position, and cash flows.

c. While Noticee No. 5 has endeavored to discharge its obligations and has made repayments from time to time, the outstanding trade receivables due to Noticee No.1 were subsequently settled during FY 2025 by Noticee No. 6 and 7. The ledger account evidencing such repayments and the outstanding balance is enclosed.

d. Noticee No. 8 has submitted that an outstanding loans and advances were receivable by TTL from Noticee No. 3. Accordingly, in order to facilitate the settlement of the respective dues, TTL, vide its letter dated December 26, 2022 authorized and instructed Noticee No. 3 to remit a sum of Rs. 3,86,00,000/- directly to Noticee No. 8 and correspondingly debit the said amount to TTL's account in the books of Noticee No. 3. The transaction was merely a mode of settlement of existing liabilities and receivables between the parties and did not result in any fresh loans or advances.

e. The transactions were *bona fide* commercial transactions supported by documentary evidence and undertaken in the ordinary course of business. Accordingly, the allegation of aiding or abetting TTL in inflating its sales or trade receivables is misconceived and baseless.

96. On consideration of rival stands as above, the question that arises for determination is as to whether the alleged sales and purchases made by TTL with Noticees No. 5, 6, 7 and 8 were fictitious. The Noticees have contended that all transactions were *genuine commercial transactions.*

97. I note that genuineness of a commercial transaction is not established based on any material or corroborative fact. The bald submissions unsupported by cogent evidence cannot be accepted. The replies of the Noticees is completely evasive. In the earlier part of this order, I have already rejected the submissions of TTL and Noticee No.8 with regard to adjustment of an amount of ₹3,86,00,000/- payable by TTL to Noticee No. 8 pursuant to a letter dated December 26, 2022 of TTL. Such submissions are false and misleading.

98. Admittedly, Noticee No. 5, 6, 7 and 8 were connected/related to TTL as brought out hereinabove. BESL and ASLL are related parties of TTL with its significant shareholding held by *'Promoter/ Promoter group of TTL and their relatives'* and '*Related/ connected parties of TTL.* Indisputably TTL had not disclosed respective entities as its related party as required under regulation 34(3) of the LODR Regulations. The entries made in the Sale and Purchase Registers TLL showing

transactions with the Noticees No. 5, 6, 7 and 8 indeed indicate suspicious and sinister dealings. TTL and Noticee No. 5, 6, 7 and 8 have failed to submit the appropriate documentary evidences for the sales made to and the corresponding trade receivables arising out of these sales.

99. The Noticees have now enclosed ledger account to claim that the outstanding trade receivables due to TTL were subsequently settled during FY 2025. I have already held that company's ledger account lacks standalone evidentiary value unless it is supported by independent corroborative proof. With regard, to this claim also the Bank statements of respective Noticees do not support any such claim of repayments made by them. I, therefore, don't accept such claims which are made on the basis of non-reliable evidence which was not submitted during investigation. This apart, the contradictory submissions of the Noticees undermine the credibility of their claim and lead to rejection thereof on this ground alone.

100. Indisputably, despite multiple summons and repeated reminders, TTL, and Noticees No.5,6,7 and 8 failed to provide responses to the queries of SEBI. While, TTL failed to provide any documentation in support of the sale made to the related parties *viz*; Noticees No.5, 6, 7 and 8, including but not limited to e-way bills, sales invoices etc., they failed to provide any documentation in support of the purchases made from TTL including but not limited to e-way bills, purchase orders, invoices etc. TTL also failed to provide the copies of minutes of meetings of Board/ Audit Committee/ Shareholders of TTL where approvals for sales made to related parties and approvals taken for write-offs/ creating provisioning for outstanding trade receivables, were taken.

101. The Statutory Auditors of TTL i.e., M/s Dalal & Kala Associates (for FY 2018-19 to FY 2021-22) and GRANDMARK & Associates (for FY 2022-23), *inter-alia*, raised concerns over the following issues in their Audit Reports either by way of qualifying the audit report or by highlighting them in key audit matter paragraphs:

"With regard to pending confirmation of balances of trade receivable: The Company has sent letters to customers in respect of trade receivables for confirming balances as at March 31, 2023, but in most of the cases the customers have not sent written confirmation confirming the balance outstanding as at March 31, 2019/ March 31, 2020/ March 31, 2021/ March 31, 2022/ March 31, 2023. In the absence of confirmation, any provision to be made for adverse variation in the carrying amounts of trade receivable is not quantified."

102. It is settled position that entries in Sales Register do not create absolute proof of a transaction by themselves. The entries in a sales register must be corroborated by independent supporting documents. These *inter alia* include:

- Tax invoices and bills of supply;
- E-way bills and transport/dispatch receipts;
- Delivery challans and GR (goods receipt) notes;
- Bank statements reflecting corresponding inward payments;
- Corresponding inventory or stock register tallies.

103. In this case, no such corroborative material has been produced by TTL or Noticees No. 5,6,7 and 8 despite several opportunities given by the Statutory Auditor and IA both. Thus, it is established that the sales and purchases to Noticees No.5,6,7 and 8 and the corresponding trade receivables of TTL from them as shown by it in Sales register were fictitious. These representations by TTL was regarding a fake and artificial economic exchange as there was not no economic substance in these purported transactions. No goods or services were exchanged and fake entries were made in the Sales Register which is a self-serving document. Such act was actually to deceive investors and regulators.

104. On careful consideration of facts in this regard alongwith active concealment, misrepresentations, and false statements by the Noticees, I find that it not only appears, but it is as clear as the sun light, that there were no real sale and purchase transactions between TTL and Noticees No.5, 6, 7 and 8. The make- believe entries were made in the sales and purchase registers of TTL to show a non-existent transactions between TTL and its related/connected companies viz; Noticees No.5,6 ,7 and 8. Those entries were nothing but fabricated and artificial exchange of sale /purchase recorded in business records of TTL for an event that never actually occurred. It was used to deceive SEBI and, mislead investors. I, therefore, agree that these make -believe transactions of TTL with Noticees No. 5, 6, 7 and 8 were fictitious and fraudulent.

105. Additionally, bank statement analysis revealed that Noticee No. 5 received a net amount of Rs. 8.98 crore from TTL. Out of Rs. 8.98 crore, Rs. 5.51 crore were fund transfers in the guise of loans and advances and the balance Rs. 3.47 crore were against fictitious net purchases. Hence, TTL used Noticee No. 5, to divert a net amount of Rs. 8.98 crore from it, thereby causing loss to

shareholders of TTL. These acts of diversion of funds from the Company are manipulative, fraudulent and unfair trade practice in securities market in terms of the PFUTP Regulations.

106. By recording fictitious transactions and booking non-genuine sales/ purchases, TTL had fraudulently misrepresented its financial statements and inflated its revenue and net-worth. This led to publication of misrepresented financial statements for FY 2018-19 to FY 2022-23, which were false and misleading. This act of TTL also operated as a device to deceit and defraud the investors in connection with dealing in the shares of TTL.

107. It has been contended by the respective Noticees that non-production or incomplete production of documents cannot be treated as proof that the transactions were fictitious or that funds were diverted. Non-production of documents cannot supply proof of the elements of a charge as grave as one under the PFUTP Regulations. The proposition that underlies in the SCN that "*because the genuineness of the transactions could not be verified, therefore diversion and fictitious entries stand proved* — is a *non sequitur*. The absence of confirmation is not the presence of fraud. To convert a failure of verification into a finding of fraud is to relieve SEBI of the very burden the law casts upon it.

108. I am mindful of legal position as held by Hon'ble Supreme Court[9] that the burden of proof to disprove the validity of transactions lies with the person alleging fraud, especially when the onus of alleging fictitious transactions is placed. However, applying the best evidence rule as held by Hon'ble Supreme Court[10] that withholding possession of the best evidence that could elucidate the matter at hand permits the court to draw adverse inferences, even if the onus of proof does not explicitly lie on the withholding party. If a party withholds the *"best evidence"* (such as loan agreement. stock records, bank trails, approvals, etc. as in the instant case) that is within its special power and knowledge, it can be presumed that the evidence do not exist or, if produced, it would have been unfavourable to Noticees. Of course, such adverse inference is a conditional inference and not automatic. It requires a specific notice to produce the document, and an unjustified failure or silence by the party possessing control over the record. In the instant case, the initial onus on the part of SEBI has been discharged based on bank statement details coupled with absence of any document, approval, misrepresentation, untrue statements and active

[9] *Star Paper Mills Limited (S) v. Beharilal Madanlal Jaipuria Ltd. And Others (S). (2021 INSC 902)*
[10] *Gopal Krishnaji Ketkar v. Mohd. Haji Latif (1968)*

concealment, etc. and the burden was then shifted on the Noticees No 1, to 8 who all have failed to discharge the same by not providing any evidence, which must be in their possession, and control only when clarifications with evidences was sought from them and, thus, the case is fit case to hold '*mala fide'* design on their part and fraud perpetrated by them as alleged.

109.I also note that the Noticees have been taking shifting and contradictory stands. It is settled position that the Noticees cannot be permitted to approbate and reprobate on the same facts and take inconsistent shifting stands. I want to make it clear that quasi-judicial proceeding is not a game of chess and the Noticees cannot prevaricate and take inconsistent positions. Taking inconsistent pleas by the Noticee in this case makes its conduct far from satisfactory. Also, the evasive submission has been made by them in order to mislead the authorities. I am constrained to say that more often than not quasi-judicial process is being used by such Noticees as a convenient lever to drag the process by making irrelevant and evasive submissions. Every statement during investigation is supposed to be made with conscientious declaration of truthfulness and correctness. Making one statement and then altering the same cannot be permitted. This apart, the submissions are far from being satisfactory and, at times, even misleading and false.

110.From the shareholders list of Noticee no. 3, I find that the son (Harsh Choudhury) and wife (Manjulata Choudhury) of Noticee No. 10 were the significant shareholders holding 95% and 5% shareholding, respectively. The unexplained funds were transferred by TTL to entities related/ connected to it and managed and controlled by Noticee No.10, directly or indirectly by way of shareholding, control by Noticee No.10 through his son and wife. Therefore, the ultimate beneficiary of impugned transactions was Noticee No.10 and his family. The facts and circumstances of the case, indicate that Noticee No. 10 was the mastermind of the entire scheme of fraud in this case. The act, omissions and conduct of Noticees which are acting as vehicle for Noticee No.10 and his family, in view of the facts and circumstances of this case cumulatively reinforce the findings of fraudulent diversion of funds from TTL with *mala fide* and manipulative, fraudulent and unfair trade practice in securities market.

111.TTL has contended that SCN converts accounting and governance issues into a securities- market fraud charge. The gravamen of the SCN is not insider trading, circular trading, synchronised trading, connected trading, order log manipulation, reversal trades, front running or any direct market abuse by TTL in the trading system. Instead, the SCN seeks to convert alleged infirmities in loans, receivables, related-party classification, minutes, and financial presentation into a securities-market fraud charge. Such conversion requires proof than mere accounting error, weak controls, non-recovery of dues, or even governance non-compliance. It requires demonstration that the impugned conduct operated as a manipulative or deceptive device in the securities market and had a demonstrable nexus with investor decision-making. The SCN does not establish that nexus. It broadly states that the financial statements were misleading and that the number of shareholders increased and the price rose and fell during the period, but does not identify who traded, how investors were influenced, whether any impugned disclosure was immediately followed by abnormal price discovery, or how TTL as a company directly used the market mechanism to deceive investors.

112. In order to deal with this contention, it is pertinent to examine the scope of prohibitions under Section 12A of the SEBI Act and Regulations 3 and 4 of the PFUTP Regulations. These provisions are reproduced as following: -

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

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:

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a)buy, sell or otherwise deal in securities in a fraudulent manner;

(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 regulation3, 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-(i) any act of diversion mutualisation 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, or***

(ii) transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been included in sub-regulation (1)

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

….

(e) any act or omission amounting to manipulation of the price of a security including, influencing or manipulating the reference price or bench mark price of any securities;

(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 in a reckless or careless manner and which is designed to, 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.

113.It is also pertinent to mention that the prohibitions in above Section 12A or Regulations 3 and 4 points that the emphasis is on "*no person*" to cover one and all who may engage in *fraudulent*, *manipulative* or *unfair* trade practices relating to the securities market or in connection with dealing in securities. Therefore, the PFUTP Regulations are applicable to all the Noticees including TTL if their conduct is in connection of and impacts the dealing in securities of TTL or impacts the interests of investors of securities of a listed company. Thus, the Noticees who have *connived* with TTL and acted in concert or league in any *fraudulent device, plan* or *artifice* in connection with '*dealing in securities'* of TTL in terms of Regulation 3 and 4, can't escape liability.

114. The words '*fraud*" and *'fraudulent'* have been defined under regulation 2(1)(c) of the PFUTP Regulations as follows: -

Definition of 'fraud" – Regulation 2(1)(c).

(c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;"

115. *The* definition of '*fraud'* under clause (c) of regulation 2 has two parts; first part may be termed as catch all provision while the second part includes specific instances which are also included

as part and parcel of term '*fraud'*. In this regard it is relevant to rely upon following observations of the matter of ***N. Narayanan v. SEBI***[11], the Hon'ble Supreme Court observed as follows:

"33. Prevention of market abuse and preservation of market integrity is the hallmark of securities law. Section 12-A read with Regulations 3 and 4 of the 2003 Regulations essentially intended to preserve "market integrity" and to prevent "market abuse". The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors' protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. "Market abuse" impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality". The same can be achieved by inflating the company's revenue, profits, security deposits and receivables, resulting in price rise of the scrip of the company. Investors are then lured to make their "investment decisions" on those manipulated inflated results, using the above devices which will amount to market abuse."

