



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

उप महाप्रबंधक

निगम वित्त अन्वेषण विभाग

DEPUTY GENERAL MANAGER

CORPORATION FINANCE INVESTIGATION DEPARTMENT

ई-मेल Email : shinod@sebi.gov.in

दूरभाष सं Tel.: 022-26449635

SEBI/HO/CFID/CFID-SEC2/OW/P/2022/59516/1

November 28, 2022

Notice No.	Name	PAN	Address	Email ID
1	M/s. Setubandhan Infrastructure Limited	AABCP3573F	The Exchange, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik, Maharashtra - 422002	compliance@prakashconstro.com
2	Mr. Prakash Pusaram Laddha	AAHPL3023D	The Exchange, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik, Maharashtra - 422002 Kaushal, Kulkarni Colony, Sadhu Vaswani Road, Nashik	prakashladdha@yahoo.com
3	Mr. Prafulla Subhashchandra Bhat	AMEPB0155F	B/2306, Sky Flama, Dosti Flamingos, China Mill Compound, T J Marg, Parel, Sewree, Mumbai, Maharashtra - 400015 Flat No 303, 3rd Floor, Vivarea Tower, B2, Sane Guruji Marg, Hindustan Spinning & Wire Mills Compound, Mahalaxmi, Mumbai - 400011 Plot no- 17/18/1, Sambhaji Nagar, Gouri Park, New Parvati Nagar, Jalgaon, Maharashtra - 425001 Unit 908-909-910, C Wing, Trade World, Kamala City, S B Marg, Lower Parel, Mumbai - 400013 Flat No 301, 3rd Floor, Tower-B, Vivarea Building, Dr. A.L. Nair Marg, Near Jacob Circle, Mumbai - 400011 Plot No. D 37, Sector 9, B1 Basement Floor, Chitrakut Yojna, Vaishali Nagar, Jaipur - 302021	bhatprafulla@gmail.com cafinance07@gmail.com great.star347@gmail.com sphinvestment@yahoo.com prafulla.bhat@rediffmail.com
4	Mr. Trichur Ganpat Krishnan	AEAPK1429B	8, 2 nd Floor, Rajhans Society, Rao Bahadur Gokhale Marg, Near Old R.T.O., Tilakwadi, Gole Colony, Nashik, Maharashtra - 422002	tgkrishnan3619@gmail.com

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

Show Cause Notice in the matter of Setubandhan Infrastructure Limited

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel : 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Sub: Show Cause Notice under Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2) read with Sections 15HA and 15HB of Securities and Exchange Board of India Act, 1992 and Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 in the matter of Setubandhan Infrastructure Limited.

1. Background:

SEBI conducted an investigation in the matter to ascertain whether the disclosure of financial information and the business transactions of M/s. Setubandhan Infrastructure Limited (*hereinafter referred to as 'Company' / 'SIL'*) have been dealt with in a manner which may be detrimental to the investors or the securities markets; and/or whether an intermediary or a person associated with the securities market have violated the provisions of the Securities and Exchange Board of India Act, 1992 (*hereinafter referred to as 'SEBI Act'*), Securities Contracts (Regulation) Act, 1956, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (*hereinafter referred to as 'PFUTP Regulations'*) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (*hereinafter referred to as 'LODR Regulations'*) or any other Rules or Regulations made or directions issued by SEBI thereunder. Independent forensic auditor M/s. BDO India LLP was appointed to assist the investigating authority for conducting forensic examination of books of accounts of SIL for four financial years from FY 2016-17 to FY 2019-20 (*hereinafter referred to as 'Investigation Period'*). The forensic audit report (*hereinafter referred to as 'FAR'*) (**Annexure B to Investigation Report**) was submitted to SEBI by the forensic auditor on July 11, 2022. The Investigation Report (*hereinafter referred to as 'IR'*) and its annexures is placed as **Annexure - I**.

2. The details of the Noticees are as under:

Table 1

Noticee No.	Name of Noticee	Designation/ Role/ Nature of Noticee w.r.t. SIL	Appointment date	Cessation date, if any
1	M/s. Setubandhan Infrastructure Limited	N.A.	N.A.	N.A.
2	Mr. Prakash Pusaram Laddha	Non-independent Executive Director	04.01.1996	13.09.2017
		Non-independent Non-executive Director	14.09.2017	28.07.2020
		Whole Time Director	29.07.2020	N.A.*
		(Chairman of Board and Audit Committee Member during Investigation Period)		
3	Mr. Prafulla Subhashchandra Bhat	Whole Time Director	14.09.2017	11.08.2020
		Non-executive director	04.03.2016	13.09.2017
4	Mr. Trichur Ganpat Krishnan	Managing Director (Director since 01.09.2005)	01.01.2011	19.12.2018

N.A*. – Not Applicable

3. SEBI examined the FAR, along with annual reports of the company, replies or statements recorded of the company, its directors including independent directors and statutory auditors. The observations / allegations pursuant to SEBI's investigation in the matter are divided into the following 8 categories:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- 1) Misrepresentation of financials by fictitious purchases & sales and diversion of funds to connected entities by payment towards fictitious purchases.
- 2) Misrepresentation of closing balances
- 3) Non-disclosure of Related Party Transaction in Annual Report.
- 4) Transactions with connected vendors at nominal profit or at loss.
- 5) Diversion of funds by improper write off of payments and balances.
- 6) Unreasonable write off for project WIP (Work in Progress).
- 7) Non-recovery of High ageing advances resulting in misutilisation of funds.
- 8) No documentation for purchase and sale of fixed assets with connected entities.

3.1. Misrepresentation of financials by fictitious purchases & sales and diversion of funds to connected entities by payment towards fictitious purchases:

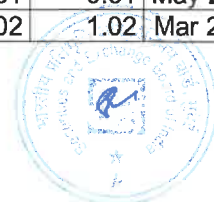
3.1.1. The company had accounted trading transactions of purchase and sale of materials with various entities which were not supported by any documentary evidence (except invoices and e-way bills in some cases). Review of customer receivable balances which were provisioned in FY 2019-20 revealed that the sales to these customers (whose balances were provisioned) were trading transactions. Though the company is into construction business, it is observed that voluminous trading transactions were booked during the period from FY 2016-17 to FY 2019-20 as purchase and sale of TMT bars, steel, metal channels, M S Angles, etc.

3.1.2. Summary of select party-wise ledgers of purchase and sale transactions is given in the following table:

Table 2

INR in Crore

Party Name	Opening on 01-04-16 Dr / (Cr)	Sales	Receipts	Purchases	Payments	Adjustment	Closing on 31-03-20 Dr / (Cr) / Receivables	Provision for bad debts	Balance o/s from**
Aikya Infra-Projects Pvt. Ltd.	-	37.83	(29.25)	-	-	0.07	8.64	10.02	Jul 2018
Stance Synergy Pvt. Ltd.	-	11.84	(5.96)	-	-	-	5.88	1.13	Nov 2017
Naolin Infrastructure Pvt. Ltd.	-	9.65	-	(13.03)	13.87	(0.84)	9.65	9.65	Aug 2017
Piconmat Supplier Pvt. Ltd. (Related Party of SIL)	0.11	7.34	(9.42)	(5.38)	7.92	0.84	1.41	1.02	Feb 2019
Erman Metals Pvt. Ltd.	-	7.16	(4.49)	(2.70)	2.70	-	2.67	2.67	Nov 2018
Flyhigh Infra-Projects Pvt. Ltd.	-	6.65	(2.53)	-	-	-	4.12	4.12	Sep 2018
Sanmukh Fab Industries Pvt. Ltd.	-	4.26	(2.09)	-	-	-	2.17	2.17	Oct 2018
Sadbhav Engineering Ltd.	-	3.67	(2.32)	-	-	-	1.35	-	Oct 2018
SPA Technical Services Pvt. Ltd.	-	2.82	(2.48)	-	-	-	0.34	0.34	Mar 2019
Sorority Traders Pvt. Ltd.	-	2.78	(2.51)	-	-	-	0.26	0.26	Oct 2018
Pioneer Trading Company	-	0.95	(0.85)	-	-	-	0.10	-	Jul 2018
Galina Consultancy Services Pvt. Ltd.	-	0.63	(0.62)	-	-	0.52	0.53	0.53	Jan 2018
Hi-tech Infra #	-	0.61	-	-	-	-	0.61	0.61	May 2017
Nevecea Infraspaces Pvt. Ltd.	-	1.04	-	-	-	(0.02)	1.02	1.02	Mar 2019





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Seam Industries Ltd.	-	40.31	-	-	-	(40.31)	-	-	-
Saisons Trade & Industry Pvt. Ltd.	-	-	-	(63.26)	65.87	(2.61)	-	-	-
Skyfall Trading Pvt. Ltd. (connected)	-	-	(5.05)	(26.69)^	32.59	(0.84)	-	-	-
Damani Multitrade Pvt. Ltd. (connected)	(0.15)	-	(9.64)	(108.46)	76.27	41.98**	-	-	-
Total (top customers)	(0.04)	137.54	(77.21)	(219.52)	199.22	(1.17)	38.75	33.54	

* In the absence of debtors ageing report, the Balance outstanding is calculated basis FIFO method of sales bill outstanding.

\$ Purchase from Naolin Infrastructure pertains to service contract and not material purchase.

The balance of Hi Tech Infra is of Debtor ledger. Apart from said debtor ledger, there is also a creditor ledger wherein work execution expenses is booked (project cost).

@ Adjustment with Galina Consultancy is on account of transfer of INR 0.52 crore from Naolin Infrastructure to Galina Consultancy and therefore, a receivable balance of INR 0.52 crore from Galina Consultancy.

^ Purchases from Skyfall Trading Pvt. Ltd. include purchase of materials and fixed asset purchases, which is also referred to in Table 7.

** Adjustment amount against Damani Multitrade Pvt. Ltd. includes stale cheque payment entry, stale cheque receipt entry and difference in carry forward of balance as mentioned in Table 7.