116. In my view, the words *"in connection with dealing in securities"* in Regulation 3 of the PFUTP *Regulations* do not signify that the person employing the *device* and engaging in act, practice, etc. should actually buy or sell securities. Prevention of *market abuse* and preservation of *market integrity* is the hallmark of securities law. Section 12A read with Regulations 3 and 4 of the PFUTP Regulations essentially intended to preserve *"market integrity"* and to prevent *"market abuse"*[12]. Hon'ble Supreme Court in its the judgement dated September 20, 2017 in ***SEBI V. Shri Kanaiyalal Baldevbhai Patel***[13] observed that: *"It should be noted that the provisions of regulations 3 (a), (b), (c), (d) and 4(1) are couched in general terms to cover diverse situations and possibilities. Once a conclusion, that fraud has been committed while dealing in securities, is arrived at, all these provisions get attracted in a situation like the one under consideration."*

117. As per section 2(1) (b) of the PFUTP Regulations, the expression *'dealing in securities'* includes:

[11] *Judgment dated 26.04.2013*
[12] *ibid*
[13] *Civil Appeal No. 2595 of 2013 ; (2017) 15 SCC 1*

"(i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act;

(ii) <u>such acts which may be knowingly designed to influence the decision of investors in securities;</u> and

(iii) <u>any act of providing assistance to carry out the aforementioned acts."</u>

118.Thus, any act which is '*knowingly'* and clandestinely designed by the company and its directors so as to benefit the promoters/directors ***and designed to*** influence the investment decision of the investors and assistance to carry out such act would be part of the expression "*in connection with dealing in securities"* and in turn any such act and/or omission forming part of a plan and device would fall within the scope of prohibitions under Section 12A of the SEBI Act and Regulation 3 and 4 of the PFUTP Regulations. In this regard, it is relevant to refer to the following observation of Hon'ble SAT in the matter of ***V. Natarajan vs. SEBI***[14]: -

"... ... These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging 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 that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true…"

119.In such cases, as a matter of principle, while interpreting this regulation, I must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. The fraudulent dealings in securities market under regulation 3 are not limited to trading and manipulations in prices of securities only. The scope of fraudulent dealings in securities is wide within the scope of the SEBI Act and PFUTP Regulations. As per section 2 (c) of the PFUTP Regulations, *fraud* includes any act, expression, omission or concealment

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[14] *Appeal No. 104 of 2011, decided on June 29, 2011*

committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include: -

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person ***may*** *act to his detriment;*
(2) a suggestion as to a fact which is not true by one who does not believe it to be true;
(3) an active concealment of a fact by a person having knowledge or belief of the fact;

120. Hon'ble Supreme Court in its the judgement dated September 20, 2017 in ***SEBI V. Shri Kanaiyalal Baldevbhai Patel (supra)*** gave a liberal interpretation to the definition of '*fraud'* under regulation 2(c) of PFUTP Regulations stating as follows:

'*5. If Regulation 2(c) of the 2003 was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities.*

6. The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce".'

121. TTL has contended that SCN broadly states that the financial statements were misleading and that the number of shareholders increased and the price rose and fell during the period, but does not identify who traded, how investors were influenced, whether any impugned disclosure was immediately followed by abnormal price discovery, or how TTL as a company directly used the market mechanism to *deceive* investors. In my view, in this judgment, Hon'ble Supreme Court has not held that deception is an essential element of *"fraud"* under Regulation 2 (c). In fact, the definition under Regulation 2(c) as also observed by Hon'ble Supreme Court clearly includes

any act, expression, omission or concealment committed, *whether in a deceitful manner or not* within the ambit of '*fraud'* under said Regulation 2(1(c). Hon'ble Supreme Court further held that the emphasis is on the act of '*inducement'* and the scrutiny must, therefore, be on the meaning that must be attributed to the word "*induce*" under said Regulation 2(c). In my view, the investment decision of shareholders of TTL would always depend upon true and fair disclosures about its transactions. If the shareholders are aware that any business decision of a company is potentially going to reduce their shareholdings' value, they may exercise their choice to exit or remain invested as per their will.

122. In this case, it is established that the acts and omissions of TTL ***were designed*** as a plan, device or artifice to the detriment of minority shareholders or exclusive benefit of the promoters at the cost of such shareholders, the case would fall within prohibitions under Section 12A(a), 12A(b), 12A(c) of the SEBI Act and Regulations 3(b), (c) and 3(d) of the PFUTP Regulations. The prohibitions in Section 12A and Regulation 3 are wide and inclusive. They include using or employing any manipulative or deceptive devices or contrivances in contravention of the provisions of the SEBI Act or the rules of the regulations made thereunder in connection with the issue, purchase or sale of listed or to-be-listed securities. Further, it includes employing any device, scheme or artifice to defraud as well as engaging 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 recognised stock exchange in contravention of the provisions of the SEBI Act or rules or regulations made thereunder are prohibited dealings.

123. I note that indulging in any fraudulent or *unfair trade practice in securities market* is prohibited in regulation 4(1). The expression 'Unfair trade practice' has not been defined under the SEBI Act or the PFUTP Regulations. A clear cut generalized definition of the '*unfair trade practice'* may not be possible to be culled out from the aforesaid definitions. Broadly, a trade practice is *unfair* if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions. It is to be noted that unfair trade practices are not subject to a single definition; rather it requires adjudication on case to case basis. Whether an act or practice is *unfair* is to be determined by all the facts and circumstances surrounding the transaction. Moreover, the concept of '*unfairness'* is broader than and includes the concept of '*deception'* or '*fraud'*. A *mala fide* fund diversion clandestinely or using misrepresentation of fact surely impact and influence the investment decision of shareholders of the concerned company and would

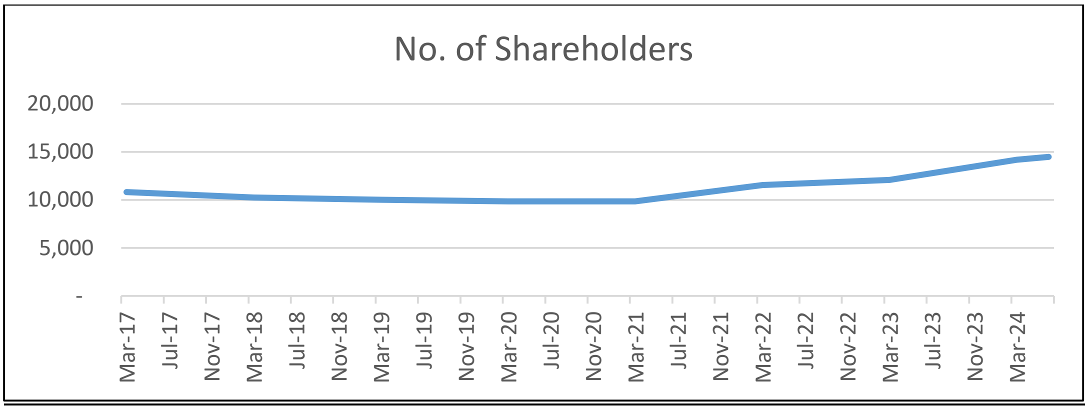
certainly be a manipulative, fraudulent or an unfair trade practice in securities markets and fall within wide scope of Regulation 4(1) of the PFUTP Regulations. The "*fraud on the market theory,"* as endorsed in ***SEBI v. Rakhi Trading Pvt. Ltd***.[15] and ***N. Narayanan*** (*Supra*), establish that fund diversions with fraudulent design can be presumed to influence investor behaviour, thereby constituting unfair trade practices.

124. Later, an Explanation was added to regulation 4(1) according to which indulging in diversion, mis-utilisation or siphoning off of assets or earnings of a listed company ***that would directly or indirectly manipulate the price of securities of that company*** would fall within Regulation 4(1). Accordingly, it is necessary to allege that the acts specifically listed in Regulation 4(1) directly or indirectly impact the price of securities of the concerned company. It is also pertinent to mention that this Explanation does not limit the scope of Regulation 3 and 4(1).

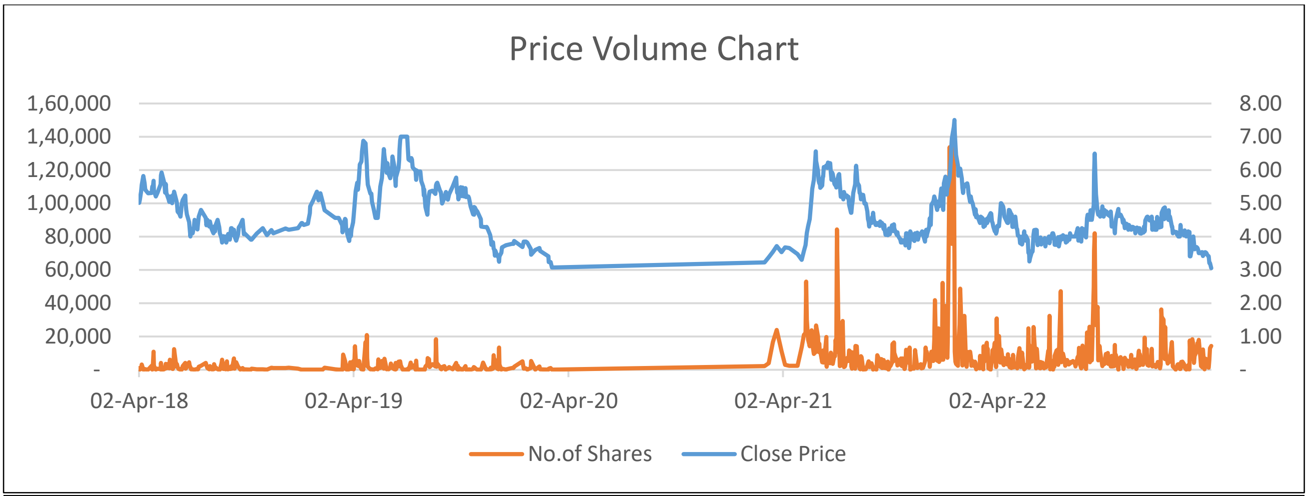
125. This case is a classic case of a knowing misrepresentation of truth, active concealment of material facts, suggestion as a fact something known to be untrue by the person making it, and other deceptive behaviour with a view to induce another person to act to his detriment or to deprive him of informed consent and full participation. Further, the misrepresentations have been made in a reckless or careless manner. A *mala fide* fund diversion with fraudulent design involving knowing misrepresentation of the truth and active concealment of material fact in order that investors in TTL may act to their detriment in connection with dealing securities would fall within the scope of prohibitions under Section 12A and Regulation 3 and 4(1) of the PFUTP Regulations. Whether a fund diversion is *mala fide* or an economic /commercial transaction is fake and fictitious are questions of fact and it depends on facts and circumstances of each case. The burden in this regard is upon SEBI. As regards, fund diversion and fictitious transactions as found hereinabove, SEBI has discharged its onus and Noticees have failed in discharging their burden when it was shifted upon them.

126. In this case, in the IR /SCN, it is narrated that publication of misrepresented and manipulative financial figures with regard to trade receivables in the Annual Report of TTL had a significant impact on the number of shareholders and on the scrip price as illustrated in the following graph:

[15] *(2018) 13 SCC 753)*



127.While the number of shareholders in TTL increased, as shown above, its share price witnessed rapid rise and subsequent fall during the investigation period. The price volume chart of TTL, during the investigation period is depicted in the following graph:



128.It has been further alleged that TTL made false and misleading disclosures and did not disclose the true state of affairs of the Company. This led to TTL knowingly publishing/ disseminating information, which it knew to be false/ misleading. These disclosures acted as a fraud/ deceit upon the investors of TTL who took investment decisions during the IP. The shareholders while making the investment decision were not privy to the genuine financial position of the company and were induced to trade at an unrealistic price based on the manipulated financial statements of the company. By recording fictitious transactions and booking non-genuine sales/ purchases, TTL had fraudulently misrepresented its financial statements and inflated its revenue and net-worth during the IP. This led to publication of misrepresented financial statements for FY 2018-19 to FY 2022-23, which were false and misleading. This act of TTL operated as a device to deceive the investors dealing in the shares of TTL, thereby violating Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations read with Section 12A(a), 12A(b), and 12A(c) of SEBI Act.

129. TTL has contended that**: -**

(a) SCN places on record a broad price-volume chart and a broad increase in shareholder numbers, but it undertakes no event study, identifies no specific announcement aligned to any specific price or volume movement, and offers no correlation analysis isolating the effect of the alleged misstatements from the many other influences upon trading in a scrip. A chart showing that a price rose and later fell is not an evidence that the Company's disclosures caused the movement.

(b) The SCN has recorded that the promoter holding stood unchanged at 44.63% from March 2018 through March 2023, and remained so as of September 2024. The promoters neither acquired nor disposed of a single share during the investigation period. The classic indicium of a fraud upon the market — the inflation of a price and the off-loading of shares into it — is therefore wholly absent, and with it the very motive the SCN imputes.

(c) The SCN identifies no buyer or seller in the market connected to the Company or its promoters, no pattern of synchronised, circular or manipulative trading, and no entity shown to have dealt in the scrip on the TTL's behalf. The price-volume chart is unaccompanied by any analysis of connected trading whatsoever. A charge of fraud upon the market, unsupported by the identification of a single market actor, cannot be sustained. SCN's own record defeat the suggested link between the disclosures and the price. First, the scrip stood suspended from trading for nearly a year — from March 12, 2020 to February 28, 2021 — for non-payment of listing fees; a price series broken by a year-long suspension cannot be read as a clean market response to the Company's disclosures, and forecloses any inference that the movement over the broader period was caused by the alleged misstatements alone. Secondly, the price is said to have reached its high on January 19, 2022, yet the SCN does not identify the announcement said to have driven it, or relate it to any specific misrepresented figure.

(d) As for the rise in shareholder numbers, that is consistent with numerous causes and does not, without a demonstrated causal link, establish that the Company's disclosures induced any investor to deal in securities. TTL has further contended that, the promoter holding did not change, no connected trader is identified, and no correlation between the announcements and the price is established, the chain from the conduct of the Company to any harm in the market is broken at every link, no adverse inferences of fraud can be drawn. TTL has made a reference to the case of *National Stock Exchange of India Ltd v. SEBI* and submitted that a causal nexus between the wrongful conduct and the alleged effect being indispensable, its absence is fatal to the fraud charge: no inference of a fraud upon the securities market can be sustained from a chart showing only that a price rose and later fell.

130.Admittedly, the scrip of TTL was suspended by the stock exchange for the period March 12, 2020 to February 28, 2021 on account of non-payment of Annual Listing Fees. However, no examination of trading, *viz*: volume of shares traded, price impact, etc. influenced by disclosures/non- disclosures, have been provided. It is also pertinent to mention that proximity between time of publication and time of investment decision of investors is crucial for making such allegation.

131.From the shareholder's graph, I note that during the period of suspension, the number of shareholders were approx. around 10,000 shareholders. After the suspension was lifted (February 2021 onwards), the number of shareholders witnessed a rise from 10,000 to 12,000 shareholders in one year between March 2021 to March 2023 i.e., a rise by 2,000 shareholders in one year. The number of shareholders have in fact witnessed a steady rise after March 2023 where the numbers have steadily risen to 14,000 shareholders in November 2023 and additional rise is witnessed. Also, post IP, the share price of TTL witnessed a rapid rise since January 2024 and reached a 52 week high of Rs. 46.48 as on December 12, 2024. However, the same is not a subject of adjudication in the present proceedings. I leave it at that.

132.Be that as it may, this is peculiar case of serious misdemeanour, misfeasance and nonfeasance where fraud has been perpetrated by persons in charge of monies of shareholders to the detriment of such investors in shares of TTL. It is not a case of *bona fide* act pursuant to restructuring or reorganisation of debt or equity pursuant to formal and legal ways such as family arrangements, court approvals or with shareholders' approval or an economic transactions of genuine supply of good and payment therefor. The IR draws an inference of inducement on account of misrepresented financial statements of TTL with regard to fictitious transactions, when the number of shareholder's in TTL started rising and the share price of TTL touched its highest (Rs. 7.86) on January 19, 2022.In the facts and circumstances of this case, when the TTL was not having any fundamentals to support its price and, in fact, its scrip was suspended, the investors interests were enticed during the same period when such disclosures by TTL were fraudulently manipulated and the figures contained therein were significantly misrepresented. In my view the inference in this case passes the test laid down in ***Kanaiyalal Baldevbhai Patel (supra).*** This is a case of *mala fide* fund diversion with fraudulent design and impacted the investors decision to act to their detriment in connection with dealing securities of TTL and the case squarely falls within the scope of prohibitions under Section 12A and Regulation 3 and 4(1) of the PFUTP Regulations.

133. Regulation 4(2)(e) operates in different field *viz*; the price manipulation by dealing in securities as actual *cause and effect*. In this case, there is not even a whisper in the IR about manipulating the reference price or bench mark price of securities of TTL as required under Regulation 4(2)(e). The present case is not a case of disseminating information or advice through any media, whether physical or digital as required under Regulation 4(2)(k). Further, in this case, there is no fact brought out in SCN to allege knowingly planting false or misleading '*news'* which may induce sale or purchase of securities as required under Regulation 4(2) (r) of the PFUTP Regulations. The foundational facts required under 4(2)(e)(f)(k) and (r) of the PFUTP Regulations must be established based on higher degree of probability in such cases which is absent in this case. I, therefore, find that the Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations do not apply to the facts of this case.

134. In view of the above analysis I find that the charge of violation of provisions of Section 12A(a), (b) and (c) of the SEBI Act and Regulation 3(b), (c), (d), 4(1) of the PFUTP Regulations established with respect to the first two set of allegations.

Violation of LODR Regulations with regard to misrepresentation with regard to untrue trade receivables:

135. The SCN makes an additional allegation with regard to publishing mis-represented financial results and charges TTL for violation of Regulation 4(1)(c), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(j), and 4(2)(e)(i) of the LODR Regulations. Additionally, it has been alleged that by violating IND AS 1 (Presentation of Financial Statements) and IND AS 115 (Revenue from Contracts with Customers), TTL also violated Regulation 4(1)(a), 4(1)(b), 4(2)(e)(i), 33(1)(a), 33(1)(c), 48 of the LODR Regulations for fraudulently manipulating books of account and misrepresented

financial statements during the FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23. These provisions of LODR Regulations read as following: -

LODR Regulations:

Principles governing disclosures and obligations.

4.(1) *The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:*

(a)Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.

(b)The listed entity shall implement the prescribed accounting standards in letter andspirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

(c)The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

………………

(e)The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

……………….

(g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

…………..

(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

(2) *The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.*

…

(e)Disclosure and transparency: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

(i)Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.

……………………………………………………………………………………………..

Financial results.

***33.(**1) While preparing financial results, the listed entity shall comply with the following:*

(a) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.

……………

(c) The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India:

Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.

Accounting Standards.

***48.** The listed entity shall comply with all the applicable and notified Accounting Standards from time to time.*

Indian Accounting Standard (Ind AS) 1

Presentation of Financial Statements

(This Indian Accounting Standard includes paragraphs set in bold type and plain type, which have equal authority.

Paragraphs in bold type indicate the main principles).

Objective

1 This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

……

Indian Accounting Standard (Ind AS) 115

Revenue from Contracts with Customers

(The Indian Accounting Standard includes paragraphs set in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.

Objective

1 The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Meeting the objective

2 To meet the objective in paragraph 1, the core principle of this Standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services."

136. The above allegation has not been controverted by TTL specifically though it has contended that the accounting dispute and governance lapses cannot be considered as a securities market fraud. I note that regulations 4(1) of the LODR Regulations provides for general principles of disclosures and obligations under the said Regulations. As per regulation 4(1)(c) the listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading. Regulation 4(1)(e) mandates that listed entity shall ensure that disseminations made, are adequate, accurate, explicit, timely and presented in a simple language. Under 4(1)(g) the listed entity shall abide by all the provisions of the applicable laws. As per 4(1)(h) the listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders. Under 4(1)(j) the periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity. Regulation 4(2) provides for principles and objectives for compliance of the corporate governance provisions as specified in chapter IV of the LODR Regulations. Under regulation 4(2)(e)(i) the listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity and the information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.

137. I also note that IND AS 1 sets the rules for presentation of financial statements. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements. As per the IND AS 115, revenue recognition can be recognized, *inter alia*, when the performance obligations are satisfied. Regulation 33 of the LODR Regulation sets the accounting and preparation principles for financial results. Under regulation 33(1)(a) financial results shall be prepared on the basis of accrual accounting policy and shall be in

accordance with uniform accounting practices adopted for all the periods. As per 33(1)(c), the standalone financial results and consolidated financial results shall be prepared as per the generally accepted accounting principles in India. Regulation 48 requires listed entities to comply with all applicable and notified accounting standards from time to time.

138. TTL being a listed entity all requirements of principles of disclosures and obligations under LODR Regulations, the principles and objectives for compliance of the corporate governance provisions as well as the accounting and preparation principles for financial results were applicable to it. However, it failed to make the accurate disclosures in its financial statements for FY 2018-19 and 2022-23. Thus, the violation of the provisions of IND AS 1 and IND AS 115 and Regulation 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(j), 4(2)(e)(i), 33(1)(a), 33(1)(c) and 48 of the LODR Regulations stands established against TTL.

139. In view of the above findings, with regard to first two sets of allegations, I conclude that:

(a) *mala fide* and fraudulent fund diversions by TTL, as found hereinabove, were in contravention of provisions of Regulations 3(b), 3(c), 3(d), and 4(1) of the PFUTP Regulations read with Section 12A(a), 12A(b) and 12A(c) of the SEBI Act;

(b) fictitious/fraudulent transaction and mis-represented financial results in relation thereto was in contravention of provisions of Regulations 3(b), 3(c), 3(d) and 4(1) of the PFUTP Regulations read with Section 12A(a), 12A(b), and 12A(c) of SEBI Act; and

(c) by publishing mis-represented financial results, TTL violated the provisions of Regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(j), 4(2)(e)(i), 33(1)(a), 33(1)(c) and 48 of the LODR Regulations.

iii. Corporate Governance:

a. Non-disclosure of related party transactions:

140. It has been alleged that TTL, *inter-alia*, entered into transactions with the following Noticees who were its *related parties* as per Section 2(76) of the Companies Act 2013 who were not disclosed as required under LODR Regulations:

Table 16- Nature of Relation and violation

Sl. No.	Noticee	Nature of Relation and violation
1	Noticee No. 3	Noticee No. 3 is a related party of TTL by virtue of Harsh Choudhary, the son of Noticee No. 10, being a significant shareholder (member) and director of Noticee No. 3. TTL disclosed Noticee No. 3 as a related party only for the period FY 2020-21 onwards and failed to disclose as a Related Party for FY 2019-20. However, Noticee No. 3 was a related party of TTL even for the FY 2019-20. Hence, TTL failed to disclose Noticee No. 3 as a related party and the funds given by TTL to Noticee No. 3 as related party transactions for FY 2019-20.
2	Noticee No. 4	Omprakash Trivedi, a director of Noticee No. 4 is the father of Noticee No. 16, an independent director of TTL. While Noticee No. 16 was a Director in TTL for the period July 21, 2022 to July 17, 2023, her father Omprakash Trivedi, was a Director in Noticee No. 4 for the period June 20, 2015 to till date. Accordingly, Noticee No. 4 is a related party of TTL. However, TTL failed to disclose Noticee No. 4 as related party for FY 2022-23 and FY 2023-24 and also failed to disclose the Loans and advances given by TTL as related party transactions
3	Noticee No. 7	Omprakash Trivedi and Laxmi Trivedi, shareholders and directors of Noticee No. 7 are the parents of Noticee No. 16, an independent director of TTL. While Noticee No. 16 was a Director in TTL for the period July 21, 2022 to July 17, 2023, her father Omprakash Trivedi, was a Director in Noticee No. 7 for the period January 16, 2009 to till date and her mother Laxmi Trivedi, was a Director in Noticee No. 7 for the period January 16, 2009 to July 10, 2023. Accordingly, Noticee No. 7 is a related party of TTL. However, TTL failed to disclose Noticee No. 7 as related party for FY 2022-23 and FY 2023-24 and also failed to disclose the transaction as related party transactions.
4	Noticee No. 8	Noticee No. 13, a director of Noticee No. 8 was also a director in TTL during FY 2020-21 to 2023-24. He was a common director in Noticee No. 8 and TTL for the period January 31, 2021 to June 06, 2023. Accordingly, Noticee No. 8 is a related party of TTL. However, TTL failed to disclose Noticee No. 8 as related party for FY 2020-21, FY 2021-22, and FY 2022-23 and also failed to disclose the transaction as related party transactions.

141. It has been alleged that by not disclosing the aforementioned related parties and impugned transactions with them, TTL violated the provisions of Regulation 34(3) read with Clause 1 of Para A of Schedule V to the LODR Regulations and Regulation 4(1)(a), 4(1)(b), 4(2)(e)(i), and 48 of the LODR Regulations. Moreover, in terms of Regulation 23(2) of LODR Regulations, all the related party transactions require approval of the Audit Committee. However, no prior

approval of the Audit Committee was obtained for the said related party transactions entered by TTL with these related parties, thereby violating Regulation 23(2) of the LODR Regulations.

142. TTL and theses Noticees have not contested the *related party transactions* or the relations amongst themselves. TTL has, however, contended that a dispute as to whether an entity fell within the definition of "*related party*" for a given year based on indirect familial or common-director connections is not equivalent to a fraudulent market device. The allegation that prior audit committee approval was not obtained because the transactions were not disclosed as related party transactions may trigger consequences under the LODR framework, but cannot automatically establish fraudulent intent in the absence of evidence that the classification was deliberately concealed to induce securities-market dealing.

143. I note that the IR makes non – disclosures an independent head of violation of corporate governance norms under the LODR Regulations. In my view non- disclosures of related party transactions under LODR Regulations could also be used as a device or artifice to fraudulently divert the funds of a listed company. If the non-disclosure is part of an active, deceitful design to siphon of the funds, artificially inflate financial statements, or hide a structural corporate con that directly alters investor perception the prohibitions under regulations 3 and 4(1) of the PFUTP Regulations and Section 12A of the SEBI Act could get attracted. In this case, it has already been established that several material information was actively concealed or misrepresented as part of fraudulent acts. The additional allegation in this regard is an independent charge and Noticees cannot avoid it merely because such allegation does not mention inducement in securities-market dealing.

144. Regulation 34(3) of the LODR Regulations provides that the Annual Report of the listed entity shall contain disclosures specified in Schedule V and Regulation 48 mandates the listed entity to comply with all applicable and notified accounting standards. Regulation 4 of the LODR deals with principles governing disclosures and obligations. As per Regulation 4(1)(a), 4(1)(b) and 4(2)(e)(i) all information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure and listed entity shall implement the prescribed accounting standards in the preparation of financial statements taking into consideration the interest of all stakeholders. Disclosure of related party transactions is essential because it brings transparency to business dealings between connected people or entities. While such transactions can be legitimate and even strategic, they must be disclosed to avoid misuse of shareholder funds

and insider influence. Further, prior approval of Audit Committee is mandatory for all such transactions.

145. IR has intermingled the allegation of non-disclosure of 'related party' and 'related party transaction' into a single allegation of 'non-disclosure of related party transactions'. While IR has dealt with non-disclosure of related party as well as related party transactions of TTL with Noticee No. 3 in the first set of allegation, it has made reference of non-disclosure of related party only with respect to Noticee No. 4, 7 and 8 while alleging violation relating to corporate governance. Admittedly, Noticee No. 2, 5 and 6 were also related parties of TTL, however, no allegation/reference of non-disclosure of related party and/or related party transactions have been made as regards the transactions with Noticee No. 2, 5 and 6.

146. While it is unclear if TTL disclosed Noticee No. 2 as a related party for the relevant years but from the IR, it is stated that in the financial statements for the FY 2020-21, FY 2021-22 and FY 2022-23, TTL failed to disclose any interest income received/ receivable from Noticee No. 2 under *related party transactions*. Thus, it is clear that no disclosures were made by TTL in respect of Noticee No.2 as its related party and related party transactions with it. Further, TTL failed to disclose Noticee No. 5 and 6 as related parties for the period FY 2018-19 to FY 2022-23. By failing to disclose Noticee No. 5 and 6 as a related party, it can safely be assumed that TTL also did not disclose the transactions with Noticee No. 5 and 6 under related party transactions during the period FY 2018-19 to FY 2022-23. In view thereof, with respect to the allegation of non-disclosure of related party and related party transactions following is noted:

Table 17- Disclosure of related party and related party transactions

Noticee No.	Disclosure
Noticee No. 2	Failed to disclose related party transactions for the FY 2020-21, FY 2021-22 and FY 2022-23
Noticee No. 3	TTL disclosed Noticee No. 3 as a Related Party only for the period FY 2020-21 onwards and failed to disclose as a Related Party for FY 2019-20. Noticee No. 3 was a Related Party of TTL even for the FY 2019-20. Hence, TTL failed to disclose Noticee No. 3 as a related party and the Loans and advances given by TTL to Noticee No. 3 as related party transactions for FY 2019-20.
Noticee No. 4	TTL failed to disclose Noticee No. 4 as Related Party for FY 2022-23 and FY 2023-24 and also failed to disclose the the Loans and advances given by TTL as related party transactions for FY 2022-23 and FY 2023-24 .
Noticee No. 5	TTL failed to disclose Noticee No. 5 as related party for the period FY 2018-19 to FY 2022-23 and failed to disclose the transactions under related party transactions during the period FY 2018-19 to FY 2022-23.
Noticee No. 6	TTL failed to disclose Noticee No. 6 as related party for the period FY 2018-19 to FY 2022-23 and failed to disclose the transactions under related party transactions during the period FY 2018-19 to FY 2022-23.
Noticee No. 7	TTL failed to disclose Noticee No. 7 as related party for FY 2022-23 and FY 2023-24 and also failed to disclose the transaction as related party transactions for FY 2022-23 and FY 2023-24.
Noticee No. 8	TTL failed to disclose Noticee No. 8 as Related Party for FY 2020-21, FY 2021-22, and FY 2022-23 and also failed to disclose the transaction as related party transactions for FY 2020-21, FY 2021-22, and FY 2022-23.

147. In the instant case, while dealing this case within the charge as per IR/SCN, I find that Noticees No. 3, 4, 7 and 8 were *related parties* of TTL and all the transactions of TTL with these Noticees required prior approval of the Audit Committee of TTL as per Regulation 23(2) of the LODR Regulations and also needed to be disclosed in the Annual Reports of the respective financial years in terms of Regulation 34(3) read with Clause 1 of Para A of Schedule V and 48 of the LODR Regulations. However, TTL failed to do so. I, therefore, find that TTL violated the provisions of Regulation 23(2), 34(3) read with Clause 1 of Para A of Schedule V and 48 of the LODR Regulations. TTL also failed to adhere to the principles governing disclosures and obligations as per Regulation 4 (1)(a), 4(1)(b) and 4(2)(e)(i) of the LODR Regulations.

b. Failure to convene Audit Committee meetings

148. Despite multiple summons and repeated reminders, TTL failed to produce the certified copies of minutes of Audit Committee / Board meetings, wherein approvals for granting the loans and advances to Noticee No. 2, 3 and 4, were taken, provisioning/ write off of loans and advances made to Noticee No. 2 and 4 and provisioning/ write off of trade receivables outstanding from Noticee No. 5, 6, 7 and 8 were discussed. Further, the members of Audit Committee i.e., Noticee No. 13, 14, 15 and 16 had, in their respective depositions during investigation, stated as under:

Noticee No. 15: *"I have never attended any AC meetings. I used to drink tea outside the meeting and sign the papers given to me after the meetings."*

Noticee No. 16: *"I used to sign the papers sent by the TTL. I never attended any Board/ Audit Committee meetings of TTL during my tenure of Directorship at TTL. I have never visited TTL's office. I have not attended any meetings. But my signatures were taken by TTL. I don't know what Audit Committee is. I don't know if I was a member of the Audit Committee or not."*

Noticee No. 14: *"I had no role to play in TTL. I have attended approx. 4-5 meetings for name sake that too for last 5-10 minutes for signing the minutes of the meetings. Yes, I was a member of Audit Committee. I had no role as member of Audit Committee. During my tenure in TTL as ID, I do not know the exact number of AC meetings I had attended. I have definitely not attended 15 AC Meetings in TTL. I had no contribution in the AC meetings. I had signed the minutes of the meetings I had attended. There were few instances, wherein I had signed few documents that were sent to my home. I do not know if minutes of meetings were present among those documents."*

Noticee No. 13: *"I attended few meetings. I do not know if they were Board Meetings or Audit Committee (AC) meetings of TTL. I do not know (if I was the Chairman of AC of TTL). I have never attended any AC meetings. Moreover, I think the AC meetings did not take place."*