3.1.3. It may be seen from the table 2 that total purchases from specified vendors were for INR 219.52 crore and total payment was INR 199.22 crore. INR 5.05 crore and INR 9.64 crore were received back respectively from Skyfall Trading Pvt. Ltd. and Damani Multitrade Pvt. Ltd. with whom there were no sales transactions. Thus, INR 184.53 crores (INR 199.22 crore – INR 5.05 crore – INR 9.64 crore) were paid towards purchases of INR 219.52 crores. Out of total receipt of INR 77.21 crore, INR 62.52 crore (i.e., excluding the receipts from Skyfall and Damani) was from the specified customers towards sales of INR 137.54 crores. Provision for bad debts was made for INR 33.54 crores. Moreover, these sale and purchase transactions were not supported by adequate documents and were without any business rationale as explained in subsequent paragraphs.

3.1.4. As per the company accounts, the materials purchased from Saisons Trade & Industry Pvt. Ltd. (“**Saisons**”), Damani Multitrade Pvt. Ltd. (“**Damani**”) and Skyfall Trading Pvt. Ltd. (“**Skyfall**”) were sold on the same day or within two days to few entities viz. Aikya Infra-projects Pvt. Ltd. (“**Aikya**”), Stance Synergies Pvt. Ltd. (“**Stance**”), Flyhigh Infra-projects Pvt. Ltd. (“**Flyhigh**”), Erman Metals Pvt. Ltd. (“**Erman**”), Sanmukh Fab Industries Pvt. Ltd. (“**Sanmukh**”), etc. The payments to vendors were made, but a significant part of the receivables from customers were not collected and were either written off as bad/doubtful debts in FY 2019-20 or adjusted with outstanding payable balance of other entities. The outstanding receivables shown from these entities as on March 31, 2018 and March 31, 2019 was also fictitious as there was no actual sales to these entities. Party-wise ledgers are placed at **Annexure 1 of FAR**.

3.1.5. Basis timing of purchase and sale (same day / one-two day intervals), most of the sales to above parties could be linked to purchases from Saison (for FY 2018-19 and FY 2019-20). Refer following extract of bank ledger for “State Bank of India CC A/c 32899386345” illustrating timing of payments to Saison and receipts from Aikya,





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Stance and Flyhigh. Bank ledger of "State Bank of India CC A/c 32899386345" is placed at **Annexure 2 of FAR.**

Table 3

Date	Type	Party Name	Narration	Debit (INR)	Credit (INR)
08.05.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387217LC0000307, LU No. 0387217LU0000415 of Saisons Trade & Industry Pvt. Ltd.	-	2,50,45,524
09.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	1,19,50,000	-
09.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	11,88,152	-
11.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	1,25,00,000	-
				2,56,38,152	2,50,45,524
11.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000131, LU No. 0387218LU0000176		1,45,16,643
10.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKH18283627795.	55,00,000	
11.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKR12018101100738567.	60,00,000	
11.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKH18284735877.	32,00,000	
				1,47,00,000	1,45,16,643
08.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000125, LU No. 0387218LU0000169 of Saisons Trade & Industry Pvt. Ltd.	-	1,22,65,655
08.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKR12018100800858416.	1,17,58,000	-
				1,17,58,000	1,22,65,655
08.06.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387217LC0000331, LU No. 0387217LU0000446 of Saisons Trade & Industry Pvt. Ltd.	-	1,50,16,232
08.06.18	Receipt	Stance Synergies Pvt. Ltd.	Received RTGS.	1,14,35,000	-
				1,14,35,000	1,50,16,232
15.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000132, LU No. 0387218LU0000175 of		1,45,05,948





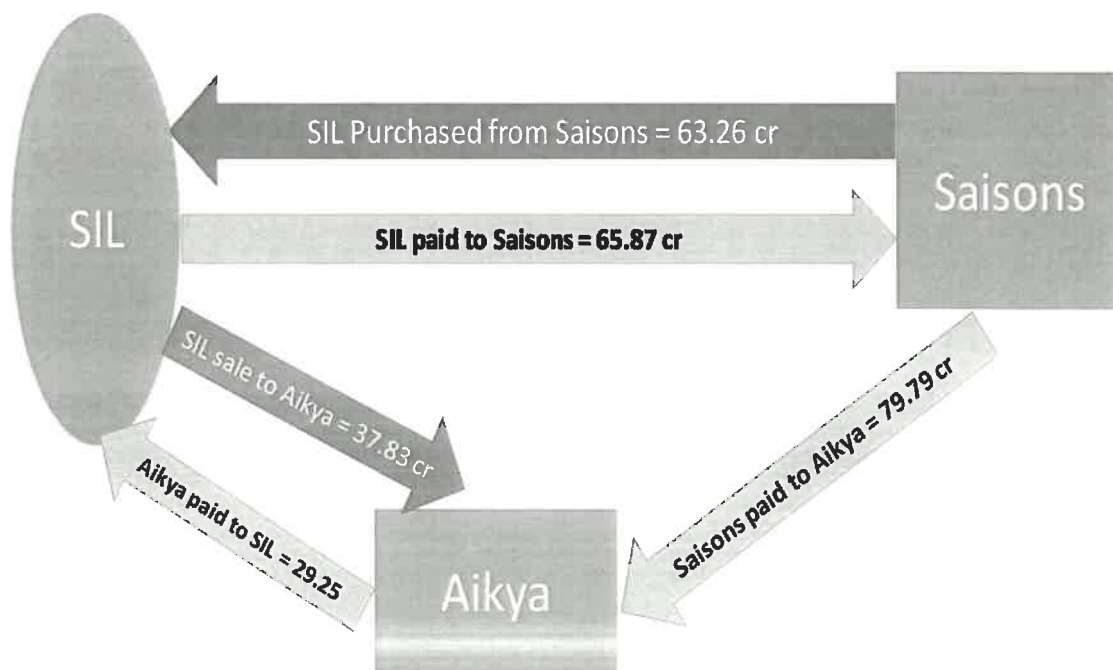
अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

			Saisons Trade & Indusry Pvt. Ltd.		
15.10.18	Receipt	Flyhigh Infra-Projects Pvt. Ltd.	Received from Flyhigh Infra-Projects Pvt. Ltd. UTR No. KKBKH18302772707.	1,15,90,559	
				1,15,90,559	1,45,05,948

3.1.6. Round tripping of funds through circular transactions: The analysis of bank statement of Aikya shows that Aikya had received funds from Saisons and part of the same is paid to SIL. Aikya received INR 79.79 crores from Saisons during the period July 20, 2017 to June 18, 2019. Further, Aikya paid INR 28.65 crore to SIL during the period December 11, 2017 to October 29, 2018. Lack of supporting documents corroborates that the purchase transactions were fictitious. The fund flow among SIL, Saisons and Aikya shows that the fictitious purchases and sales among SIL, Saisons and Aikya was predominantly funded by SIL only. The payments made by SIL to Saisons towards purchases of materials was transferred from Saisons to Aikya. As seen in Table 2, total amount of INR 29.25 crores was paid by Aikya to SIL towards the sales transactions booked by SIL. The bank statement of Aikya is placed at **Annexure D of IR**. The pattern of transactions among SIL, Saisons and Aikya are shown below:

Figure A



3.1.7. Further, comparison of trading sales and purchases indicates minimal profits raising concern on rationale of the transactions. It is observed that purchased quantity and sold quantity are same. Transaction details are placed at **Annexure 3 of FAR**. Following table depicts the item-wise purchases from Saison and sales to other parties with the margin on sales:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table 4

Amount in INR

Type	Party Name and type of transaction	Steel Round	Mild Steel Channel	TMT Bar 10mm	TMT Bar 12mm	TMT Bar 16mm	TMT Bar 8mm	Total
Purchase	Saison Trade and Industry Pvt. Ltd.	5,93,76,935	5,00,58,926	32,13,600	51,91,200	13,20,52,863	15,58,63,627	40,57,57,151
Sub-total Purchase (A)		5,93,76,935	5,00,58,926	32,13,600	51,91,200	13,20,52,863	15,58,63,627	40,57,57,151
Sales	Aikya Infra Projects Pvt. Ltd.	5,94,06,186	5,00,80,432	32,15,160	52,17,206	5,78,64,785	7,74,24,503	25,32,08,272
Sales	Flyhigh Infra-Projects Pvt. Ltd.	-	-	-	-	2,70,01,896	2,93,90,950	5,63,92,846
Sales	Pioneer Trading Company A/c	-	-	-	-	34,71,927	45,65,847	80,37,774
Sales	Sadbhav Engineering Ltd.	-	-	-	-	70,45,135	52,20,022	1,22,65,157
Sales	Sanmukh Fab Industries Pvt. Ltd.	-	-	-	-	1,16,95,825	1,22,30,451	2,39,26,275
Sales	Erman Metals Pvt. Ltd.	-	-	-	-	2,53,56,078	2,80,74,855	5,34,30,933
Sub-total Sales (B)		5,94,06,186	5,00,80,432	32,15,160	52,17,206	13,24,35,646	15,69,06,627	40,72,61,257
Margin (C)= (B-A)		29,251	21,506	1,560	26,006	3,82,783	10,43,000	15,04,106
% of Margin on Sales (C/B)		0.05%	0.04%	0.05%	0.50%	0.29%	0.66%	0.37%

3.1.8. Non-collection of receivables and write off as bad / doubtful debts: As per Annual Report 2019-20, the amount of provision for Bad debts is INR 35.35 crore whereas income from operations is INR 154 crore. Trade receivables reduced from INR 57 crore to INR 13 crore from 31.03.2019 to 31.03.2020. Profit Before Tax in 2019-20 was a loss of INR 44 crore. Hence, provision for bad debts contributed to 80% of Loss from operations (i.e., INR 35.35 crore / INR 44 crore) and 61% of Trade receivables as on beginning of the year (i.e., INR 35.35 crore / INR 57 crore). It is observed that no provision for doubtful debts was made during the period 2016 -19.