149. Noticee No. 13 had vide email dated November 22, 2023, submitted few minutes of Board meetings, Audit Committee meetings and meeting of Independent Directors of TTL. As per the minutes, the meetings had taken place at S-*105, Rajiv Gandhi Complex, Ekta Nagar, Kandivali (West) Mumbai 400067*. To verify the genuineness of the meetings being held, Call Data Records ('CDR') and the Tower Locations of the mobile numbers of KMPs of TTL for the period October 30, 2022 to October 30, 2024 were sought from respective telecom service providers. An analysis of the tower locations of the attendees of the meetings as per the minutes submitted by Noticee No. 13, is as under:

Table 18 - Analysis of the tower locations

Date	Time	Type	Attendees	Phone Number	Tower Location
14/11/2022		AC Meeting	Noticee No. 13	xxxxxxx290	Mahavir Nagar, Malad West

Date	Time	Type	Attendees	Phone Number	Tower Location
	02:00 PM to 02:30 PM			xxxxxxx900	Sainath Road, Malad West
				xxxxxxx632	Amroli Road, Surat
			Noticee No. 16	xxxxxxx064	Shanti Nagar, Mira Road East
			Noticee No. 10	xxxxxxx788	Chakala, Andheri East
				xxxxxxx910	Umergaon, Valasad
07/02/2023	12:00 PM to 12:30 PM	AC Meeting	Noticee No. 13	xxxxxxx290	Pratap Nagar, Malad East
				xxxxxxx900	Malad East
				xxxxxxx632	Bal Ashram, Katargam Road, Surat
			Noticee No. 16	xxxxxxx064	-
			Noticee No. 15	xxxxxxx705	Shammi Nagar, Dharavi
14/11/2022	03:00 PM to 04:00 PM	Board Meeting	Noticee No. 13	xxxxxxx290	Mahavir Nagar, Malad West
				xxxxxxx900	Sainath Road, Malad West
				xxxxxxx632	Amroli Road, Surat
			Noticee No. 16	xxxxxxx064	Mira Road East
			Noticee No. 10	xxxxxxx788	Chakala, Andheri East
				xxxxxxx910	Thane
			Noticee No. 15	xxxxxxx705	Dharavi, Mahim
			Noticee No. 12	xxxxxxx985	Vadodara
16/01/2023	07:00 PM to 08:00 PM	Board Meeting	Noticee No. 13	xxxxxxx290	Mahavir Nagar, Malad West
				xxxxxxx900	Sainath Road, Malad West
				xxxxxxx632	Surat
			Noticee No. 16	xxxxxxx064	Balaji Nagar, Bhayandar West
			Noticee No. 15	xxxxxxx705	Dharavi, Mahim

Date	Time	Type	Attendees	Phone Number	Tower Location
			Noticee No. 12	xxxxxxx985	-
07/02/2023	03:00 PM to 04:30 PM	Board Meeting	Noticee No. 13	xxxxxxx290	Mahavir Nagar, Malad West
				xxxxxxx900	Sainath Road, Malad West
				xxxxxxx632	Madhavanand Ashram, Katargam Road, Surat
			Noticee No. 16	xxxxxxx064	
			Noticee No. 15	xxxxxxx705	Shammi Nagar, Dharavi
			Noticee No. 12	xxxxxxx985	Ramangamdi, Vadodara
03/03/2023	10:30 AM to 11:00 AM	Meeting of Independent Directors	Noticee No. 13	xxxxxxx290	Pratap Nagar, Malad East
				xxxxxxx900	Malad East
				xxxxxxx632	Madhavanand Ashram, Katargam Road, Surat
			Noticee No. 16	xxxxxxx064	
			Noticee No. 15	xxxxxxx705	Mahim East

150. The tower location analysis of the mobile numbers of attendees of meetings at TTL revealed that the attendees of the meetings were at different places during the date and time of the meetings. Moreover, the tower locations of the attendees of the meetings were distant from the venue of the meeting being held as per the minutes. Considering the depositions of Audit Committee members and the Tower Location Analysis, SCN/IR has alleged that the meetings were never held in TTL. In view thereof, by making false and misleading disclosures w.r.t. the meetings being held in the Company, it is alleged that TTL misled the investors and violated Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations and Regulation 4(1)(c) of the LODR Regulations.

151. TTL has contended that the allegation that Audit Committee / Board meetings were not held, while serious if established, remains a governance and record-authenticity issue unless it is established that the alleged non-holding of meetings directly translated into market manipulation or investor inducement. Such explanation is not plausible and is evasive. I note that the Tower Location Analysis of the mobile numbers of the attendees of the Board/Audit Committee

meetings on the date and time of the impugned meetings show that the attendees were never in one common place at the time of the meeting(s). Further, from the depositions of the members of the Board and Audit Committee, Noticee No. 15 and 16 have submitted that they never attended any meetings and Noticee no. 13 and 14 have submitted that they attended few meetings for *name sake* which lasted 5-10 minutes. There is no doubt that TTL made false and misleading disclosures w.r.t. the meetings being held in the Company. Such act is certainly in contravention of provisions of Regulation 4(1)(c) of the LODR Regulations.

152. However, for making allegation of manipulative, fraudulent or unfair *trade* practices as per Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations, no foundational facts are brought to show that the Audit Committee/Board meetings were held in relation to matters that would have a direct bearing and influence on the shares and price of TTL, thereby misleading/ inducing the investors. There is also no examination in the IR about any trading or dealing in shares of TTL based on disclosures in the Annual Report. Regulation 4(2)(f) is in relation to publishing or reporting of 'financial results', 'financial statements', etc. In the present case the non -disclosure with respect to audit committee meetings was made in the *Annual Report* which may not have any bearing in the '*financial results', 'financial statements'* of TTL as Annual Report is not treated as 'financial statements. Regulation 4(2)(k) deals with the case of disseminating information or advice through any media, whether physical or digital, which does not apply to the present case. Moreover, there is no fact brought out in SCN to allege knowingly planting false or misleading '*news'* which may induce sale or purchase of securities as required under Regulation 4(2)(r) of the PFUTP Regulations. In view of the above, the violation of Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations does not apply to the instant allegation.

c. Improper constitution of Audit Committee (AC)

153. As per Regulation 18(1)(c) of the LODR Regulations, all members of Audit Committee shall be *financially literate*. Noticee No. 16 who was the Audit Committee member of TTL for FY 2022-23, in her deposition before SEBI, had *inter-alia* stated that she had no idea/ knowledge regarding finance viz., shares, listing, balance sheet, Independent Director etc., Noticee No. 15, the Audit Committee member of TTL for FY 2022-23, in his deposition before SEBI, *inter-alia* stated that his educational qualification is SSC and that he works as a peon in a company named Ruth Developers. IR/SCN has observed that Noticee No. 16 and 15, the Audit Committee members of

TTL were not financially literate. Thus, TTL by not constituting proper Audit Committee TTL has violated the provision of Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations and Regulation 4(1)(c) of the LODR Regulations.

154. Regulation 18(1)(c) of the LODR Regulations mandates all members of Audit Committee to be *financially literate* and at least one member shall have accounting or related financial management expertise. As per the Explanation (1) appended to Regulation 18(1)(c), *"financially literate"* shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows. I find that the composition of the Audit Committee (comprising solely of, or a majority of independent directors and the chairperson being an independent director, with all members required to be "*financially literate"* and at least one member to have "*accounting or related financial management expertise")* provides a clear overview of the role that the members of the Audit Committee are expected to perform. The role is crucial and is not simply restricted to just audit but also a broader spectrum of matters relating to the listed entity's financial statements. The role of the Audit Committee *inter alia* includes oversight of financial reporting process and disclosure of financial information, reviewing annual and quarterly financial statements before submission to the board, <u>approval of related party transactions</u>, scrutiny of inter-corporate loans and investments, evaluation of internal financial control and risk management systems, etc.

155. Thus, the role of the Audit Committee, with its powers, role and responsibilities, play a critical role in the process of corporate governance. TTL by appointing Noticees No. 15 and 16 as members of the Audit Committee, who in their own deposition were not qualified and *financially literate*, has committed serious corporate governance lapses. TTL has failed to ensure effective monitoring of the management, to act in good faith, with due diligence and care and in the interest of the listed company and shareholders. Regulation 4(1)(c) of the LODR Regulations governs principles relating to disclosures and obligations. In this case, the acts of TTL are blatantly in contravention of provisions of Regulation 4(1)(c) of the LODR Regulations.

156. However, I find that the IR and the SCN has alleged the violation of the provisions of Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations also. For reasons given in earlier part (b) of the charge relating to corporate governance related violations, I find that the provisions of Regulation 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations are not applicable with respect to this allegation.

iv. Non-compliance of summons.

157. During the investigation, summonses were issued to the KMPs (Key Managerial Personnel) of Noticee No. 1 to 8 seeking clarifications with respect to the loans and advances and the outstanding trade receivables observed during the IP. IR/SCN has alleged that despite multiple summons and repeated reminders, TTL and Noticee No. 2 to 8 failed to provide the *complete information*. The Noticees failed to provide the documentary evidences supporting the loans and advances and/ or sales/ purchases. The Noticees also failed to provide the bank statements highlighting the receipt/ payment of loans and advances and/or trade receivables respectively.

158. Vide summons dated September 12, 2024, September 23, 2024 and November 8, 2024 the following information/ documents were *inter alia* sought from Noticee No. 1:

a. Bank Statements of TTL from April 01, 2018 to June 30, 2024, highlighting the

- *Payment of loans and advances made to CGL, VTPL and LFPL*
- *Source of loans and advances made to CGL, VTPL and LFPL*
- *Repayment of loans and advances made by CGL, VTPL and LFPL to TTL.*
- *Repayment of outstanding trade receivables by RSLPL, DISPL, KEPL and AMPL to TTL*

b. The supporting documentation including certified copies of minutes of the meetings in which approvals for granting the loans and advances to CGL, VTPL and LFPL, are taken from Board/ Audit Committee/ Shareholders.

c. The Loan agreements or any other relevant documentation prescribing the rate of interest, tenure of loan, purpose of loan etc. entered between TTL and CGL/ VTPL/ LFPL.

d. Whether TTL received any interest component from CGL/ VTPL/ LFPL for the afore-mentioned loans and advances.

e. The supporting documentation including certified copies of Minutes of Meetings of Board/ Audit Committee, wherein the provisioning/ write off of loans and advances made to CGL and LFPL was discussed.

f. Ledgers of RSLPL, DISPL, KEPL and AMPL in the books of TTL for FY 2018-19 to FY 2022-23.

g. *Documentation in support of the sale made to RSLPL, DISPL, KEPL and AMPL including but not limited to e-way bills, sales invoices etc.*
h. *The supporting documentation including certified copies of Minutes of Meetings of Board/ Audit Committee, wherein the provisioning/ write off of trade receivables outstanding from RSLPL, DISPL, KEPL and AMPL was discussed.*

159. Vide separate summons dated September 12, 2024, September 23, 2024 and November 8, 2024, the following information/ documents were *inter alia* sought from Noticee No. 2, 3 and 4:

a. *All the Bank account details of CGL/ VTPL/ LFPL. Bank Statements of CGL/ VTPL/ LFPL from April 01, 2018 to June 30, 2024, highlighting the-*
    - *Loans and advances received from TTL;*
    - *Utilization of funds received from TTL;*
    - *Repayment made to TTL;*
    - *Source of repayment made to TTL.*
b. *The Loan agreements or any other relevant documentation prescribing the rate of interest, tenure of loan, purpose of loan etc. entered between CGL/ VTPL/ LFPL and TTL;*
c. *Whether CGL/VTPL/LFPL paid any interest component on the afore-mentioned loans and advances to TTL.*

160. Vide separate summons dated September 12, 2024, September 23, 2024 and November 8, 2024, the following information/ documents were *inter alia* sought from Noticee No. 5, 6, 7 and 8:

a. *Ledger of TTL in the books of RSLPL, DISPL, KEPL and AMPL for FY 2018-19 to FY 2022-23;*
b. *Documentation in support of the purchases made from TTL including but not limited to e-way bills, purchase orders, invoices etc;*
c. *All the Bank account details of RSLPL, DISPL, KEPL and AMPL. Bank Statements of RSLPL, DISPL, KEPL and AMPL from April 01, 2018 to June 30, 2024, highlighting the:*
    - *Payment made to TTL;*
    - *Source of payment made to TTL.*

161. It has been alleged that Noticee No. 1 to 8 hampered the investigation by not providing complete information and failed to comply with the requirements of SEBI summons issued under section 11C (3) of the SEBI Act. Further, Noticee No. 3 hampered the investigation by providing wrong submissions to SEBI.

162. TTL has contended that the incompleteness of the responses to summons cannot become a universal substitute for that proof. Noticee No. 2 to 8 have denied violation of section 11C(3) of SEBI Act and have contended that issuance of SCN itself demonstrates that they have complied with the summons and that investigation were completed after their co-operation. I find that the violation of section 11C (3) of SEBI Act against TTL and Noticee No. 2 to 8 is for non-submission of *complete information* sought through the summons due to which the genuineness of the loans and advances granted by TTL to Noticee No. 2, 3, and 4 and the sales and corresponding trade receivables arising out of sales made by Noticee No. 1 to Noticee No. 5, 6, 7, and 8 could not be verified. Moreover, the findings with respect to fund diversion and trade receivables have already been dealt with in the preceding paragraphs. The contention of TTL is therefore misplaced.

163. I find that any non-submission of information sought by the IA hampers the process of investigation. The contention that Noticees replied to the summons is not sustainable as the Noticees did not submitted complete information sought by the IA. During the investigation, the IA sought information/details that were unique to the relation and dealings of the Noticees as regards the granting of loans and advances and/or trade receivables due to Noticee No. 1. The IA had sought details pertaining to loan agreements, rate of interests, approvals of granting of loans from the Board/Audit Committee/Shareholders, utilization of funds, repayments etc. The information was called in order to carry out SEBI's statutory functions and duties of protecting the integrity of the securities market. I find that failing to fully reply to summons or providing incomplete details slows down the inquiry and forces investigation to spend extra time and effort in piecing together facts instead of reviewing a complete response. Piecemeal disclosure stalls the fact-finding process which indeed hampers the investigation. Section 11C(3) of the SEBI Act makes it clear that an IA appointed by SEBI to investigate the affairs of any persons may require such person "*associated with the securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorized by it, in this behalf as it may consider necessary, if the furnishing of such information or the production of such books, or registers, or other documents, or record is*

relevant or necessary for the purposes of its investigation". In the present case, the Noticees were under investigation for their alleged involvement in the genuineness of the transactions with TTL. TTL and Noticee No. 2 to 8 however hampered the investigation by not providing complete information to the IA thereby violating the provisions of section 11C(3) of the SEBI Act.

164. In this regard, the Hon'ble SAT has recognized the importance of compliance of summons and in the matter of *DKG Buildcon Pvt. Ltd. v. SEBI*[16] where it has held that "*...It is of utmost importance that every person from whom information is sought should fully co-operate with the investigating officer and promptly produce all documents, records, information as may be necessary for the investigations. If persons are allowed to flout the summons issued to them during the course of the investigations, the Board as the watchdog of the securities market will not be able to perform its duties in protecting the interests of the investors and safeguarding the integrity of the securities market.*"

165. It is also important to refer to the judgment of the Hon'ble SAT in the matter of *Mr. Jalaj Batra vs. SEBI*[17] wherein it observed: "*......We have observed time and again that it is of utmost importance that market players like the appellant should fully cooperate with the investigations that are carried out by the Board, the watchdog of the securities market. If market players and intermediaries avoid appearing before the investigating officer or furnish the necessary information sought from them, the Board as a market regulator will not be able to carry out its statutory functions and duties of protecting the integrity of the securities market and the investigations would be grossly hampered. Non co-operation with the market regulator has to be viewed seriously. We do not know what else would have come to light if the appellant had appeared before the investigating officer or if he had furnished the requisite information that was sought from him.*"

166. Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari*[18] held that: "*……Adjudicating Officer had, therefore, rightly recorded that non-compliance of summons had hampered the further course of investigation. The failure was without any justification. Agreeing with the said findings, the Appellate Tribunal has observed that details were withheld with a view to delay the investigation being conducted by SEBI to the detriment of investors from whom funds were collected by the*

[16] *Appeal No. 106 of 2006 dated January 7, 2009.*
[17] *Appeal no. 184 of 2010 dated December 06, 2010.*
[18] *Civil Appeal No(S).11311 Of 2013) dated February 28, 2019.*

appellants in contravention of CIS Regulations. We do not find any fault with the reasoning given. We are of the opinion that the fault squarely lied with the appellants and, thus, penalty of Rs.1,00,00,000/- (Rupees one crore only) for violation of Section 11C(3) under Section 15A(a) of the SEBI Act does not call for any interference."

167. In *Asian Films Production and Distribution Ltd. vs. SEBI*[19], Hon'ble SAT held that :*"Non-compliance with summons is, indeed, a serious matter and cannot be viewed lightly. The respondent Board is the market regulator and has to regulate the securities market and the law provides that every person associated with the market in any manner should cooperate in the matter of carrying out investigations. In the year 2002, the provisions of the Act were amended and penalty for non-compliance with summons was enhanced considerably to make it more deterrent. Market players who do not cooperate with the regulator in the matter of investigations commit a serious wrong which can have serious repercussions in the market. We do not know what would have come to light if the company had furnished the information sought from it."*

168. It is well established that timely and complete submission of information is crucial for the purpose of effective investigation proceedings and non-cooperation by an entity can be detrimental to the interest of investors and securities market on account of delay or hindrance in the investigation. In the light of the aforesaid, the failure on the part of TTL and Noticee No. 2 to 8 to comply with the summons has to an extent hampered the investigation. Further, Noticee No. 3 also falsely submitted that the outstanding loans and advances due from Noticee No. 3 was *nil* and that the entire amount of Rs. 5.23 crore was recovered from Noticee No. 3 which in reality was untrue. It was the responsibility of the Noticees to provide complete information that was sought through the summons and was obligated to cooperate with the IA which they did not do so. Non-compliance of the summons and lethargic indifference is viewed seriously and consequently TTL and Noticee No. 2 to 8 are liable for monetary penalty under section 15A(a) of the SEBI Act for violation of section 11C (3) of SEBI Act.

169. Three summons dated December 1, 2023, December 14, 2023 and January 10, 2024 for *personal appearance* were issued by the IA to Noticee No. 19 (Director of Noticee No. 5 and 6) and all the summons were delivered at his address. However, Noticee No. 19 failed to appear before the IA. Noticee No. 19 has contended that he was suffering from serious health issues since August 2023 and was undergoing medical treatment. Copies of the relevant medical reports were

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[19] *Appeal No. 203 of 2010 dated January 19, 2011*

enclosed with his submissions. Noticee No. 19 has further contended that the SCN does not contain any specific allegation or evidence to demonstrate that he personally participated in, directed, facilitated, or had knowledge of any of the alleged fraudulent transactions. Mere non-appearance before the IA, by itself, cannot be construed as proof of the alleged violations, nor can the same be used to attribute an fraudulent intent or misconduct in the absence of cogent and independent evidence. Noticee No. 19 has also contended that penalty under Section 15A (a) of the SEBI Act for violation of Section 11(C)(5) of the SEBI Act is *ultra vires* as the consequences of the course of action for an alleged violation of Section 11C(5) is specifically provided under Section 11C (6) of SEBI Act.

170. Noticee's contention that SCN does not contain any specific allegation against him and that his non-appearance before the IA cannot be construed as proof of alleged violations cannot be sustained as the allegation against Noticee No. 19 is of non-compliance of summons simpliciter. As regards, the other contention, it is pertinent to mention that Section 11C (6) was demanded by SEBI pursuant to concerns raised in Joint Parliamentary Committee of 2001 that SEBI has no power to enforce compliance of summons and section 15A was not the appropriate remedy. Thus, The prosecution for offences in terms of Section 11C (6) is a parallel course of action and does not oust the jurisdiction under Section 15A.

171. I find that Noticee No. 19 held a pivotal position as director in Noticee No. 5 and 6 and was a material witness and source of crucial information in the instant matter. Considering the medical issue cited by the Noticee, the IA provided sufficient opportunity for appearance on December 13, 2023 (summons dated December 1, 2023), December 26, 2023 (summons dated December 14, 2023) and also on January 23, 2024 (summons dated January 10, 2024). Noticee No. 19 failed to appear on all three times before the IA. Noticee No. 19 is, therefore, liable for monetary penalty under section 15A(a) of the SEBI Act for violation of section 11C (3) of SEBI Act.

172. As regards, Noticee No. 12, IR/SCN has alleged that the statement of Noticee No. 12 could not be recorded during investigation and that his non-cooperation constitutes violation of Sections 11(C)(5), 11(C)(6), 11(C)(7) of the SEBI Act. During the investigation, Noticee No. 12 had *vide* emails dated November 27, 2023 and December 18, 2023 informed that his doctor has advised him against travel. Accordingly, Noticee No. 12 was provided with an opportunity to attend the statement recording via videoconferencing. On January 15, 2024, his statement was recorded at his residence through video conferencing and the recorded statement was emailed to Noticee No.

12 for his signature with advice to return the same to SEBI. Upon examination of the signed copy, it was observed that Noticee No. 12 had altered the statement recorded under oath before the IA. As a result, the statement of Noticee No. 12 could not be considered for the purpose of the investigation and it is alleged that Noticee No. 12 violated the provisions of Sections 11(C)(5), 11(C)(6), 11(C)(7) of the SEBI Act.

173. Noticee No. 12 has contended that Section 11(C)(5), 11(C)(6), 11(C)(7) of the SEBI Act are directed at a refusal to attend, to answer or to sign. The Noticee did none of these things; therefore, the allegation cannot be fitted into a case of "*failure to appear before the Investigating Authority*". It is not a case of non-attendance but of attendance, participation and subsequent disagreement, if any, as to how the statement ought to be reflected in writing. The Noticee has contended that if SEBI was of the view that any answer as signed by the Noticee did not match what SEBI believed was orally stated during videoconferencing, the proper course was to confront the Noticee on those specific points and, if necessary, record a further or supplementary statement. No such exercise was undertaken. Having failed to adopt the obvious and available course, SEBI cannot convert its own omission into an act of non-cooperation on the part of the Noticee No. 12.

174. I find that the while it has been alleged that Noticee No. 12 *altered* the statement recorded under oath, there is no material to indicate, demonstrate or reproduce the original version recorded by the IA or the signed version returned by Noticee No. 12. The IR does not display any comparison of the original statement and subsequent alteration made or the consequence of such alteration in terms of change in the meaning of the statement and/or liability created. It is noted that the statement of Noticee No. 12 was recorded via videoconferencing which in itself presents distinct technical risk and may lack the audio-visual clarity. It is also not clear whether a supplementary statement was recorded or a clarification was sought from Noticee No. 12. The IR/SCN merely states that *the statement recording of Noticee No. 12 could not be considered for the purpose of the investigation* without adequately demonstrating that the alteration was substantive in nature. I have nothing on record to compare what transpired during the statement recording on videoconferencing and the nature of modifications made Noticee No. 12. I, therefore, am inclined to give a benefit of doubt to Noticee No. 12.

F. Liability of the Noticees.

TTL/Noticee No. 1:

175. As discussed in the preceding paragraphs, certain violations of the PFUTP Regulations with respect to the fraudulent misrepresentation of books of account and misrepresented financial statement does not apply in the facts of the case. However, for the *mala fide* and fraudulent fund diversion by TTL in the form of interest free *loans and advances* the contravention of provisions of Regulations 3(b), 3(c), 3(d), and 4(1) of the PFUTP Regulations read with Section 12A(a), 12A(b) and 12A(c) of the SEBI Act is established. For indulging in fictitious transactions and manipulation of its books of account and misrepresentation of its financial statements during the investigation period i.e. FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23 the contravention of provisions of Regulations 3(b), 3(c), 3(d) and 4(1) of the PFUTP Regulations read with Section 12A(a), 12A(b), and 12A(c) of SEBI Act is established against TTL. Further, by publishing mis-represented financial results, TTL violated the provisions of Regulations 4(1)(c), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(j), and 4(2)(e)(i) of the LODR Regulations. Additionally, by violating IND AS 1 (Presentation of Financial Statements) and IND AS 115 (Revenue from Contracts with Customers), TTL violated Regulation 4(1)(a), 4(1)(b), 4(2)(e)(i), 33(1)(a), 33(1)(c), 48 of the LODR Regulations. Further, by failing to comply with the various corporate governance requirements, TTL violated the provisions of Regulation 4(1)(a), 4(1)(b), 4(2)(e)(i), 23 (2), 48 and Regulation 34(3) read with Clause 1 of Para A of Schedule V to the LODR Regulations. TTL also hampered the investigation by not providing complete information thereby violating Section 11C (3) of the SEBI Act.

Noticee No. 2, 3, 4, 5, 6, 7 and 8.

176. The role of Noticee No. 2 to 8 have been brought out in detail in the earlier part of the order while dealing with the findings with respect to *fund diversion* and misrepresentation of financial statements by recording fictitious transactions. The Noticees were related/connected parties of TTL, who were *paper* companies and were used as a vehicle of fraudulent scheme orchestrated in this case. Noticee No. 2, 3, 4 and 5 aided and abetted TTL in diversion of a total of Rs. 31.46 crore (Rs. 22.48 crore + Rs. 8.98 crore). Noticee No. 5, 6, 7 and 8 aided and abetted by entering into *fictitious* transactions which led to misrepresentation of the financial results in relation thereto. The violation of Section 12A(b) and (c) of the SEBI Act read with Regulations 3(c), 3(d) and 4(1) of the PFUTP Regulations is therefore established against the Noticees No. 2 to 8. The

Noticees also hampered the investigation by providing incomplete information and Noticee No. 3 provided wrong submissions to the IA thereby violating Section 11C (3) of SEBI Act.

Noticee No. 9, 11, 12, 13, 14, 15 and 16.

177. IR has listed the role of each Noticees based on the designation and position they were attributed to in TTL. **Noticee No. 9** was designated as the *Chairman* and *Managing Director* (CMD) in the Annual Reports of TTL for FY 2018-19 to FY 2022-23. He was appointed as the MD on August 12, 2016 and ceased to be a MD on September 30, 2024. Noticee No. 9 attended all 45 board meetings held for FY 2018-19 to FY 2022-23. **Noticee No. 11** was the *Chief Financial Officer* (CFO) in the Annual Reports of TTL for FY 2018-19 to FY 2022-23. He was appointed as CFO w.e.f. November 14, 2014 and ceased to be CFO w.e.f. November 06, 2023. **Noticee No. 12** was the *Non-Executive Non-Independent Director* in the Annual Reports for FY 2020-21 to FY 2022-23. Noticee No. 12 was appointed on September 30, 2020, and ceased to be the Director w.e.f. November 18, 2023. As disclosed in Annual Reports, he attended 23 (out of 28) board meetings for the period FY 2020-21 to FY 2022-23. He signed the financials for FY 2022-23. **Noticee No. 13** was an *Independent Director* in the Annual Reports for FY 2020-21 to FY 2022-23. He was appointed on September 30, 2020, and ceased to be the Independent Director w.e.f. November 06, 2023. He was also a part of the Audit Committee for FY 2021-22 to FY 2022-23, as the Chairman of the Audit Committee. As disclosed in Annual Reports, he attended 23 (out of 28) Board Meetings for the period FY 2020-21 to FY 2022-23 and 8 (out of 11) Audit Committee meetings for the period FY 2021-22 to FY 2022-23. **Noticee No. 14** was an *Independent Director* of TTL in the Annual Reports for FY 2018-19 to FY 2022-23. She was appointed w.e.f. February 13, 2015 and ceased to be the Independent Director w.e.f. May 02, 2022. She was also a part of the Audit Committee for FY 2018-19 to FY 2021-22. As disclosed in Annual Reports, she attended 35 (out of 45) Board Meetings for FY 2018-19 to FY 2022-23 and 19 (out of 25) Audit Committee meetings for FY 2022-23. **Noticee No. 15** was the *Independent Director and an Audit Committee member* of TTL in the Annual Report for FY 2022-23. He was appointed on July 01, 2022, and continued to be an Independent Director as on September 30, 2024. As disclosed in Annual Reports, he attended 7 (out of 11) Board Meetings and 1 (out of 6) Audit Committee meetings for FY 2022-23 and one Board Meeting for FY 2021-22. **Noticee No. 16** was the *Independent Director and an Audit Committee member* of TTL in the Annual Report for FY 2022-23. She was appointed on July 21, 2022, and ceased to be the Independent Director w.e.f.

July 17, 2023. As disclosed in Annual Reports, she attended 6 (out of 11) Board Meetings and 5 (out of 6) Audit Committee meetings for FY 2022-23.

178. In the SCN, Noticee No. 9 and 11 being the MD and CFO did not act in the best interests of the shareholders of the company and abused their position and aided and abetted Noticee No. 10 in the entire fraud of diverting funds from the company as well as the subsequent misrepresentation of the financial statements. Noticee No. 9 and 11 thereby violated the provisions of Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations read with Section 12A(a), 12A(b), 12A(c) of SEBI Act. Noticee No. 9 also failed to perform his duties and obligations as a Director under Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(6), and 4(2)(f)(iii)(7) of the LODR Regulations. Further, despite knowing that financial statements for FY 2018-19 to FY 2022-23 were misrepresented, Noticee No. 9 and 11 furnished the Compliance Certificates under Regulation 17(8) read with Part B of Schedule II of LODR Regulations to the Board of Directors, thereby violating Regulation 17(8) of LODR Regulations.

179. Apart from the above, SCN attempts to fix vicarious liability on Noticee No. 9 and 11 being the MD and CFO, respectively, for the acts and omissions of TTL by virtue of Section 27 of the SEBI Act. Said Section 27 provides as under: -

Section 27: Offences by companies

<u>Prior to 08-03-2019:</u>

(1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly."

<u>W.e.f. 08-03-2019:</u>

(1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

180. Regarding applicability of the Section 27 of the SEBI Act, I note that during the period (i.e. FY 2018-19), Section 27 provides for the vicarious liability of certain persons who were in charge of and were responsible to the company where an 'offence' is committed by a company. Section 27 at that time did not provide for the vicarious liability in respect of the civil liability of the company arising out of the violations committed by such company. However, after amendments made to Section 27 with effect from March 08, 2019, by the Finance Act, 2018, vicarious liability for civil liability of the company has been introduced by replacing the word "*offence*" with the word "*contravention*" in Section 27 of the SEBI Act. However, by virtue of said Section 27, they are liable for acts of TTL post March 08, 2019. They are also responsible independently for the violations alleged against them for acts of TTL without any reference to vicarious liability under Section 27 of the SEBI Act.