The following 9 debtors accounted for almost 93% (INR 32.88 crore / INR 35.35 crore) of the total bad debts provision amount:

Table 5

INR in Crore

Sr. No.	Name of Receivables	Amount Receivable as on March 31, 2020	Provision made in FY 2019-20 amount in	Period (in Years) as on March 2020
1	Naolin Infrastructure Pvt. Ltd.	9.64	9.64	2.66
2	Aikya Infra-Projects Pvt. Ltd.	8.64	10.02	1.72
3	Flyhigh Infra-Projects Pvt. Ltd.	4.12	4.12	1.53
4	Erman Metals Pvt. Ltd.	2.67	2.67	1.41
5	Sanmukh Fab Industries P Ltd.	2.17	2.17	1.46
6	PLCONMAT Supplier Pvt. Ltd.	1.02	1.02	1.16





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

7	Nevecea Infraspace Pvt. Ltd.	1.02	1.02	1.00
8	Stance Synergies Pvt. Ltd.	5.88	1.13	2.34
9	Networth Management Services	1.09	1.09	7.21
	TOTAL	36.25	32.88	

100% provision was made for 6 debtors (sl. no. 2 to 7) totalling to INR 21 crores which are outstanding for a period of 1 to 2 years only. However, there were other debtors ageing ranging from 2 to 9 years for which no provision was made.

The company failed to provide balance confirmation letters, adequate supporting documents for follow up on recovery and any legal action taken against debtors whose balances were written off.

Since the company has failed to provide proper documentation or to justify the value written off within 1 to 3 years, it is alleged that the write off was towards fictitious transactions recorded in the previous years. Making payments towards fictitious purchases and writing off of receivables from corresponding sales ultimately resulted in diversion of funds of the company.

3.1.9. Party-wise analysis of major vendors with alleged fictitious trading transactions is as follows:

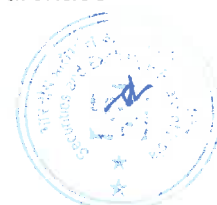
a) Saisons Trade & Industry Pvt. Ltd. ('Saisons')

- i) During the investigation period, SIL had accounted purchase of materials from Saisons for INR 63.26 crore and paid INR 65.87 crore. The excess payment of INR 2.61 crore to Saison adjusted with "Rate, Diff. & Discount A/c", instead of receiving back the same. No documentation for the said adjustment was provided. Thus, the excess payment was written off in the books, which constitutes a diversion of funds of the company. Refer to the following table:

Table 6

INR in Crore					
Party Name	Opening balance as on 01/04/16	Purchase	Payments	Adjustment (expensed)	Closing balance as on 31/03/20
Saisons Trade & Industry Pvt. Ltd.	-	(63.26)	65.87	(2.61)	-

- ii) Majority of the payments made to Saisons were through Letter of Credit (LC) facility. LCs were issued to Saison for purchases, though corresponding sales to other entities were not entirely collected.
- iii) Out of total 5 samples of INR 5.81 crore, 3 invoices of INR 2.98 crore were provided. No supporting documents such as Purchase order, Weighment slip, lorry receipt, delivery challan, etc. were provided for any of the 5 sample purchase transactions by the company to support that those trades were genuine.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- iv) On review of bank ledgers and bank statements, it was noted that the receipts from trading customers were either on the same date or within an interval of 1 – 2 days from the date of LC payments to Saisons. This indicates that the LC facility was potentially misused by issuing LC payments to vendor and routing the same as receipts from customers through fictitious trading transactions. This is corroborated by the receipts of INR 79.79 crore from Saison as appearing in the bank statement of Aikya which is shown in **Figure A (Annexure D of IR)**.

b) Damani Multitrade Pvt. Ltd. ('Damani') and Skyfall Trading Pvt. Ltd. ('Skyfall'):

- i) During the investigation period, SIL had accounted purchase of materials from Damani for INR 108.46 crore and paid INR 66.63 crore (net). SIL had accounted purchase of materials and fixed assets from Skyfall for INR 26.69 crore and paid INR 27.54 crore (net).
- ii) Following table shows the over view of transactions with Skyfall and Damani for the investigation period:

Table 7

INR in Crore

Party Name	Opening balance (01.04. 2016)	Purchase of materials	Fixed Asset Purchase	Payments	Receipts	Adjustment	Stale cheque payment entry	Stale cheque Receipt entry	Difference in carry forward of balance	Closing balance (31.03. 2020)
Skyfall Trading Pvt. Ltd.	-	(25.27)*	(1.42)*	32.59	(5.05)	(0.84)	-	-		-
Damani Multitrade Pvt. Ltd.	(0.15)	(108.46)	-	76.27	(9.64)	37.58#	26.44#	(28.02)#	5.98#	-
Total	(0.15)	(133.73)	(1.42)	108.86	(14.69)	(36.74)	26.44	(28.02)	5.98	-

- iii) Skyfall Trading Pvt. Ltd., Damani Multitrade Pvt. Ltd. and SIL were connected through common directorship of Prafulla Bhat. He is a past shareholder and director of SIL and also held directorship in Skyfall Trading Pvt. Ltd. and Damani Multitrade Pvt. Ltd. He was Whole Time Director in SIL during September 14, 2017 to August 11, 2020. The same is shown below:

Table 8

Director	SIL	Skyfall Trading Pvt. Ltd.	Damani Multitrade Pvt. Ltd.
Prafulla Bhat	04.03.2016 - 11.08.2020	From 02.06.2018 till date	06.07.2017 -30.03.2018

- iv) Skyfall and Damani had another common director namely Mr. Omkar Balshiram Thorat.
- v) On review of ledger of Damani Multitrade Pvt. Ltd., it was observed that the receivable balance of Seam Industries Ltd. (Debtor) was adjusted with Damani





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

amounting to INR 40.31 crore. Narration of adjustment entry stated "being assignment of debtor made to Damani". No details and basis of such assignment was provided. During FY 2016-17, total sales made to Seam Industries was INR 40.31 crore for product named "M.S.Angle". No other transactions with Seam Industries were observed for entire investigation period. The entire receivable balance of Seam Industries was adjusted with Damani. Therefore, it appears that the entire sale to Seam Industries INR 40.31 crore was fictitious and hence the sales revenue of FY 2016-17 was inflated by INR 40.31 crore. Subsequent to the said adjustment, funds of INR 9.64 crore were received from Damani in FY 2017-18 and FY 2018-19. The receivable balance of Seam Industries was set off against the payable balance of Damani which indicates that both purchase and sale transactions were fictitious.

vi) Supporting documentations for Purchase and adjustment entries were sought from SIL, however, the company could not provide any documentary evidences or justifications.

vii) **Diversion of funds to connected entities through payment towards fictitious purchases:** Considering the absence of adequate supporting documents, the purchase transactions of INR 25.27 crore and INR 108.46 crore with Skyfall and Damani respectively are alleged to be fictitious in nature. INR 108.86 crore was paid to Damani and Skyfall towards the fictitious purchases during the investigation period. Further, a receipt of INR 14.69 crore is also shown from Damani and Skyfall. Therefore, it is inferred that, by making a net payment of INR 94.17 crore (i.e., INR 108.86 crore – INR 14.69 crore) to Damani and Skyfall, the noticees had diverted the company funds of INR 94.17 crore to the connected entities viz. Damani and Skyfall. This amounts to 10.21% (i.e., INR 94.17 crore / INR 922.10 crore) of total revenue for the investigation period.

3.1.10. Party-wise analysis of major parties of whom the receivables are written off is as follows. It is noted that SIL entered into sale transactions with Aikya (INR 37.83 crore), Naolin (INR 9.65 crore), PLconmat (INR 7.34 crore), Flyhigh (6.65 crore), Sanmukh (INR 4.26 crore) and Erman (INR 7.16 crore) during the Investigation Period. 100% of the receivables from these entities as on March 31, 2020 were written off by SIL:

a) Aikya Infra-Projects Pvt. Ltd. ('Aikya') :

- i) During the investigation period, SIL had accounted sale of materials to Aikya for INR 37.83 crore and received only INR 29.25 crores.
- ii) **Provisioning higher than outstanding balances of Aikya:** INR 10.02 crore is provisioned for bad debts in FY 2019-20 against the total outstanding of INR 8.64 crores from Aikya. Provisioning an amount higher than the total outstanding from the





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

customer is without any business or accounting rationale. The company could not provide any reasons / supporting for provisioning of such higher amount.

- iii) Approximately 27% of the sales value to Aikya (INR 10.02 crore / INR 37.83 crore) was written off. It is pertinent to note that the margin earned from those transactions was only 0.04% to 0.66% (as shown in Table 4). Therefore, the said transactions do not hold any business rationale. Further, the company could not provide any documentary evidence to substantiate that the transactions were genuine.
- iv) As per media reports dated 26th November 2020, GST Department officials arrested Mr. Sachin Bharuka, director in several firms including Aikya for allegedly availing and utilizing bogus Input Tax Credit (ITC) amounting to around INR 485 crore. The news link is given below:
<https://www.hindustantimes.com/mumbai-news/mumbai-2-350-crore-gst-frauds-unearthed-three-arrested/story-XiQT5d8aaoW3yM0qQZLeZM.html>
- v) Following is the tally extract of sample transaction which indicates trade happen on the same day/next day at minimal profit with Aikya and Saison.