181. Noticee No. 9 has admitted that the Noticee's name appeared in the said records as MD but denied that he discharged, or was capable of discharging the office of MD within the meaning of Section 2(54) of the Companies Act, 2013. He submitted that the signatures were affixed on instruction and in trust, by him who, lacked the financial literacy to interrogate the documents placed before him. TTL's employees have recorded his role as a "*peon*", an "*office boy / peon / driver"* and a person who was "Managing Director on paper". SCN also does not identify a single instance where the Noticee is shown to have negotiated the transactions with Noticee No. 2, 3, 4, 5, 6, 7 and 8, approved the accounting entries, instructed the finance team, prepared or vetted

the annual accounts, or dealt with the auditors. On the contrary, the SEBI's own materials attribute real decision-making to Noticee No. 10.

182. Noticee No. 11 has contended that he is a 74-year-old retiree from State Bank of India where he had joined as a clerk and last acted as a junior manager. He ceased working with TTL after 2017 and did not receive any remuneration thereafter. He functioned as a manager in TTL doing purchase and transport duties. Noticee No. 10 provided him a post-retirement employment for nearly 7 years, he was constrained to be associated with them in view of moral-emotional obligation. IR does not record that he sanctioned or authorized any loans or advances, nor does it indicate that he operated bank accounts or had any interaction with the recipient entities. He was not part of the operational or decision-making framework of TTL and did not have access to its financial systems, bank accounts, or records. SCN records that he did not attend any meetings of the Board of Directors or the Audit Committee during the relevant period. The position of CFO, by itself, does not create strict or automatic liability in the absence of material demonstrating actual involvement in the affairs of the Company.

183. In a strict legal sense, Noticees No. 9 and 11 who were designated as MD and CFO, respectively, Noticee No. 12 who was a Non-Executive Non-Independent director and Noticee No. 13 to 16 who were the Independent Directors and members of Audit Committee could be held responsible for the respective acts and omissions of the TTL in the case. But when the responsibility is linked to penal consequences, one has to look into it in a realistic manner and the consequences arising out of the failure. The reality of the matter as brought on record cannot be overlooked.

184. With regard to vicarious liabilities of the directors, vide order No. ***WTM/GM/EFD/38/2017-18 dated August 03,2017***, SEBI has taken following position -

"In this connection, I note that there are a number of judicial pronouncements on the liability of directors including K.K Ahuja vs. V.K Vora (2009) 10 SCC 48; National Small Industries … vs. Harmeet Singh Paintal (2010) 3 SCC 330 and S.M.S. Pharmaceuticals Ltd. vs. Neeta Bhalla and Anr (2005) 8 SCC 89 generally upholding the position that the liability of any director in a company is restricted to actions of omission or commission committed by the company which <u>had taken place with the knowledge and consent</u>, <u>whether explicit or implied, of such director.</u> The array of judicial pronouncements emphasise the need to examine the role and conduct of the directors before fixing the liability on them in respect of any violation committed by the company. I, therefore, am of the view that the broad principle that the liability of a director

should flow out of knowledge and consent or connivance in the alleged act is apt to be applied in these situations, to test their liability."

185. Section 27 of the SEBI Act also gives defence to such directors or officers who can prove that the contravention was without their knowledge. The meaning and scope of knowledge for the liability of a MD/CFO hinges on their *"state of mind"* or *standard of knowledge* regarding corporate misconduct. In corporate and securities law, "*knowledge*" is not limited to explicitly planning or executing a financial misconduct. It is categorized into four legal standards viz;

(a) **Actual Knowledge (Scienter**): The MD/CFO is fully aware of falsified accounts, hidden liabilities, and deliberately signs off on them anyway.

(b) **Constructive Knowledge (Should Have Known):** The law presumes that as the ultimate head of corporate finance, a CFO possesses the professional competence to spot fundamental internal control lapses. Failing to know due to lack of supervision translates to gross negligence.

(c) **Reckless Disregard:** The CFO signs off on financial statements without a grounded basis for their truth, completely indifferent to whether the figures are accurate or false.

(d) **Willful Blindness:** The CFO purposely closes their eyes to glaring red flags, intentionally avoiding inquiries that would contradict their financial reports.

186. In this case, both Noticees No. 9 and 11 were not in position to be in know of real affairs of TTL based any of the above aspects of knowledge as Noticee No.9 was peon/ office boy in TTL and Noticee No.11 a retired person acting off line and signing papers relating to transport as and when it was brought to him by Noticee No.10. He signed those papers as Noticee No. 10 had given post retirement employment on payment of approx. Rs. 30,000 per month. Noticee No. 11 further submitted that he stopped working in TTL in 2017 and that post 2017 he did not receive any remuneration from TTL. Noticee No. 11 has submitted his bank account statement from 2011 to 2023 demonstrating receipt of monthly salary from TTL till November 2017. After November 2017 no credit from TTL is seen on the same account. The KMPs of TTL in their respective depositions about Noticee No. 9 have *inter-alia* stated as under:

Noticee No. 11: "*Yes he is peon in TTL"*

Noticee No. 18: "*He was either Office boy/ Peon/ Driver in TTL. He was Managing Director of TTL on paper."*

Noticee No. 17: "*I know Mr. Suresh More. He was a Managing Director on paper. He was an office boy/ peon/ clerk in the Company.*"

187.Dalal & Kala Associates (the Statutory Auditor of TTL for FY 2018-19 to FY 2021-22) and GRANDMARK & Associates (the Statutory Auditor of TTL for FY 2022-23), on their interaction with Noticee No. 9 have *inter-alia* stated as under: *"I used to interact with Mr. Suresh More, Managing Director of TTL. He is more of administration person and looks after the office administrative functions of the organization. As far as financial literacy is concerned, his knowledge about finance & accounts is very limited."*

188.Noticee No. 11 in his deposition dated November 29, 2023 *inter-alia,* stated the following:

- *I knew Mr. Rajendra Kumar Choudhary as he had an account with SBI, Ghatkopar Branch, where I was working as a manager. After my retirement, I was looking for a job and contacted Mr. Rajendra Kumar Choudhary. I joined TTL in 2011. There were 10-15 people in TTL when I joined.*

- *I don't know my designation in TTL. I was looking after purchase and transport in TTL. Mr. Rajendra Kumar Choudhary made me CFO after 2-3 years of me joining TTL.*

- *I was paid Rs. 30,000/- p.m. until 2017. After 2017, I stopped working for TTL and they stopped paying me. I haven't submitted any formal resignation letter.*

- *I have never attended any meetings in TTL. I was only signing balance sheets in TTL. I signed the balance sheets (after 2017 also) as Mr. Rajendra Kumar Choudhary asked me to do so. I had faith in Mr. Rajendra Kumar Choudhury as he had given me job after my retirement in SBI. Mr. Suresh / Mr. Jagannath (another peon) used to bring the papers to me at my home for my signatures. I signed the balance sheets as Mr. Rajendra Kumar Choudhary asked me to do so. I have no knowledge regarding any compliances. I signed the documents because of the trust I had with Mr. Rajendra Kumar Choudhary. All the decisions in the company were taken by Mr. Rajendra Kumar Choudhary.*

- *After receiving summons from SEBI, Mr. Rajendra Kumar Choudhary asked me to resign formally from TTL.I don't know Mr. CA Anand Drolia. Mr. Suresh More is peon in TTL.*

189.Section 149 (12) of the Companies Act, 2013, lays down that an independent director and a non-executive director *not being promoter or key managerial personnel shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where* *he had not acted diligently.* It is thus a settled principle in law that a director of a company may only be held liable for acts of omission or commission by a company resulting in the breach or violation of legal principles, rules, regulations etc. that they were aware of or had prior knowledge to said acts or expressed a clear connivance in the decision / operation of the company.

190. It is pertinent to mention that in respect of such case, Hon'ble Supreme Court in ***Sunil Bharti Mittal vs. CBI [(2015) 4 SCC 609],*** held that liability must be founded on the role and actions of the individual and cannot be attributed merely by virtue of holding a position or designation. Further, Hon'ble Supreme Court in ***SMS Pharmaceuticals Ltd. vs. Neeta Bhalla [(2005) 8 SCC 89],*** held that liability can be fastened only upon a person who is shown to be "*in charge of and responsible for the conduct of the business"* of the company, and that such responsibility cannot be inferred merely from designation.

191. The Noticees No. 9 and 11 have demonstrated and IA has accepted that they were only namesake CMD and CFO. They were not conversant with finance or corporate affairs and were peon/ office boy and part time employees. They were made dummy, puppet, or figurehead executives engaged by Noticee No.10. They were given designations in records of the TTL on paper but had no actual management authority, decision-making power, or operational control. Liability does not attach to a person by reason only of the office or designation he holds, but arises from the role he actually plays in the affairs of the company. The IR itself records that Noticee No. 9 was MD only on paper. A finding of aiding and abetting requires a clear evidentiary foundation showing knowledge of the principal misconduct and intentional assistance in furtherance thereof. It is IA's own finding in the IR that the controlling mind was Noticee No. 10, who "*planted*" the Noticee No. 9 as MD on paper while himself directing the affairs of the Company.

192. Noticee No 12 has contended that he had no role in, and no knowledge of, the transactions alleged. No specific act or omission of Noticee No. 12 is identified. The SCN does not allege that the Noticee was the architect of the impugned transactions, the controlling mind of TTL, or the person who prepared or caused to be prepared the board minutes, audit committee records, related party disclosures, or the loan/receivable accounting entries. Mere formal directorship does not suffice to establish violation. Noticee No. 13, 14 , 15 and 16 have contended that they were not aware of the position held by them in the Company. Although they attended meetings that were held in the Company, they did not have clarity over whether those meetings were Board Meetings

or Audit Committee Meetings. There were no involvement or participation in looking after the day-to-day activities of TTL.

193. Under Section 2(54) of the Companies Act, 2013, MD means a Director who is entrusted with substantial powers of management of the affairs of the company. MD is also deemed as an "*officer who is in default*" for the purpose of making him liable for penalty or punishment, in case the company had committed a default. In case of MD, courts have held that he is, *prima facie*, deemed to be in charge and responsible for the conduct of business and management of the company and, therefore, liable for defaults. Directors are, normally made liable on the basis of theory of attribution. Hon'ble Supreme Court in the matter of **M/s. Daiichi Sankyo Company Limited Vs Oscar Investments Limited & Ors**[20] held that **:-** *'Theory of attribution: It is a settled principle that acts of directors, who are in management and control, are deemed to be acts of a company which is a legal entity but has no mind or body to think and act. It is well settled that the acts of the directors in control are attributable as the acts of the company and treated as such. …*

194. In present day corporate governance, a CFO plays a crucial role. Signing off on false balance sheets, income statements, or misleading investors can trigger securities fraud charges and civil consequences. As a KMP, CFOs are legally responsible for maintaining proper books of account and ensuring internal financial controls. Failing to act in the best financial interest of the company or ignoring material financial discrepancies can lead to charges of negligence or breach of statutory obligations under LODR Regulations.

195. With regard to Noticee No. 15 and 16 are also namesake *"independent directors'* as found by the IA that they were not financially literate as required per the LODR Regulations. If so, they cannot be expected to perform compliance when the matter is examined from punitive proceedings point of view. In order to raise concerns regarding Audit Committee meetings one must possess basic financial literacy to raise meaningful governance concerns. IA has further found that by appointing Noticee No. 15 and 16, who were not *financially literate* as members of Audit Committee of TTL, Noticee No. 10 devised a scheme to manipulate the corporate governance mechanisms in TTL. The above facts indicate that Noticee No. 10 was the key decision making authority in TTL and was actively involved in the day to day affairs of the

[20] *SPECIAL LEAVE PETITION (C) NO. 20417 OF 2017*

Company. I, therefore, give benefit of doubt to Noticees No. 9, 11, 12, 13, 14, 15 and 16 and warn them to be careful in their acts and dealings with any company including TTL. I note that there are also no clear findings on Noticee No. 12 to 16 of their involvement or role in fraudulent activities.

Noticee No. 10

196. Noticee No. 10 was the *Non-Independent Non-Executive Director* and member of Audit Committee in the Annual Reports for FY 2018-19 to FY 2022-23. He was appointed as the Director on November 23, 2006 and ceased to be Director w.e.f. January 05, 2023. As disclosed in the Annual Reports, he attended 43 (out of 45) board meetings for FY 2018-19 to FY 2022-23 and 24 (out of 25) Audit Committee meetings for FY 2018-19 to FY 2022-23. During the IP, he signed the financials of the Company for FY 2021-22.

197. Noticee No. 11, 13, 15 and 17 in their respective depositions at SEBI, have *inter-alia* stated as under:

Noticee No. 13 (Audit Committee Chairperson): *"I used to sign the papers/ minutes of the meetings presented before me by Mr. Rajendra Kumar Choudhary."*

Noticee No. 15 (Independent Director): *"I was asked by Mr. Rajendra Kumar Choudhary to sign on the papers presented before me."*

Noticee No. 11 (CFO): "*After 2017, I stopped working for TTL and they stopped paying me. I haven't submitted any formal resignation letter. I have never attended any meetings in TTL. I was only signing balance sheets in TTL. I signed the balance sheets (after 2017 also) as Mr. Rajendra Kumar Choudhary asked me to do so. I had faith in Mr. Rajendra Kumar Choudhury as he had given me job after my retirement in SBI. I signed the balance sheets as Mr. Rajendra Kumar Choudhary asked me to do so. I have no knowledge regarding any compliances. I signed the documents because of the trust I had with Mr. Rajendra Kumar Choudhary. All the decisions in the company were taken by Mr. Rajendra Kumar Choudhary. After receiving summons from SEBI, Mr. Rajendra Kumar Choudhary asked me to resign formally from TTL."*

Noticee No. 17 (Company Secretary): "*During my tenure, no Board/ AC Meetings took place in TTL. Being a Company Secretary, I used to prepare the minutes of Board/ AC meetings. These were only on paper, i.e., for compliance purpose only. Mr. Rajendra Kumar Choudhary used to tell me what to record in the minutes. He used to review the minutes and suggest any changes."*

198. In the above-mentioned depositions by the KMPs of TTL viz. Noticee No. 9 (Audit Committee Chairperson of TTL), Noticee No. 11 (CFO of TTL) and Noticee No. 15 (Independent director

of TTL) they have indicated that they signed the papers/minutes of the meetings of TTL at the behest of Noticee No. 10. Noticee No. 17, the company secretary of TTL has also deposed that during her tenure while no Board/Audit Committee meetings took place, the minutes of the meeting were made upon the instruction of Noticee No. 10. Further, Noticee No. 11, Noticee No. 17 and 18 in their deposition had also indicated that Noticee No. 10 had *planted* Noticee No. 9 as the Managing Director (MD) of TTL whereas, in reality it was Noticee No. 10 who was managing the affairs of the Company. Investigation has revealed that Noticee No. 9 was in fact a peon/driver/office boy in TTL. Additionally, as observed from earlier paragraphs, Noticee No. 15 and 16 (Audit Committee members) were also not financially literate to be the members of the Audit Committee of TTL. In light of the above I find that none of the KMPs or the Board of Directors met the statutory standards of eligibility acting instead like mere dummy directors at the instruction of Noticee No. 10.

199. I note that Noticee No. 10 was also the promoter of TTL, directly holding 1.40% of the shares of TTL and indirectly holding 43.16% of the shares of TTL through BIL. A large equity stake confers a dominant position and control over corporate machinery. Noticee No. 10 along with his family members and group entities further held approx. 48.70% in Noticee No. 2. Further, Noticee No. 10’s wife and son together held 100% shareholding in Noticee No. 3.

200. Noticee No. 10 has vehemently denied that he was a "*de facto Managing Director*" or "*key decision making authority*". Noticee No. 10 has contended that the allegations are based solely on hearsay statements of co-noticees, which are self-serving and made to shift their own liability. Noticee has submitted that the allegation of "*planting*" Noticee No. 9 or *"manipulating corporate governance"* is speculative, without any support. I note that while Noticee No. 10 has denied any wrong doings, he has also not substantiated his contention with credible proof. Mere denial of contention unsupported by material records, lacks evidentiary value. Noticee No. 10 has also not sought to cross-examine the co-Noticees whose statements are relied in the SCN.

201. Noticee No. 13 has in his deposition stated that he used to sign papers/minutes of meetings which were presented by Noticee No. 10. Noticee No. 14 has in his deposition submitted that he did not attend any Audit Committee meetings. Noticee No. 15 has deposed that he was introduced to Noticee No. 10 and was given 1 lakh rupees for being a director in TTL and was asked by Noticee No. 10 to sign few papers. Noticee No. 15 has further submitted that he never attended any Audit Committee meetings. Noticee No. 16 has also deposed that she would sign papers sent by TTL

but never attended any Board/Audit Committee meetings. Noticee No. 17 and 18 were compliance officers. Noticee No. 17 has submitted that Noticee No. 10 used to instruct her what to write in the minutes of the Board/Audit Committee meetings and that Noticee No. 10 used to review the minutes and make changes. Noticee No. 18 has in her statement stated that Noticee No. 9, 11 and 15 were MD, CFO and Audit Committee member, respectively, only on paper. The statements of the KMPs of TTL consistent and uniform and corroborate and support the claim that Noticee No. 10 was the key decision making authority in TTL. Noticee No. 10 has not sought to cross-examine any of the co-Noticees whose statements are relied in the SCN.

202. Noticee No. 10 is the promoter of TTL, directly holding 1.40% of the shares of TTL and indirectly holding 43.16% of the shares of TTL through Bilpower Limited. Noticee No. 10 holds a dominant shareholding in TTL. As has been discussed in the earlier paragraphs, Noticee No. 2 to 8 were all related parties/connected entities of TTL. Noticee No. 9 was peon/ office boy in TTL who was appointed as a MD. Noticee No. 11 was a retiree who was employed by Noticee No. 10 as a CFO. Noticee No. 11 has in his deposition stated that he signed all documents produced by Noticee No. 10. Noticee No 12 was a Non-Executive Non-Independent Director however his role in the affairs of the company has not been clearly brought out in the IR. Noticee No. 13, 14, 15 and 16 were Independent Directors and also the Audit Committee Members of TTL alongwith Noticee No.10.

203. I also note that by strategically appointing dummy directors and financially illiterate audit committee members to the board, Noticee No. 10 neutralized all corporate oversight mechanisms to facilitate his scheme of diversion of funds and fictitious transactions. I note that Noticee No. 10 along with his family members and group entities held approx. 48.70% in Noticee No. 2. Further, the wife and son of Noticee No. 10 together held 100% shareholding in Noticee No. 3. As has been observed, TTL diverted a total of Rs. 9.83 crore and Rs. 6.72 crore, respectively, to Noticee No. 2 and 3 in the matter. It can, thus, be safely inferred that the ultimate beneficiary of the impugned transaction was Noticee No. 10 and his family members/connected entities.

204. Based on the surrounding factual matrix, the deposition of the KMPs, his dominant shareholding in TTL and Noticee No. 10's connection with Noticee No. 2 and 3 where TTL had diverted a total of Rs. 9.83 crore and Rs. 6.72 crore, respectively, evidences to Noticee No. 10 as the key decision making authority in TTL and the one involved in the day to day affairs of the Company.

Noticee No. 10 and his family members/connected entities were the primary beneficiaries of the fund diversion. I find that Noticee No. 10 devised a calculated scheme to retain sole decision-making authority by strategically appointing *dummy* directors and *financially illiterate* audit committee members to the board. By surrounding TTL with directors who functioned merely as placeholders and audit committee members who lacked the financial expertise to scrutinize balance sheets or detect irregularities, he effectively neutralized all corporate oversight mechanisms to facilitate his scheme of diversion of funds and fictitious transactions. In corporate governance, MD and a CFO who are reduced to a "*puppet executive*" by a company's promoter is a common precursor to massive corporate fraud. In this dynamics, the promoter retains actual operational and financial control, using the appointed MD/CFO merely to sign off on manipulated books, falsified entries, or unapproved related-party transactions to maintain a veneer of regulatory compliance.

205. Thus, Noticee No. 10, being a member of the Board of Directors, Audit Committee and direct or indirect beneficiary of transactions of Noticees No. 2 to 8 with TTL also being in charge of the operations and decision-making process, is responsible for violations. Further, in view of Section 27 of SEBI Act, all the violations of TTL squarely fall on Noticee No. 10 as he was the key decision making authority and the mastermind behind the entire scheme. Thus, he has not only failed to discharge his responsibilities as a Director of the listed company but also violated all the regulatory provisions violated by TTL in terms of Section 27 of the SEBI Act 1992.

Noticee No. 17 and 18

206. Noticee No. 17 and 18 were the compliance officers of TTL during the IP. Noticee No. 17 was the Company Secretary and Compliance Officer in the Annual Report for FY 2018-19. She was appointed on July 01, 2018, and ceased to be the Company Secretary and Compliance Officer w.e.f. August 21, 2019. She signed the financials of the company for FY 2018-19. As per the Annual Reports of TTL for FY 2018-19 and FY 2019-20, five Audit Committee meetings took place in the Company during the period when Noticee No. 17 was the Company Secretary.

207. Similarly, Noticee No. 18 was the Company Secretary and Compliance Officer in the Annual Report for FY 2019-20 to FY 2022-23. Noticee No. 18 was also the Company Secretary and Compliance Officer of TTL for FY 2014-15 as well. She was re-appointed as Company Secretary and Compliance Officer of TTL for the period February 19, 2020 to June 29, 2021 and for the period December 27, 2021 to October 03, 2023. She signed the financials of the company for FY

2019-20 to FY 2022-23. As per the Annual Reports of TTL for FY 2019-20 to FY 2022-23, 15 Audit Committee meetings took place in the Company during the period when Ms. Pooja Soni was the Company Secretary. SCN has alleged that Noticee No. 17 and 18 failed in performing their duties as a Compliance Officer of TTL, thus, violating the provisions of Regulation 6(2)(a) and 6(2)(c) of the LODR Regulations.

208. Noticee No. 17 has submitted that she had newly become a company secretary and was associated with TTL for only for 13 months (July 01, 2018 to August 21, 2019). Majority of the loans and advances were advanced or receivables were written off from FY 2019-20 to FY 2022-23 when she was not even associated with TTL. As regards, Noticee No. 18 the instant proceeding is *ex-parte*.

209. Regulation 6(2)(a) of the LODR Regulations state that the compliance officer of the listed company is responsible to *ensure conformity* with the regulatory provisions applicable to the listed entity in letter and spirit. As per Regulation 6(2)(c) Compliance Officer shall *ensure that correct procedures* are followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.

210. In this regard, while contemplating any action under the regulation, the scheme of obligations of compliance officer under regulation 6 of the LODR Regulations, must be understood in the text and context both. Further, when the contemplation is to inflict penalty, the language must be interpreted strictly. The language of Regulation 6(2)(a) of the LODR Regulations is like this- "*The compliance officer of the listed entity <u>shall be responsible for- ensuring conformity</u> with the regulatory provisions applicable to the listed entity in letter and spirit".* The language of 6(2)(c) of the LODR Regulations reads as "*The compliance officer of the listed entity <u>shall be responsible for ensuring that the correct procedures</u> have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.* It is a legally settled position that the interpretation of the word "*shall*" as mandatory or directory depends on the overall legislative intent, context, purpose and not merely the use of the word itself. Further, in accordance with settled principles governing the interpretation of statutes, it has been held that to enforce a provision, the statute is required to be read as a whole- section by section, clause by clause. Under the LODR Regulations, obligations are primarily casted on listed entities under regulation 31/32. Since they act through their

directors, the directors are also vicariously liable for noncompliance unless they prove ignorance or absence of knowledge, as the case may be. Regulation 6(2)(a) and (c) of the LODR Regulations, as it is worded, does not cast a mandatory obligation on the Compliance Officer to comply herself as is the case under the Companies Act, 2013 wherever certain direct obligations have been casted on the company secretary/compliance officer; instead her responsibility under LODR Regulations is of *"ensuring conformity" or "ensure correct procedures are followed"* by the listed company and its directors and other Key Managerial Personnel (KMP). Thus, in my view, this regulation creates directory obligation on the Compliance Officer. The only binding duty on Compliance Officer, could be to take active steps to secure adherence to the law and impress upon the company and its directors to comply with securities laws.

211. Further, the obligation has to be seen in perspective of obligations of KMP under regulation 5 which includes key managerial personnel, directors, promoters or any other person dealing with the listed entity to comply with responsibilities or obligations, if any, assigned to them under LODR Regulations. Regulation 6 additionally casts secondary responsibility on the Compliance Officer. In strict reading of text also if interpretation is given that a Compliance Officer would violate the provisions of regulation 6(2) (a) and (c) when the Company or other KMPs fail. This provision is akin to the principle *"Hawk-Dove effect"* as it refers to obligations of same requirements on two distinct persons leading to a situation of the variability in enforcing the same requirement on one if others fail or show lethargy i.e. when *hawk* fails punish *dove*. In the context of whole Regulations, it is seen that "*hawks*" are to be dealt with strictly but, '*doves'* are to be given leniency when it comes to penalize them for default of *hawks*. Thus, when the matter comes to penalize the Company Secretary/Compliance Officer by regulatory enforcement action/penalty for such violation by the listed entity, utmost care need to be taken and unless she commits an act of nonfeasance or misfeasance, deliberately or in collusion with WTD/MD/CEO/CFO, etc. allowance may be given to her as the obligations of KMPs such as WTD/MD/CEO/CFO, etc. and those of a Compliance Officer cannot be measured on same scale. After all, as it has been aptly said by Hon'ble Supreme Court[21] that:- *"A degree 'Fahrenheit' is different from a degree 'Centigrade'. Though both express temperature in degrees, the 'degree' is different for the two scales."* 100 degrees Fahrenheit and 100 degrees centigrade will look similar in text but different in actual temperature.

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21 RAVEENDRAN, J in With W.P. (C) Nos.172, 409, 466 and 467 of 2005] 9 January, 2007

212. It is also pertinent to mention that in the context of penalising Compliance Officer/ Company Secretary in the matter of *Deccan Chronicle Holdings Ltd.* (*V. Shankar Vs SEBI*), Hon'ble SAT, vide its order dated November 01, 2022 set aside the order dated March 22, 2022 passed by SEBI imposing a penalty of Rs. 10 lakhs on the Company Secretary and held that primary and fiduciary obligations in signing and approving the balance sheet and profit and loss account is of the Board of Directors and Company Secretary has no role to disapprove except that he has to comply with decisions and sign alongwith the two directors. In appeal filed by SEBI against said order by Hon'ble SAT, Hon'ble Supreme Court vide its order dated February 08, 2023 remanded back the matter vide to Hon'ble SAT on technical ground. Hon'ble SAT after reconsideration of the matter passed its order dated May 05, 2025. It is noted that SEBI itself held that the *"Company and its Directors have eloquently concealed the revenue liabilities from the investors…"* and that law fasten the duty on the Company Secretary to authenticate on behalf of the Board of Directors but in next breath SEBI said that the Company Secretary was not merely required to attest but *".. ought to have verified …."* <u>In the facts and circumstances of that case, Hon'ble SAT held that according to SEBI order, the Company Secretary was required to sit in appeal over decision of directors of the company and this allegation does not sustain. It held that it is not the duty of the Company Secretary or the Compliance Officer to read, understood and re-audit the certified accounts as approved by the Board of Directors.</u>

213. In the above background, though it could be right to expect Compliance Officers to ask right questions in order to *ensure conformity* as stipulated; while contemplating penal action, it is also to be kept in mind that a company is run and managed by its Board of Directors. If the decision of the management of a listed company breaches statutory laws, listing regulations, or internal governance controls, the compliance officer must intervene and flag non-compliance issues without being blocked by intermediate management layers. But the compliance officer does not manage day-to-day 'business execution'. When a promoter/director having active management control, when all other directors are appointed a puppet or namesake directors, pushes a non-compliant directive, the compliance officer's recourse is to formally warn the promoter/director record dissent, and escalate the matter directly to the board of directors or Audit Committee, which in the facts and circumstances of this case was an uphill task for a similarly placed compliance officer who was instructed to sign papers in an paralysed board. As observed from the preceding paragraphs, Noticee No. 10 was running all the show in the Company in the instant

case. Considering these facts and circumstances of this case, I am inclined to take lenient view *qua* Noticee No. 17 and 18 with regard to inflicting any penalty.

Noticee No. 19.

214. Noticee No. 19 is the director of Noticee No. 5. The allegation against Noticee No. 19 is of violation of Section 11(C)(5) of the SEBI Act for failure to appear before the IA. The violation against Noticee No. 19 is established *ex parte*.

G. *Conclusion.*

215. The law prohibits or restricts and closely regulates loans are transaction with related parties partially where relationship based on common directors or their relatives. More particularly, where the company has a negative net worth, its ability to grant loans out of standard financial limits is severely will trigger regulatory scrutiny. The Courts view transactions where a non-operational, negative net-worth company drains its remaining capital via related-party loans with extreme skepticism. Such actions are frequently categorized as a diversion of funds, a sham transaction, or a collusive arrangement intended to prejudice creditors or minority shareholders.

216. With regard to restrictions on such financing it is apt to refer to the view of the Justice Cohen Committee Report of June 1943(UK) wherein it states *"We consider it undesirable that directors should borrow from their companies. If the director can offer good security, it is no hardship to him to borrow from other sources. If he cannot offer good security, it is no hardship to him to borrow from other sources. If he cannot offer good security, it is undesirable that he should obtain from the company credit which he would not be able to obtain elsewhere."*

217. The entire gamut of events commencing from the typical gambit of fund diversion and recording make believe fictitious transactions, misleading and untrue disclosures, misrepresentations and active concealment and non-cooperation in investigation, making contradictory and false submissions having pathetic corporate governance , etc. as found in this case show a classic example of non-genuine swindling down the funds of TTL for personal benefit of Noticee No.10 and his family acting in league and concert with connected / related entities *viz*; Noticees No. 2-8. The case is also a classic example of the touch-me-not distancing through directly holding control of TTL and indirectly through BIL and also of connected entities but making a proletarian as CMD and a untutored person as CFO and controlling their will culminating in the final denouement wherein connected parties with all their manipulative assemblage came to the fore

setting a seal on their machinations of fraudulent, manipulative, deceptive and unfair trade practice for the benefit of promoter of TTL i.e. Noticee No.10. The whole picture on the canvass suggests tell- tale strands of how each one of the connected entities at various sequences in the chain has catalysed the flouting the law to the detriment of investors and integrity of the securities market for their own benefit in a web of make believe trickery to mislead and obfuscate, to the final confluence of making wrongful gains.