Stock Mem		Steel Round		1-Apr-18 to 31-Mar-19					
Stock details for: Our Stock with us & Third Party									
Date	Particulars	Vch Type	Vch No	Inwards		Outwards		Closing	
				Quantity	Value	Quantity	Value	Quantity	Value
1-Apr-18	Opening Balance			37.200 MT	1,88,42,319.10			37.200 MT	1,88,42,319.10
7-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			37,42,550.00			37.200 MT	3,25,84,869.10
8-Apr-18	Aikya Infra-Projects Pvt Ltd.(Project) Dr.	Sales	PCL/AIPL/18-19/1			37,44,400.00	37.200 MT	2,75,84,869.10	
10-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			40,06,045.75				
10-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			48,64,809.25		37.200 MT	3,14,55,724.10	
11-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			63,37,047.50				
11-Apr-18	Aikya Infra-Projects Pvt Ltd.(Project) Dr.	Sales	PCL/AIPL/18-19/2			48,67,214.00			
11-Apr-18	Aikya Infra-Projects Pvt Ltd.(Project) Dr.	Sales	PCL/AIPL/18-19/3			40,08,026.00	37.200 MT	3,77,92,771.60	
12-Apr-18	Aikya Infra-Projects Pvt Ltd.(Project) Dr.	Sales	PCL/AIPL/18-19/4			63,40,180.00	37.200 MT	3,77,92,771.60	
14-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			42,57,152.50		37.200 MT	4,20,49,924.10	
15-Apr-18	Aikya Infra-Projects Pvt Ltd.(Project) Dr.	Sales	PCL/AIPL/18-19/5			42,59,258.75	37.200 MT	4,20,49,924.10	

- vi) Further, the company did not produce the supporting documents such as invoice, weightment slips, delivery challans, purchase/sales orders, comparative quotes from any of the vendors, etc. with respect to the transactions with Aikya.
- vii) The receivable balance is outstanding from July 2018. Total trade payable as per the financials of Aikya as on 31st March 2019 was INR 5.37 crore but Receivable from Aikya as per financials of SIL as on 31st March 2019 was INR 8.64 crore. Thus, there is mismatch in payable/receivable balances when compared with the balance sheet of Aikya, showing this balance of Aikya was non-genuine.
- viii) Sales and purchases of Aikya in FY 2017-18 was more than double of the same in FY 2016-17. Fixed Assets of Aikya is NIL for past three years and the share





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

capital is INR 0.01 crore. Financial statements of Aikya from FY2016-17 to FY2018-19 is placed at **Annexure 4 of FAR.**

- ix) Balance confirmation was sought from Aikya via balance confirmation letters sent through registered post to their registered address. The same was returned undelivered due to non-existence of party at address. It is also seen that the GST number of Aikya was cancelled in March 2019 and it is noted that GST Department has initiated investigation against the entity.
- x) In view of the above and the round tripping of funds through Saisons and Aikya as shown in Figure A, it is alleged that there had been diversion of funds of the company through fictitious purchase and sale transactions and writing off of receivables of INR 10.02 crore.

b) Naolin Infrastructure Pvt. Ltd. ('Naolin')

- i) SIL had recorded both purchase and sales transactions with Naolin.
- ii) SIL accounted sale of materials to Naolin for INR 9.65 crore. The receivable amount from Naolin as on March 31, 2020 was INR 9.65 crore and the entire amount was written off in FY 2019-20.
- iii) On review of ledger of Naolin, it is noted that there were no receipts against the total sale transactions of INR 9.65 crore. However, the payments of INR 13.87 crore were made against the purchase of INR 13.03 crore. Refer following table for summary of transactions.

Table 9

INR in Crore

Party Name	Opening on 01-04-16	Sales	Receipts	Purchase	Payments	Adjustment	Closing on 31-03-20	Provision for bad debts
Naolin Infrastructure Pvt. Ltd.	-	9.65	-	-13.03	13.87	-0.84	9.65	9.65

- iv) Sales were made in the period from August 2017 to October 2017 and purchases were made in the period from August 2017 to January 2018. Payments against purchases were made from September 2017 till April 2018.
- v) It is pertinent to note that in spite of not receiving the amount against sales, the purchases are paid for and not adjusted with the sales.
- vi) Further, correspondence by Naolin stated that they had no payables towards SIL, no material was purchased by them from SIL, the invoices/delivery challans of SIL were fabricated since they had not purchased any material from SIL towards which SIL claims receivables. Refer the letter dated 11.09.2019 of Naolin to SIL countering the claims made by SIL (Annexure 6 of FAR).
- vii) Balance confirmation was sought from Naolin via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address.
- viii) In view of the above, it is observed that the entire sale accounted to Naolin INR 9.65 crore was fictitious. Hence, it is alleged that SIL had inflated the sales revenue for the FY 2017-18 by INR 9.65 crore.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

c) PLconmat Supplier Pvt. Ltd. ('PLconmat') :

- i) SIL had recorded both purchase and sale transaction of materials with PLconmat. INR 1.02 crore was written off in FY 2019-20 out of the receivable balance of INR 1.41 crore.
- ii) PLconmat has the same address as Setubandhan Infrastructure Ltd. - The Exchange, Plot No. 2A, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik - 422002
- iii) Prakash Laddha and Sankar Rathi are common directors of SIL and PLconmat. Therefore, SIL and PLconmat are Related Parties.
- iv) There are both purchase and sale transactions with PLconmat.
- v) In FY 2018-19, total material consumed as per financials of PLconmat is INR 7.03 crore, however, total sales by SIL to PLconmat is INR 7.34 crore indicating it transact only with SIL.
- vi) The company was requested to provide the supporting documents such as agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.
- vii) Balance confirmation was sought from PLconmat via balance confirmation letters sent through registered post to their registered address. The same was delivered but not responded to.
- xi) In view of the above, it is alleged that there had been diversion of funds of the company through fictitious purchase and sale transactions and writing off of receivables INR 1.02 crore.

d) Flyhigh Infra-projects Pvt. Ltd. ('Flyhigh') and Sanmukh Fab Industries Pvt. Ltd. ('Sanmukh'):

- i) SIL had recorded sale transaction with both Flyhigh and Sanmukh during the investigation period.
- ii) Mr. Mukund Chandak and Mr. Sanketh Agrawal are the common directors for Sanmukh and Flyhigh.
- iii) Both Sanmukh and Flyhigh have the same address - Office No.-402, Gera Legend, Survey No. 17/2, Koregaon Park, North Main Road, Ghorapadi, Pune - 411001.
- iv) The receivable amount from Flyhigh as on March 31, 2020 was INR 4.12 crore and the entire amount was written off in FY 2019-20.
- v) The receivable amount from Sanmukh as on March 31, 2020 was INR 2.17 crore and the entire amount was written off in FY 2019-20.
- vi) On analysis of financial statements of Sanmukh, in FY 2018-19, total trade payable of Sanmukh is INR 0.80 crore and Receivable of SIL from Sanmukh is INR 2.17 crore. Thus, there is mismatch in payable/receivable balances raising suspicion on genuineness of these transactions. Financial statements of Sanmukh Fab Industries Ltd. for FY2018-19 is placed at **Annexure 5 of FAR**. Relevant extract of balance sheet is given below:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SANMUKH FAB INDUSTRIES PRIVATE LIMITED U74999PN2012PTC175546 Balance Sheet as on year ended 31st March 2019		
Particulars	Note No	As at 31st March, 2019
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital	2	100,000
(b) Reserves and Surplus	3	{2,245,896}
(2) Share application money pending allotment		
(3) Non-Current Liabilities		
(a) Long-term borrowings	4	
(b) Deferred tax liabilities (Net)	21	
(c) Other Long term liabilities	5	
(d) Long term provisions	6	
(4) Current Liabilities		
(a) Short-term borrowings	7	
(b) Trade payables	8	8,042,912

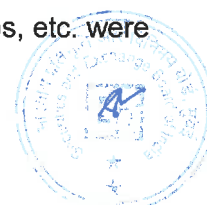
- vii) Balance confirmation was sought from Flyhigh and Sanmukh via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address.
- viii) The company was requested to provide the supporting documents such as Agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.
- ix) In view of the above, it is alleged that the transactions accounted with Flyhigh and Sanmukh are fictitious.

e) Erman Metals Pvt. Ltd. ('Erman')

- i) SIL had accounted both sale and purchase transactions with Erman during the investigation period.
- ii) The receivable amount from Erman as on March 31, 2020 was INR 2.67 crore and the entire amount was written off in FY 2019-20.
- iii) The company was requested to provide the supporting documents such as Agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.
- iv) Balance confirmation was sought from Erman via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address.
- x) In view of the above, it is alleged that the transactions accounted with Erman are fictitious.

f) Other observations/ factors indicating fictitious nature of transactions:

- i) Inadequate supporting documents for trading transactions: Only invoices are received as supporting documents in case of 57% of samples. No supporting documents are received in case of remaining samples. Supporting documents like purchase/sale orders, lorry receipts, delivery challans, weighment slips, etc. were





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

not furnished for any of the sample transactions. In few cases there were invoice with e-way bills attached, however the e-way bill did not contain transporter details. For details, refer **Annexure 16 of FAR.**

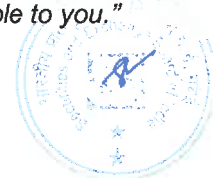
- ii) No supporting documents such as correspondence for recovery, legal action, etc was provided in case of Plconmat, Network Management Services Private Limited, Galina Consultancy Services Pvt. Ltd., Hi Tech Infra, Mima Products, Nevecea Infraspaces Pvt. Ltd.
- iii) In case of Aikya, Flyhigh, SPA Technical, Sanmukh, Naolin, Stance, Erman and Sorority, correspondence was sent by SIL to respective parties. As per delivery proof, the letters were received by the companies. Further, no responses were sent by any of these customers (Except Naolin who disputed the claims as explained in para 3.1.10. (b) above).
- iv) In case of Aikya, Pioneer, Flyhigh and Sanmukh, it is noted that the GST registration number was cancelled immediately in the next quarter of last date of bill booking with respective parties.
- v) As per Media reports dated 26th November 2020, GST department officials arrested Sachin Bhoruka, director in several firms with whom SIL had accounted transactions such as Erman Metals Pvt. Ltd., Pioneer Trading Co, Aikya Infraprojects Pvt. Ltd., Sanmukh Fab Industries Pvt. Ltd. and Flyhigh Infraprojects Pvt. Ltd. He allegedly availed and utilized bogus ITC amounting to around INR 485 crore.
(<https://www.hindustantimes.com/mumbai-news/mumbai-2-350-crore-gst-frauds-unearthed-three-arrested/story-XiQT5d8aaOW3yM0qQZLeZM.html>). Mr. Prakash Laddha, Director, informed that there was an investigation conducted by GST department on SIL and received notice from the department.
- vi) On inquiring about debtor confirmations from the Statutory Auditor M/s. G A G and Associates (FY 2018-19 and FY 2019-20) following response was received indicating that debtor confirmation for the trading parties were not obtained independently by the Statutory Auditor:

"Balance confirmations of some debtors were found on the records of the company and for the debtors from whom no confirmation was received, the management informed us that they had verbally communicated with the debtors and confirmed the balances.

In FY 2018-19 as the balance confirmations of some debtors were not available, we carried out additional procedures to verify the genuineness of the debtors and discussed and ascertained the management view that no provision was needed.

In FY 2019-20 since debtor balances were not being confirmed, we discussed with the management about the recoverability of the debtors, which ultimately resulted in the write off.

We do not have the copies of debtor confirmations received by the company on our record and hence have requested the company via e-mail to make the same available to you."





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

The response received from Statutory Auditor M/s. G A G and Associates is placed at **Annexure 7 of FAR.**

vii) Non-delivery of forensic auditor's Balance confirmation to customers:

- Forensic auditors sought balance confirmation from top 10 customers (with outstanding balances of above 1 crore provisioned) via balance confirmation letters sent through registered post to the customer's registered addresses.
- The communications returned undelivered in 6 out of 10 cases due to "non-existence of party at address". i.e., Aikya, Naolin, Flyhigh, Erman, Sanmukh and Stance.
- To other 4 customers (Networth Management Services Pvt. Ltd., Plconmat Supplier Pvt. Ltd., Sadbhav Engineering Limited and Nevecea Infraspaces Pvt. Ltd.) though the letters were delivered, these customers have not responded to the balance confirmation letters. It is to be noted that Plconmat Supplier Pvt. Ltd. is a related party of Setubandhan Infrastructure Limited (SIL) and registered at the same address.

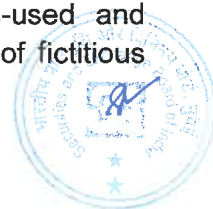
viii) In view of the above, it is alleged that the sale transactions and trade receivable balances were not genuine.

3.1.11. Summary of observations / allegations:

Considering the following aspects, the trading transactions with select parties are fictitious in nature resulting in inflation of revenues and purchases (Sales: INR 137.54 crore, Purchases: INR 220.24 crore as per Table 10) and thereby manipulating & misrepresenting the financial statements / business operations of the company. The same is 14.91% of total revenue and 66.64% of total purchases respectively.

- a) Writing off almost entire outstanding receivables within a period of around two years from the date of the transactions.
- b) Round tripping of funds through circular transactions among SIL – Seasons – Aikya – SIL.
- c) Adjustment of receivable balance of debtor with vendor balance of INR 40.31 crore
- d) Inadequate supporting documentation for trading transactions & follow up for recovery of outstanding balances
- e) Correspondence from the customer "Naolin" indicates transactions are fictitious
- f) Non-delivery of communications at the registered addresses of parties.
- g) Minimal profit booked for trading transactions.
- h) Parties being connected amongst themselves and with SIL.
- i) Mismatch in trade receivables balances disclosed by SIL and trade payable balances disclosed by its customers in the balance sheets of Aikya and Sanmukh.

Further, payments were made to trading vendors through LC facility though trading sales remained uncollected. Thereby, indicating that the LC facility was mis-used and uncollected sales of INR 33.54 crore (bad debts) corroborate the booking of fictitious





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

sales. Out of total writing off of bad debts INR 35.35 crore in FY2019-20, amount of INR 33.54 crores was with respect to the sale transactions accounted during the investigation period.

Considering the absence of supporting documentation for trading transactions, irrational adjustments and reversals, the transactions with Skyfall, Damani and Seam Industries observed to be fictitious. It is noted that payment has been made by SIL towards these fictitious purchases. Therefore, it is alleged that the net payment of INR 94.17 crore (i.e., INR 108.86 crore – INR 14.69 crore) to Damani and Skyfall amounts to diversion of funds to connected entities, which is 10.21% (i.e., INR 94.17 crore / INR 922.10 crore) of total revenue for the investigation period. It may be noted that Mr. Prafulla Bhat, Whole Time Director of SIL was director in Skyfall and Damani and hence it is inferred that Mr. Prafulla Bhat had diverted INR 94.17 crore from SIL through payments towards fictitious purchases.

Refer following table for a comprehensive year-wise impact on financial statements through fictitious transactions:

Year-wise statement of impact (Refer Annexure 9 and 10 of FAR for party-wise list of inflated sales and purchases)

Table 10

S. No.	Particulars	INR in Crore		
		FY 16-17 & FY 17-18	FY 18-19 & FY 19-20	Total
A	Inflation of revenue by Fictitious Sales	72.17	65.37	137.54
B	Inflation of expenses by fictitious Purchases	170.08	50.16	220.24
C	Total revenue from operations as per Annual Reports	509.42	412.68	922.10
D	Total purchases as per Annual Reports	237.58	92.91	330.49
E	Misrepresentation of sales as % of total revenue (A/C)	14.16%	15.84%	14.91%
F	Misrepresentation of purchases as % of total purchases (B/D)	71.58%	54.00%	66.64%
G	Writing off Bad debts resulting out of fictitious sales.	-	33.54	33.54
H	Adjustments between Damani Multitrade Pvt. Ltd. and Seam Industries Ltd. [explained in para 3.1.9. (b)(v)]	40.31	-	40.31

It is to be noted that the Company's principal business activity is construction projects. It is alleged that the company has been inflating its sales and purchases during the Investigation Period by booking fictitious trading transactions. The above observations indicate that the books of accounts cannot be relied upon and do not give a true and fair picture of both the financials and operations of the Company.

3.2. **Misrepresentation of closing balances:**

3.2.1. **Misrepresentation through stale cheque transactions**

- Payment entries of INR 26.44 crore in the ledger of Damani in FY 2016-17 were reversed in FY 2017-18 by passing receipt entries with narration "cheque stale so reversed".





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- b) On review of these payment entries, no cheque details were mentioned in the narration. Clarification/documents from SIL were sought, however, no details were provided.
- c) It was also noted that such payment entries were passed in the books only in the month of February and March 2017. Further, the same were reversed in the month of May and June 2017.
- d) Considering the above, the balances payable to Damani were reduced by passing these book entries thereby indicating manipulation of books and misrepresentation of closing balances in FY 2016-17.
- e) In view of the above, it is alleged that the trade payable (current liability) was materially understated by INR 26.44 crore in FY 2016-17. The reported trade payables for the year was INR 37.15 crore.

3.2.2. Difference in carry forward of balance:

- a) On 31st March 2018, the closing receivable balance of INR 5.98 crore of Damani was adjusted with payable balance of Ami Steel Corporation and thereby nullifying these balances to nil as on 31-03-2018.
- b) However, on review of said party ledger in the next financial year (FY 2018-19), opening brought forward balance of INR 5.98 crore was observed, though there was no carried forward balance in the previous financial year (FY 2017-18).
- c) Such mismatch in opening and closing balances indicates misrepresentation of closing balances.
- d) In view of the above, it is alleged that both receivable and payable balances were understated by INR 5.98 crore in FY 2017-18.

3.3. Non-disclosure of Related Party transaction in Annual Report:

3.3.1. *As per regulation 2(zb) of LODR Regulations, "related party" means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards:*

[Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.]

Provided [further] that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per regulation 2(zc) "related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per Section 2(76) of Companies Act, 2013, related party, with reference to a company, *inter alia* includes —





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

(iv) a private company in which a director or manager is a member or director;

Relevant extracts of IND AS 24 on Related Party Transactions is given below.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

- 3.3.2.** Skyfall Trading Pvt. Ltd., Damani Multitrade Pvt. Ltd. and SIL were connected through common directorship of Prafulla Bhat. He was whole time director and past shareholder of SIL and also held directorship in Skyfall and Damani. The same is shown below:

Table 11

Director	SIL	Skyfall Trading Pvt. Ltd.	Damani Multitrade Pvt. Ltd.
Prafulla Bhat	04.03.2016 - 11.08.2020	From 02.06.2018 till date	06.07.2017 - 30.03.2018

Transactions with Damani and Skyfall (Party wise ledgers are placed at **Annexure 1 of FAR**).

As per ledger accounts of Damani, the following transactions were entered by SIL with Damani during FY 2016-17 and FY 2017-18:

Table 12

Transaction type	Amount in INR crore	
	FY 2016-17	FY 2017-18
Purchases	108.46	0
Payments	66.60	35.77
Receipts	0	31.34 @
Journal Adjustment with Seam Industries Ltd.	40.31	0
Other Journal adjustments	1.83	9.15

@ Includes INR 28.02 crore as stale cheque reversal

3.3.3. Summary of observations / allegations:

In terms of regulation 2 (zb) of LODR Regulations, Damani Multitrade Pvt. Ltd. was a related party to SIL on account of common directorship of Mr. Prafulla Bhat during FY 2017-18. However, Damani was not disclosed as a related party of SIL and the payment and receipt transaction of INR 35.77 crore and INR 31.34 crore respectively with Damani was not disclosed as Related Party Transaction in the Annual Report





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

for FY 2017-18. Therefore, it is alleged that the noticees no. 1 to 4 did not comply with the Ind AS 24 while publishing its Annual Report for the FY 2017-18. Thus, the noticees violated Regulations 4(1)(a),(b), 4(2)(e), 33(1)(c) and 48 of LODR Regulations.

3.4. Transactions with connected vendors at nominal profit or at loss:

3.4.1. Following are the key project sub-contractors which were found to be connected to the Company. Party-wise ledgers of below mentioned parties are placed at **Annexure 11.**

Table 13

INR in crore

Party Name/ Vendor Name	Relationship with SIL	Opening on 01.04.16	Invoice booking	Payments	Sales	Receipts	Stale cheque reversal	Adjustment	Closing on 31.03. 2020
Atal Realtech Pvt. Ltd.	Connected Party	(6.84)	(120.26)	129.48	9.66	(22.19)	(10.58)	21.38	1.8
Mohini Buildwell Pvt. Ltd.	Connected Party	(4.09)	(65.20)	95.96	4.23	(22.76)	(7.84)	2.58	3.92
Univastu India Ltd.	Disclosed Associate as per financials	-	(141.19)	150.61	13.15	(40.10)	-	14.65	(3.18)
Kanak Agro Pipes Pvt. Ltd.	Connected Party	0.02	(36.59)	34.94	-	(0.55)	-	1.19	(0.98)
Total		(10.90)	(363.24)	410.99	27.04	(85.60)	(18.42)	39.80	1.56

3.4.2. Connection with parties: On public domain searches it was observed that these parties are related or connected to SIL as follows:

- Atal Realtech Pvt. Ltd.** – “Vijaygopal Parasram Atal” is present director & shareholder of Atal Realtech Pvt. Ltd. was past Director in SIL. As per vendor’s IPO Prospectus (September 2020), SIL is its major customer.
- Mohini Buildwell Pvt. Ltd.** – “Sharad Ramnarayan Karwa” the Director and Shareholder in Mohini Buildwell Pvt. Ltd. is Prakash Laddha’s brother-in-law as per SIL’s IPO prospectus. Vendor’s financial statements indicate that its entire revenue is from SIL.
- Univastu India Pvt. Ltd.** – Disclosed as associate in financial statements of SIL.
- Kanak Agro Pipes Pvt. Ltd.** –The present director & shareholder (0.26%) of SIL, “Suresh Girdharilalji Sarda” is present director and shareholder (38%) of Kanak Agro Pipes Pvt. Ltd. Vendor’s financial statements indicate that its entire revenue is from SIL.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Tenure of directorship of the above mentioned directors in the said companies is given in the following table:

Table 14

Director	SIL	Atal Realtech Pvt. Ltd.	Mohini Buildwell Pvt. Ltd.	Kanak Agro Pipes Pvt. Ltd.
Vijaygopal Parasram Atal	04.01.1996 - 01.01.2012	25.08.2012 till date	-	-
Sharad Ramnarayan Karwa	04.01.1996 - 01.01.2012	-	14.08.2012 till date	-
Suresh Girdharilalji Sarda	04.01.1996 – 04.03.2016 and 21.12.2020 till date.	-	-	29.03.2010 till date

However, it is seen that there was no common directorship during the investigation period and the transactions happened with SIL and connected entities during the period when there was no common directorship.