218. The provisions of LODR Regulations and principles enunciated therein regarding related party transactions, internal control etc. have marked a quantum change in corporate governance and the rule of law. First and foremost, the LODR Regulations perceive good corporate governance, respect for and adherence to the rule of law as central to the investors' protection. Second, the LODR Regulations perceive corporate governance and management responsibilities towards all the stakeholders in the listed enterprise not as an isolated problem faced by it as an individual business entity but places it in the context of a framework which is founded on public interest in facilitating economic growth by balancing diverse stakeholders' interests. Third, the LODR Regulations attribute a primacy to the minority shareholders' protection by the majority and management acting as a collective body so as to ensure the growth of shareholders and encourage investment culture in the economy. Fourth, in its diverse provisions, the LODR Regulations ensure that the interests of stakeholders are not conflated with the interests of their promoters; the economic value of entity is broader in content than the partisan interests of their managements.

219. These salutary objectives of the LODR can be achieved if the integrity of the management decisions is placed at the forefront. The provisions relating to corporate governance as alleged in this case, help to ensure that the Company is run ethically and responsibly which can protect investors and other stakeholders from harm and partisan approach of management. In this case, the facts and circumstances clearly bring out a pathetic and poor corporate governance in the Company where the management of the company which is *de facto* in the hands of Noticee No. 10 has shown completely irresponsible, unethical and partisan conduct for his own interest.

220. LODR Regulations has a strong focus on prevention. The object of the provisions charged in this case is to ensure good corporate governance which has direct nexus with protection of investors' interests. The intention and purpose of the said provisions is to protect the investors from

mismanagement and dissuade the errant directors. It is true that the Company which is very well managed can also suffer loss for the reason which had nothing to do with the management of the Company. Conversely, profit making by a Company has absolutely no nexus to good corporate governance.

221. But what is expected by the provisions is preventive and protective approach. It is not unknown in the corporate world especially the matters of companies that the public before investing or depositing looks to the names of the directors and finding them reliable starts investing. The enforcement measure taken by SEBI with a preventive and remedial object, as envisaged under the SEBI Act, would not serve the purpose unless the directions bring within its fold such misdemeanors of the promoter of a listed Company. His glaring misconduct may be bad in other laws as well yet being in charge of the management of the Company which is listed on BSE and NSE having public shareholders in the stock market, he cannot be absolved on technical grounds that the role and responsibilities on paper were assigned to namesake and puppet functionaries who were always acting under instructions and command of the Noticee No.10. If any allowance is given on such technicalities the objective of insulating the securities market from such practices perpetrated by a person of repute will be ineffective if the directions do not bring within its sweep such persons. The on- paper delegation of operations adopted by the Noticee should not be used as a shield to avoid legal implications arising out of the violations. The modus operandi in this case was openly perpetuated by Noticee No.10. In order to give true and purposeful meaning, it is required that the measures taken by Regulators and Governments to use corporate governance as a tool to protect the interests of stakeholders, so as to ensure that the problems which beset the earlier regime do not enter through disingenuous stratagems.

222. It has to be also kept in mind that the risk of such defiance from management is greater than from any other employee because those charged with governance and management are often in a position that assumes their integrity and enables them to override the formally established control procedures. Certain levels of management may be in a position to override control procedures, for example, by directing subordinates to work in a particular way than that they are supposed to work. Given such position of authority within an entity as controlling promoter, he has the ability to either direct employees to do something or solicit their help to assist him in carrying out a work as he wants it to be done. The present case is a classic case of complete disrespect to the ethics and morals of corporate governance. The brazen breach of several obligations under the LODR Regulations, wilful disobedience to summonses for ensuring complete silence on

explanations sought by SEBI with regard to serious concerns fund diversion or unexplained transaction to or with related parties, board decision making, Audit Committee/ shareholders' approvals, repeated support of myrmidons, autocratic attitude in misuse of funds, etc. in this case is a classic emboldened defiance. It was disingenuous of Noticee No.10 to act in the manner through such malfeasance as found in this case.

223. The contraventions in this case are multiple. In fact, none of the requirements have been satisfactorily complied with. The case is also one of wilful negligence and deliberate acts and omissions.

224. I pause at this stage to say, and repeat, that it was quite wrong of Noticee No.10, on any view, to have deliberately kept himself away from front and used Noticees No 2- 8 for substantial assistance to facilitate the accomplishment of fraud as accessories and conduits. It is absurd on his part to completely disregard the law particularly the PFUTP Regulations, corporate governance norms and defy the prohibitions under Section 185 of the Companies Act, 2013. The act and conduct of Noticee No.10 has an impressionistic impact on the investors and the regulator. The case in hand is not a case of *bona fide* ignorance rather the facts and circumstances clearly demonstrate contumacious conduct of Noticee No.10 with a design to flout all regulations recklessly. Where a person, as in this case, indulges in such conduct, it subtly hurts investors' trust and confidence and undermines market integrity. The individuals with such reckless approach can play havoc with the market which could be detrimental to the interests of the innocent investors. The machinations employed in this case are heinous and need to be addressed with deeper regulatory action for safety and integrity of the security market ecosystems.

225. The SCN contemplates directions under Sections 11(1), 11(4), and 11B (1), 11B (2), and also the imposition of monetary penalty under Sections 11B (2) and 11(4A) read with Sections 15A(a) 15HA and 15HB of the SEBI Act for the aforesaid violations. The relevant provisions of Sections 11(1), 11(4), 11(4A), 11B (1), 11B (2), 15A(a) 15HA and 15HB of the SEBI Act are reproduced below:

*"**11. (1)** Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.*

(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely: —

(a) suspend the trading of any security in a recognised stock exchange;

(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;

(c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;

(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply: Provided further that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached;

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation:

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

***(4A)** Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner."*

*“**11B. (1)** Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary, —*
(i) in the interest of investors, or orderly development of securities market; or
(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or
(iii) to secure the proper management of any such intermediary or person, it may issue such directions, —
(a) to any person or class of persons referred to in section 12, or associated with the securities market; or
(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.
Explanation. —For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

***(2)** Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.”*

“*Penalty for failure to furnish information, return, etc.*

15A. If any person, who is required under this Act or any rules or regulations made thereunder,

(a)If any person, who is required under this Act or any rules or regulations made thereunder,—
(a) to furnish any document, return or report to the Board, fails to furnish the same [or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to [a penalty [which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]”

“Penalty for fraudulent and unfair trade practices.
15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”

"Penalty for contravention where no separate penalty has been provided.
15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

226. While Section 11 deals with the functions and duties of the Board, Section 11B is on the powers of the Board. Section 11B is in a sense a functional tool in the hands of the Board and one of the measures available to the SEBI to enforce its prime duty under Section 11 by issuing directions under Section 11(4) and Section 11B (1) and/or also imposing monetary penalty under Section 11B (2) and 11(4A). I note that the power under Section 11B (2) is *pari materia* the power under Section 11(4A). In fact, the power under the both the sections are nothing but a replica of each other in two different sections. This power is not intended for inflicting same monetary penalty twice under the charging sections referred in Section 11(4A) and replicated under Section 11B (2) of the SEBI Act.

227. Section 15HA of the SEBI Act provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. The range of monetary penalty prescribed in said Section 15HA is minimum five lakh rupees upto to twenty-five crore rupees or three times the amount of profits made out of fraudulent practices, whichever is higher. Section 15 HB provides for penalty for contravention where no separate penalty has been provided and prescribes a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees. Section 15A(a) of the SEBI Act provides for penalty for failure to furnish information, return, etc. As per Section 15A(a) the range of penalty prescribed is not to be less than one lakh rupees but which 'may' extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees. However, said Section 15HA, 15HB and 15A(a) gives discretion and Section 15J of the SEBI Act mandates factors to be taken into consideration in this regard and provides for guiding factors as follows:

"***15J. Factors to be taken into account while adjudging quantum of penalty.***

While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default

(c) the repetitive nature of the default.

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

228. For exercising the choice to issue directions and monetary penalties in the peculiar facts and circumstances of this case, I have also taken note of the active roles of respective Noticees and as found hereinabove. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under Section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty"* are of considerable significance, especially in view of the guidelines provided by the legislature in Section 15J. Further, in the explanation appended to Section 15J, which was brought vide Part VIII of Chapter VI of the Finance Act, 2017, the legislative intent has been reinforced that while adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in Section 15J. It is also a settled position that the words *"shall be liable to*" used in the context of "*penalty*" in any statute, do not convey an absolute imperative; they are merely directory and leave it to the discretion of the authority to impose any penalty as he deems fit and commensurate with the violation. Further, having regard to the factors listed in Section 15J and the guidelines issued by Hon'ble Supreme Court of India in ***SEBI v. Bhavesh Pabari Civil Appeal No(S).11311 of 2013*** vide judgement dated February 28, 2019, it is noted that the provisions of Section 15J has to be properly understood, and not to be mechanically applied and other factors reasonable for the facts of the case are also relevant to take into account for adjudging the quantum of penalty.

229. I note that TTL is a listed entity. From the financial statement of TTL, as stated earlier it is a company with bleak operating income, negative networth and negative Profit After Tax (PAT). Any penalty imposed on a listed entity are paid using the company's cash reserves and the shareholders bear the consequences. I do not find it appropriate to impose monetary penalty on the company TTL in these facts and circumstances. As regards Noticee No. 2 to 8, as stated in the IR and the SCN, they are paper companies with nil revenue from operations, negligible inventory, negligible Tangible Assets, negligible employee cost and negative net worth. I note that pursuant to the investigation, due to their non-existent and non-operational status, a reference was made to Ministry of Corporate Affairs (MCA). I am thus inclined to not impose monetary

penalty on such non-operational paper companies viz. Noticee No. 2 to 8. However, in my view the direction of restraint or debarment under Section 11 (1), 11(4) and 11B (1) of the SEBI Act on TTL and Noticee No. 2 to 8 is commensurate for their acts in peculiar facts and circumstances.

230. It is pertinent to mention that there is no scale to measure fraudulent and deceptive device. The findings in that regard would depend on inferences drawn from a mass of factual details. Findings on the basis of higher preponderance of probability, in this regard, can also be gleaned from fund diversion, fictitious transaction and manipulation of books of accounts of the company. The entire gamut of events shows fraudulent behaviour within the scope of regulation 2(1) (c) of the PFUTP Regulations. The scope of prohibition under Section 12A, and regulations 3 and 4 of the PFUTP Regulations are of wide amplitude and would therefore take within its sweep the *mala fide* fund diversion involving misrepresentation of the truth and active concealment of material fact if it fraudulently impacts investors' decisions which has happened in the instant case. Such acts, in this case, also disturbed the basic tenets of fairness in the securities market. While the defaults as found in this case attract imposition of monetary penalty, the SCN does not contemplate any disgorgement of any unlawful gain out of the defaults.

231. Noticee No. 10 being promoter/ director and also a member of the Audit Committee was the mastermind of all plans and acts in this case. He not only violated his legal but also his fiduciary duties in the best interests of the TTL and its shareholders and abused his position. Considering the peculiar facts and circumstances of this case, I deem this case fit for issuing restraint order under Section 11(4) and 11B of the SEBI Act and also imposition of monetary penalty on Noticee No.10 as provided hereinafter.

H. Order and Directions.

232. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) read with Section 19 of the SEBI Act, do hereby issue the following directions:

(a) The following Noticees are restrained from accessing the securities market and further are prohibited from buying, selling or otherwise dealing in securities directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the period given in table, from the date of this Order: -

Table 19 – Debarment period

Noticee No.	Name of Noticee	PAN	Restraint Period
1	Tarapur Transformers Limited	AACCT5456G	3 years
2	Choudhary Global Limited	AAACB3270G	3 years
3	Veedhata Towers Private Limited	AACCV3179N	3 years
4	Lorraine Finance Private Limited	AAACL2920P	3 years
5	Rohit Steel Lamination Private Limited	AADCR2185B	3 years
6	Deekay Iron and Steel Private Limited	AACCD3168P	3 years
7	Kumudini Engineering Private Limited	AABCO1260G	3 years
8	Ashadeep Multitrade Private Limited	AAFCA6788F	3 years
10	Rajendra Kumar Choudhary	AABPC6898D	5 years

(b) It is hereby clarified that if Noticee No. 1, 2, 3, 4, 5, 6, 7, 8 and 10 have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. These Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

(c) In the facts and circumstances of this case, it is further clarified that the above directions shall not restrain or prohibit from any restructuring or reorganisation or conduct of its business which involves infusion of funds by way of loan or by issuing debt securities or equity on private placement basis to promoter, directors or any other informed investor.

233. In view of the facts and circumstances of this case, the factors listed in Section 15J of the SEBI Act and in exercise of powers conferred upon me under Sections 11(4A), 11B (2) and Section 15I read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby impose the following monetary penalty under Sections 15 A(a), 15HA and 15HB of the SEBI Act on Noticee No. 10 and 19 for the contraventions as found in this order:

Table 20 -Penalties

Noticee No.	Noticee Name	Provisions violated	Penal Provisions under SEBI Act	Total Penalty Amount (In Rs.)
10.		Regulation 3(b), 3(c), 3(d) and 4(1) of the PFUTP Regulations read with	15 HA	Twenty lac only

	Rajendra Kumar Choudhary Read with Section 27 of SEBI Act.	Section 12A(a), 12A(b), 12A(c) of SEBI Act.		
		Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7) and 18(3) read with Para A of Part C of Schedule II of LODR Regulations.	15 HB	Three Lac only
		Regulation 4(1)(c), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(j), and 4(2)(e)(i) of the LODR) Regulations. IND AS 1 (Presentation of Financial Statements) and IND AS 115 (Revenue from Contracts with Customers) and Regulation 4(1)(a), 4(1)(b), 4(2)(e)(i), 33(1)(a), 33(1)(c), 48 of the SEBI LODR Regulations.	15 HB	Three Lac only
		Regulation 4(1)(a), 4(1)(b), 4(1)(c), 4(2)(e)(i), 23(2), 34(3) and 48 read with Clause 1 of Para A of Schedule V of the LODR Regulations.	15 HB	Two Lac only
		Section 11C(3) of SEBI Act, 1992	15 A(a)	Two Lac only
19	Ganesh Gangaram Madhari	Section 11(C)(5) of the SEBI Act	15 A(a)	Two Lac only

(a) The Noticee No. 10 and 19 are prohibited from selling their assets, properties including mutual funds/ shares/ securities held by them in demat and physical form except for the purpose of payment of penalty as directed above. Further, the banks are directed to allow debit from the bank accounts of the Noticees, only for the purpose of payment of penalty as ordered herein. This direction shall cease to operate upon the payment of the respective penalty amount.

(b) In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee No. 10 and 19.

(c) Noticee No. 10 and 19 shall remit/ pay the amounts of penalties mentioned against their names in the table above, within 45 days of receipt of this Order through online payment facility available on the website of SEBI i.e. www.sebi.gov.in on the following path, by clicking on the payment link www.sebi.gov.in/ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support of portalhelp@sebi.gov.in.

(d) The Noticees shall forward the details of online payment made in compliance with the directions contained in this Order to the "*The Division Chief, CFID, CFID-SEC 6, Securities and Exchange Board of India, SEBI Bhavan I, Plot No.C-4, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051*" and also to email id : tad@sebi.gov.in in the format as given in the table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: Penalty or Disgorgement	

234. This Order shall come into force with immediate effect.

235. This Order shall be served on all the Noticees, SEBI, Recognised Stock Exchanges, Banks, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

SANTOSHKUMAR SHUKLA
Digitally signed by SANTOSHKUMAR SHUKLA
Date: 2026.08.31 17:29:23 +05'30'

SANTOSH SHUKLA

Date: August 31, 2026 **QUASI JUDICIAL AUTHORITY**

Place: New Delhi **SECURITIES AND EXCHANGE BOARD OF INDIA**