3.4.3. Expenses incurred by SIL in spite of back-to-back arrangement and booking either minimal profit or loss:

- On review of project documentation of following sampled 4 projects, it was noted that these projects are sub-contracted.
 - Palghar - Administration Building and Collective Office subcontracted to Atal Realtech Pvt. Ltd.
 - Yeotmal subcontracted to Mohini Buildwell Pvt. Ltd.
 - Navi Mumbai Metro Station 6 Nos. Site subcontracted to Univastu India Pvt. Ltd.
 - A'bad CIDCO Vande Mataram Auditorium subcontracted to Kanak Agro Pipes Pvt. Ltd.
- Projects were sub-contracted at only 1 % margin. Further, in the project “Navi Mumbai Metro Station” it was noted that labour charges and indirect expenses were incurred by SIL inspite of back-to-back arrangement. However, on review of the said contract (the Work Order is placed at **Annexure - II to SCN**), it is noted that there was no condition that the labour should be provided by SIL. Therefore, the expenses of labour should have been borne by the sub-contractor. Considering that project margins were marginal, the project is under losses. This indicates that the project income of SIL was diverted to these related/connected vendors (i.e., margin at arm's length pricing on work execution value of INR 363.24 crores – margin earned by SIL by subcontracting these projects) by subcontracting at minimal margin and also by SIL incurring expenses on such projects
- Following is snapshot of 3 projects sub-contracted at minimal profit/loss:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table 15

INR in Crore

Project Name	Sub-contracted to	Total Contract value	Cumulative revenue till March 2020	Cumulative cost till March 2020	Profit/(Loss) booked till March 2020
Palghar Administration Building	- Atal Realtech Pvt. Ltd.	35.13	32.23	31.95	0.27
Palghar Collector Office Building	- Atal Realtech Pvt. Ltd.	35.03	32.98	32.63	0.35
Navi Mumbai Metro Station	Univastu India Pvt. Ltd.	127.00	62.98	69.81	(6.82)

3.4.4. Sales to vendors without any underlying agreement:

- It was noted that sales of material of INR 27.04 crore was also made to these parties. As per the agreement provided they were entirely back-to-back contracts to the vendors. Therefore, sale of material to these parties is unreasonable. The company was not able to justify these transactions.
- Further, out of 21 samples for sales sought from the company, invoice was received in case of 18 transactions. However, no other supporting documents such as weighment slips, delivery challans, purchase/sales orders, etc. were provided for all sample transactions.
- Further, receipts of INR 85.60 crore are more than sales to these parties by INR 58.56 crore. Also, stale cheque reversal entries are passed of INR 18.42 crore, however, original cheque entries and corresponding payments for the said stale cheques were not found in the bank book. The Company has not responded to the queries pertaining to stale cheque, both to forensic auditors and SEBI.

3.4.5. Unreasonable Adjustments with other parties with no underlying supporting documents:

- On review of vendor ledgers of few parties, it is noted that various adjustment entries are passed in these ledgers thereby adjusting the balances with other party ledgers.
- However, no justification or supporting documents have been received to validate the basis of such adjustment entries.
- Refer below table for instances of adjustment entries:

Table 16

INR in Crore

Party Ledger Name	Adjusted with (Ledger name)	Narration	Debit amount	Credit amount
Univastu India Ltd. (Flower Trding Cetr. Pune) WE	Shalaka Infra-Tech India PL(Flower TradAPMC Pune)Dr	JV passed for Bill Debt assign to Univastu India Ltd. and Balance Amount Discounted.	6.29	-
Atal Realtech Pvt. Ltd. (Project Supply)	Sri Kubera Constructions Pvt. Ltd.	being Debtor assigned to creditor. Discount given to debtor transferred to Rate Difference.	6.98	-





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

3.4.6. Summary of observations / allegations:

On review of transactions with select vendors and factors mentioned below, it is noted that SIL entered into back-to-back arrangements for execution of projects with certain vendors and projects were sub-contracted to vendors with a minimal margin to SIL indicating that project income of SIL was diverted to these vendors (i.e., margin at arm's length pricing on work execution value of INR 363.24 crores – margin earned by SIL by subcontracting these projects).

- Vendors are connected/related parties of SIL
- Vendor's assigned back-to-back contracts without vendor evaluation and seeking comparative quotation etc.
- Back-to-Back contracts given to these vendors at minimal /no profits by SIL.
- In spite of back-to-back arrangements, the expenses like labour cost / indirect expenses on the project were incurred by SIL, though there were no contractual obligation as per work order dated 25.10.2017.
- Sales to vendors without any underlying agreement
- Unreasonable adjustments in vendor balances, unexplained.

Based on the above, it is construed that company had not followed arm's length pricing principle while dealing with related / connected entities, and could not explain the rationale. Thus, it is alleged that project income of SIL was diverted to these related / connected vendors by subcontracting at minimal margin and also by SIL incurring expenses on such projects.

3.5. Diversion of funds by improper write-off of payments and balances

- On review of select party ledgers, it was noted that various creditor, debtor and advance to supplier accounts were adjusted with Rate Difference & Discount account. Also, various receipts and payments were routed through this ledger.
- The company could not provide any supporting documents, reasons or justifications for passing such entries.
- Refer following table for party ledgers that are adjusted through Rate Difference & Discount a/c. Ledger of these parties are placed at **Annexure 15 of FAR**.

Table 17

INR in Crore

Ledger Name	Opening on 01.04.16	Project Invoice booking	Payments	Receipts	Adjustments with Rate diff & disc. a/c	Closing on 31.03.20	Note
Protex Infracon Pvt. Ltd.	-	(5.36)	1.64	-	(3.72)	-	Note 1
Sherisha Technologies Pvt. Ltd. A/c	-	-	2.75	-	(2.75)	-	
Suryaprakash Tribhuvan Kalya A/c	-	-	0.86	-	(0.86)	-	
Amitkumar T. Kalya (Adv. Land/ Comm. Premises)	-	-	0.56	-	(0.56)	-	
Jasfo Design Pvt. Ltd. Adv. A/c	-	-	0.50	-	(0.50)	-	





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Tribhuvanlal Kalya (Adv. Land/ Comm. Premises) A/c	-	-	0.50	-	(0.50)	-	
Manohar Bhagchand Khemani Adv. A/c	-	-	0.40	-	(0.40)	-	
Kiran Parasharam Katore A/c	-	-	0.3	-	(0.30)	-	
Swapnali Kiran Katore A/c	-	-	0.27	-	(0.27)	-	
Shailja Commercial Trade Frenzy Ltd.	-	(1.71)	3.96	(2.25)	-	-	
J. P. Company (Subcontractor) A/c	(0.27)	-	-	-	0.27	-	Note 2
Parmeshwar Merchandise Private Ltd. (Adv Abad)	0.45	-	-	-	(0.45)	-	
Mrinalini Sanjay Nikam (B-501) A/c	0.49	-	-	-	(0.49)	-	
Flareum Solar Technologies Pvt. Ltd.(Advance) A/c	0.7	-	-	-	(0.70)	-	
Total	1.37	(7.07)	11.74	(2.25)	(11.23)	-	

- **Note 1:** Payments made to these parties which are then adjusted with Rate, Diff & Discount a/c. There are no other transactions with these parties during the investigation period, except the invoice booking for Protex and Shailja. It was noted that majority of these payments were made in FY 2018-19.
- **Note 2:** Payable and Receivable balances of these accounts are adjusted with Rate, diff & Discount a/c. There are no other transactions with these parties during the investigation period and are carried forward balances from prior period.

Shailja Commercial Trade Frenzy Ltd. ('Shailja'):

In case of Shailja (Advance to supplier ledger), it is noted that during FY 2018-19 work execution expenses of INR 1.71 crore were booked. Total payments made to Shailja was more than the bill booking by INR 2.25 crore, out of which INR 1.75 crore was then adjusted with Rate Difference & Discount a/c and INR 0.50 crore was received from Shailja.

Further, in FY 2019-20, INR 1.75 crore was received from Shailja which was then reversed against the amount in Rate Difference & Discount a/c. This indicates that advances given & recovered from Shailja were routed through expenses account. It is irrational that excess payment made to Shailja was booked as expense under Rate difference & discount a/c.

Protex Infracon Pvt. Ltd. ('Protex'):

Similarly, in case of Protex (Sundry Creditor), it is noted that during FY 2018-19 work execution expenses of INR 5.36 crore was booked in June, July and August 2018. No payments were made in the said period. The entire amount was then adjusted with Rate, Difference & Discount a/c on 31st January 2019.

Further, in FY 2019-20, INR 1.64 crore was paid to Protex which was then reversed against the amount in Rate Difference & Discount a/c.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Summary of observations / allegations:

The payments & receivable balances amounting of INR 11.23 crore were written off by SIL in the expenses ledger "rate, diff & discount a/c". In most of these party ledgers, there was no invoice booking and neither was there any payable opening balances as on 01 April 2016. Clarification for transactions with few parties was sought from the Company however, no response was received on the same. The company failed to provide any documentation / explanation with respect to these transactions/writing off. Therefore, it is alleged that the payments to these parties with no underlying basis / transactions and subsequent write off to expense ledger is diversion of funds.

3.6. Unreasonable write off for project WIP (Work in Progress):

There are various instances wherein closing WIP of projects/sites is booked as loss. However, no explanations, reasons, justifications or supporting documents is provided. Refer following table for such instances observed in FY 2018-19:

Table 18

INR in Crore

Project name	Opening stock as on 01.04.18	Purchases	Direct expenses	Sales	Closing stock	Gross Profit/ (Loss)	Indirect expenses	Indirect Incomes	Net Profit/ (Loss)
PCL A'bad CIDCO Guest House 18-19	0.65	-	0.14	0.14	-	(0.65)	0.00	-	(0.65)
PCL Goa Multi Purpose Hall Site	12.70	-	-	-	1.57	(11.14)	0.03	-	(11.17)
PCL Jalna Hospital Site	7.07	-	1.43	1.49	-	(7.01)	0.00	0.00	(7.00)
PCL Nashik Pathardi Devel. Of Kabrastan	-	0.15	0.00	-	-	(0.15)	0.00	-	(0.15)
PCL MSBTE/MSIHMCT Admin Building Site	6.76	0.16	4.12	4.34	1.35	(5.35)	0.09	0.01	(5.43)
PCL Road various Projects	3.34	-	0.01	-	1.89	(1.46)	0.02	0.00	(1.48)
Total	30.52	0.31	5.70	5.97	4.81	(25.76)	0.41	0.01	(25.88)

Summary of observation / allegation:

Sample projects are observed in which WIP of previous period was neither billed to client nor reflected in the closing balance of the subsequent period. The variance between opening and closing WIP was expensed of INR 25.76 crore (Refer **Annexure 17 of FAR** for further details). Clarification and details from SIL for sample projects were sought, however, no response was provided. Considering the above unreasonable write offs of project WIP and no response from the SIL, such carried forward project WIP balances are alleged to be fictitious which has resulted to increase in gross loss by INR 25.76 crore in FY 2018-19.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

3.7. Non-recovery of High Ageing advances resulting in misutilisation of funds:

- It was noted that majority of the party balances are opening balances as on 01 April 2016. These are high ageing receivables balances with no transactions during the investigation period. Further, in FY 2019-20, Provision for doubtful advances of INR 4.21 crore was created. Clarification was sought from company, however, no further details were provided.
- Refer following table for balances of some parties (above 1 crore) classified as advances (current assets) in Tally:

Table 19

INR in Crore

Party name	Group	Opening (01.04.16)	Invoice booking	Payme nts	Recei pts	Adjust ments	Diff. in carry forward of bal.	Closing (31.03.20)
Dhvani Arcade Pvt. Ltd.	Advance to Work Executors	10.00	-	-	-	-	-	10.00
High Ground Enterprises Ltd.	Advances to Suppliers	-	(24.75)	28.80	-	(4.05)**	4.05**	4.05
Shitanshu Bipin Vora	Advances Against Land	4.90	-	0.50	(1.90)	-	-	3.5
Univista Contractors Limited	Advances to Suppliers	-	-	1.75	-	-	-	1.75
Blue Sea Commodities Pvt. Ltd.	Advances to Suppliers	-	-	1.70	-	-	-	1.70
Sagar Infrastructure Pvt. Ltd.	Advance Against Land Commercial Premises	1.65	-	-	-	-	-	1.65
Ariana Softect Pvt. Ltd.	Security Advance Against Lease of Premises	1.15	-	-	-	-	-	1.15
Jaikumar Real Estate Pvt. Ltd.	Other Advances	3.69	-	-	(2.62)	-	-	1.06
Keshvi Developers Pvt. Ltd.	Security Advance Against Lease of Land	1.00	-	-	-	-	-	1.00
Total		22.39	(24.75)	32.75	(4.52)	(4.05)	4.05	25.86

- Apart from above mentioned parties, **INR 2.05** crore is outstanding as advances against land given to multiple parties "Advances Against Land Survey No. (Near Shahapur).

**As per High Ground Enterprises Ltd. ledger of FY 2017-18, INR 24.75 crore was booked as work execution expense and INR 28.80 crore was paid. The excess payment of INR 4.05 crore





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

was adjusted with payable balance of Ami Steel Corporation and thereby nullifying the said balances to nil in FY 2017-18 which was then restated in FY 2018-19 to INR 4.05 crore. These restating of balances in FY 2018-19 indicates understatement of balances carried forward from 31st March 2018 to 1st April 2018.

Summary of observations / allegations:

Advances were paid to multiple parties of INR 27.91 crore (INR 25.86 and INR 2.05 crore) wherein there is no expense booking and subsequent recovery during the investigation period. Refer **Annexure 18 of FAR** for party-wise details. Further, in FY 2019-20, Provision for doubtful advances of INR 4.21 crore is created. Clarification was sought from company, however, no further details were provided. It is alleged that payment to these parties are outstanding with high ageing and resulted in misutilisation of funds. Further, the payable and receivable balances as on March 31, 2018 was understated by INR 4.05 crore.

3.8. No documentation for purchase and sale of Fixed Assets with connected entities:

- On review of fixed assets ledgers, it is noted that SIL purchased building (Floor No. 2 & 3 of Pinnacle Mall) from Silver Key Developers Pvt. Ltd. (Erstwhile Atal Buildcon Pvt. Ltd.), an Associate company of SIL on 30th June 2019 amounting to INR 22 crore. This property is built by Prakash Constrowell Ltd. (presently Setubandhan Infrastructure Ltd.) as per its website.
- Further, SIL sold Maserati - Gran Turismo Sports Car to Prafulla Bhat (past director of SIL) on 31 July 2019 amounting to INR 0.83 crore.
- A DG Set was sold to Atal Buildcon Pvt. Ltd. of INR 0.12 crore on 28th June 2018.
- For all the above transactions, supporting documents such as Transfer Agreement, Valuation Reports, Invoices etc. are not provided. Further, the company did not provide physical verification and valuation reports of fixed assets.

Summary of observations / allegations:

The Company has not submitted any documents for fixed assets (building) of INR 22 crore purchased from Atal Buildcon Pvt. Ltd. As per asset description it was noted that the space was bought in a shopping mall that was built by SIL. Further, no documentation is provided towards sale of assets of the company. Considering the above and the lack of documents to support the purchase / sale and the fact that these transactions were entered with connected entities, it is alleged that the above transactions are resulting into misutilisation of assets of the company.

4. SUMMARY OF ALLEGATIONS AND IMPACT ON THE SECURITIES MARKET:

- 4.1. The amount of alleged diversion of funds, misutilisation of assets and misrepresentation of financials during the investigation period is as follows:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table No. 20

INR in Crore

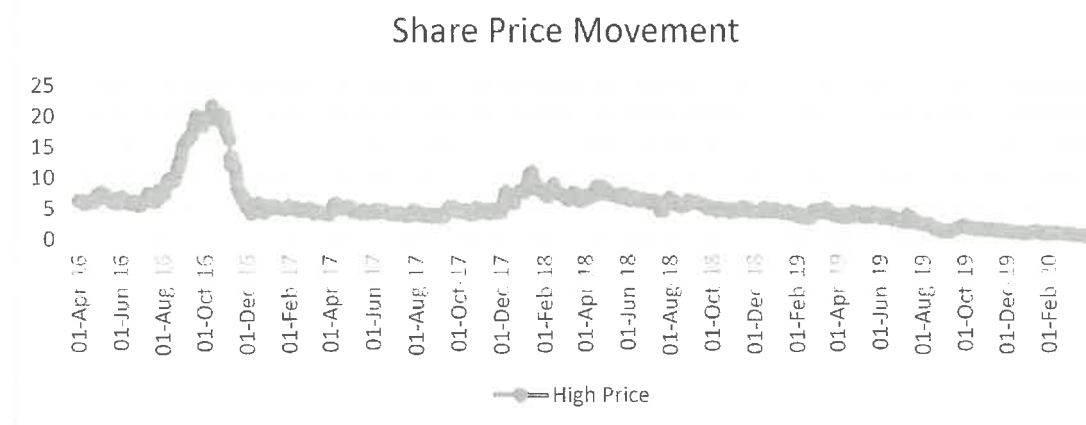
Particulars	Amount	Para Reference
Fictitious Sales transactions	137.54	3.1
Fictitious purchase transactions	220.24	3.1
Diversion of funds through writing off of receivables as bad/doubtful debts	35.35	3.1.8
Diversion of funds to connected entities through payment towards fictitious purchases	94.17	3.1.9. (b) and 3.1.11
Misrepresentation of closing balances	32.42	3.2
Non-disclosure of Related Party Transactions	67.11	3.3
Sub-contract transactions with connected vendors at nominal profit or at loss	N.A.*	3.4
Diversion of funds by improper writing off of payments & balances.	11.23	3.5
Unreasonable write off of Project WIP	25.76	3.6
Non-recovery of High ageing advances resulting in misutilisation of funds	27.91	3.7
No documentation for purchase of building from connected entity	22.00	3.8

N.A. * - Not Applicable

- 4.2. It is also observed that the promoters had offloaded significant portion of their stake in the company during the period in which the financials of the company was misrepresented.

It is alleged that SIL had fraudulently misrepresented its financial statements by recording fictitious purchase and sale transactions in the books of accounts and diverted company funds. This led to publication of untrue and misleading financial position of the company during the financial years 2016-17 to 2019-20. It is alleged that the same operated as deceit not only to the company's shareholders but also on the public and other stakeholders being misled about the financial health of the company.

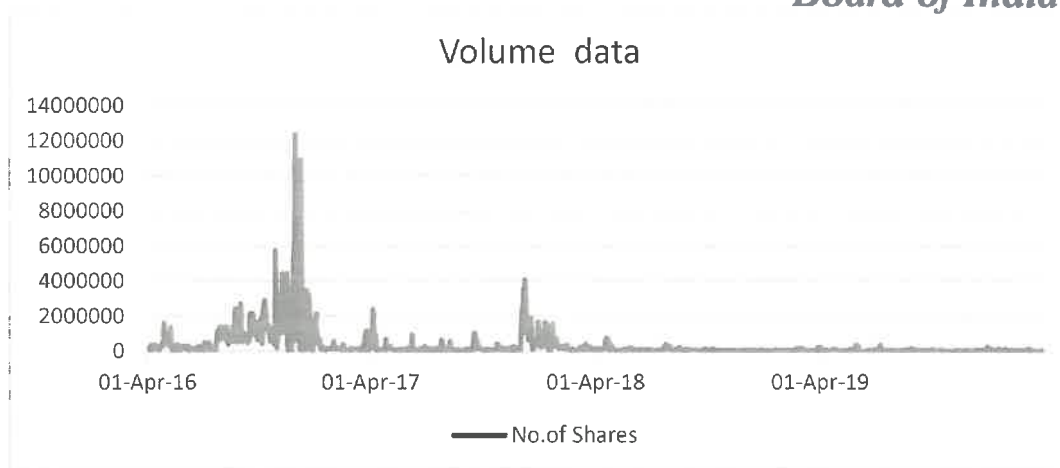
The share price movement and volume of the scrip of SIL, during the period of investigation, is as follows (Source: BSE Website):





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India



The change in promoter shareholding (Mr. Prakash Laddha and family) is as follows:

Table 21

Quarter ended	% of holding (A)	Shareholding Pledged (as a % of A)
MARCH 31, 2016	64.13	47.62
JUNE 30, 2016	64.13	47.62
SEPTEMBER 30, 2016	45.76	76.47
DECEMBER 31, 2016	27.42	0
MARCH 31, 2017	27.42	0
MARCH 31, 2018	27.42	0
MARCH 31, 2019	27.42	0
MARCH 31, 2020	27.42	0

(Source: BSE Website)

By recording fictitious transactions, the company had published inflated results for FY 2016-17, as given below:

Table 22

	Quarter ended June 30, 2016	Quarter ended Sept 30, 2016	Quarter ended Dec 31, 2016	Quarter ended Mar 31, 2017	Year ended March 31, 2017
	Unaudited	Unaudited	Unaudited	Audited	Audited
Net sales / revenue from operation	25.96	45.24	20.56	120.94	225.62
Expenditure	23.96	38.03	18.61	123.42	221.98
Profit before tax	0.56	5.63	0.53	1.90	9.74
Net profit	0.38	3.77	0.35	1.90	7.17

(Source: BSE Website)

The share price was INR 5.74 on July 01, 2016. It is observed that the share price reached a high of INR 21.70 on October 13, 2016 and subsequently fallen to INR 4.18 on December 08, 2016. The promoters (Mr. Prakash Laddha and Ms. Aruna Prakash Laddha) had offloaded their holding from 64.13% to 27.42% (table no. 21) during the period July to December 2016. The market had witnessed a surge in volume as well during the period July to December 2016.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- 4.3. The financial statement frauds in listed company results in the loss of confidence by domestic and international investors not only in the listed company in question but also the entire industry to which that listed company belongs. Thus, there is a need for SEBI to take direct action against perpetrators of such financial fraud since it not only has an adverse impact on the shareholders of the company but also impacts the confidence of investors in the securities markets. Artificially misrepresenting a company's revenue, profits or receivables or diversion/misutilisation of funds etc., will impact the price of the shares of the company and would influence the investment/disinvestment decisions of the investors. In cases relating to diversion/misutilisation of funds or misrepresentations in financial statements by a listed company and its management, the intention of the perpetrators is to reap the benefit of such diversion/misutilisation or misrepresentations which has a direct bearing on the interest of the investors as they remain invested or deal in securities without having any information of such diversion/misutilisation and misrepresentations. Therefore, such diversion/misutilisation of funds or misrepresentations in financial statements are unfair trade practices.
- 4.4. Had the company accurately accounted the purchases and sales and abstain from diverting/misutilising the company funds in the respective years, the financial position of the company would have been significantly different. This could have had huge impact on the decision making process for all stakeholders including minority shareholders of SIL and other stakeholders including financial institutions. Therefore, the published financial statements / results of the company did not give a true and fair view of the financial performance and position of the company as it significantly misrepresented the financials, thereby published manipulated financial statements and disseminated the same to the stock exchanges.
- 4.5. Thus, it is alleged that the noticees adopted the financial statements that significantly misrepresented the financials. Had the real financial position of the company was not withheld in the published financial statements, it was likely to have influenced the decision of investors dealing in securities. It is alleged that the Audit Committee of the company, that is duty bound to ensure compliance with the accounting standards and to ensure credibility of the financial statements, failed in discharge of their statutory responsibilities.
- 4.6. In view of the foregoing, the misrepresentation of financial statements by recording fictitious purchases and sales transactions allegedly to divert the company funds and to manipulate the financial position of the company materially can be seen as a part of pre-determined and fraudulent scheme/device in terms of Regulation 2(1)(c) of PFUTP Regulations. The relevant extract of Regulation 2(1)(c) of PFUTP Regulations defining fraud is;

2(1)(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





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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;

And “fraudulent” shall be construed accordingly;

4.7. Hence, the observations explained in para 3 and 4 show that the financial statements of the company were fraudulently misrepresented and did not give a true and fair view of the affairs and financial position of the company. Further, the funds and assets of the company was diverted / misutilised. It is alleged that SIL (noticee no. 1) had violated Regulations 3 (c), (d) & 4 (1), 4(2)(f),(r) of PFUTP Regulations r/w Section 12A(b),(c) of the SEBI Act, 1992 and Regulations 4(1(a),(b),(c),(e),(g),(j), 4(2)(e)(i), 33(1)(c) and 48 of LODR Regulations. The violation by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of the noticee no. 2 to 4. Thus, it is alleged that the noticee no. 2 to 4 have violated Regulations 3 (c), (d) & 4 (1), 4(2)(f),(r) of PFUTP Regulations r/w Section 12A(b),(c) of the SEBI Act and Regulations 4(1(a),(b),(c),(e),(g),(j), 4(2)(e)(i), 33(1)(c) and 48 r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

5. ROLE OF THE NOTICEES

5.1 Role of Setubandhan Infrastructure Ltd. (Noticee No. 1)

It is alleged that the company had diverted funds, misutilised assets and fraudulently misrepresented / manipulated the financials during the investigation period through fictitious sales and purchases, misstated receivables and payables, unreasonable writing off / adjustment of balances, non-compliance with accounting standards Ind AS 1 and Ind AS 24, etc. as explained in para 3. Therefore, it is alleged that the published financial statements of SIL did not give a true and fair view of the financial performance and position of the company, thereby resulting in violation of Regulations 3(c), (d) & 4(1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A(b)and(c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations.

5.2 Role of Mr. Prakash Pusaram Laddha (Noticee No. 2) :

- Mr. Prakash Pusaram Laddha (Mr. Prakash Laddha) has been a promoter as well as chairman/member of Board of Directors of the company throughout the investigation period and has attended all the 27 board meetings held during FY 2016-17 to FY 2019-20, as per annual reports of SIL.
- Mr. Prakash Laddha has been a member of Audit Committee throughout the investigation period and he has attended all the 21 Audit Committee meetings held during FY 2016-17 to FY 2019-20, as per annual reports of SIL.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

- c. As per the statement recording of Mr. Prashant Gadkari (Independent Director) before SEBI, Mr. Prakash Laddha was the sole decision maker in the company during FY 2016-17 to FY 2018-19.
- d. As per the statement recording of Ms. Jyoti Ravindra Rathi (Independent Director) before SEBI, Mr. Prakash Laddha was the one who managed day to day affairs of the company during FY 2016-17 to FY 2019-20.
- e. As per Annual reports, Mr. Prakash Laddha was one of the signatories to Directors' Report & audited financial statements for FY2016-17, FY2017-18, FY 2018-19 and FY 2019-20. He is designated as Chairman in these reports except for the FY 2018-19.
- f. Despite repeated follow ups, Mr. Prakash Laddha did not provide the requisite information, including access to the Accounting system for FY 2016-17 and FY 2017-18. The pendency status of the information sought from Mr. Prakash Laddha is given in **Annexure E of IR**.
- g. It is alleged that Mr. Prakash Laddha (promoter), as chairman/non-independent member of the board of directors and as a member of audit committee, had failed to comply with the provisions of the PFUTP Regulations and LODR Regulations with regard to the observations explained at para 3 and 4. Therefore, the violations by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of Mr. Prakash Laddha and he is responsible for all the acts of omission and commission by the company in this connection.
- h. In view of the observations explained at para 3 & 4 and the role of Mr. Prakash Laddha as explained above, it is alleged that Mr. Prakash Laddha had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.
- i. Therefore, it is alleged that, Mr. Prakash Laddha, the non-independent director, chairman and audit committee member had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act, 1992 and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12), 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of LODR Regulations.

5.3 Role of Mr. Prafulla Subhashchandra Bhat (Noticee No. 3)

- a. Mr. Pafulla Subhashchandra Bhat (Prafulla Bhat) has been non-executive director from March 04, 2016 to September 13, 2017 and the Whole Time Director of SIL from September 14, 2017 till August 11, 2020.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- b. He has attended all the 27 board meetings from FY 2016-17 to FY 2019-20, as per annual reports of SIL.
- c. Summons for personal appearance before SEBI were issued to Mr. Prafulla Bhat addressing to multiple addresses available on record (**Annexure G of IR**). However, all of them returned undelivered. The summons was also sent to his email ids, however no response was received from him.
- d. Vide his statement recording before SEBI on April 11, 2022, Mr. Vishal Ahuja, independent director and audit committee chairman stated that Mr. Prafulla Bhat took over the company in 2017 and was running the business.
- e. Vide letter dated July 21, 2022, Mr. Trichur Ganpat Krishnan, former Managing Director stated that Mr. Prafulla Bhat was looking after all the activities of the company including supervision of ongoing projects, business expansion, fresh work orders, management of cash flow and fund flow, accounts and audit, etc.
- f. It is alleged that INR 94.17 crore was diverted from SIL to two entities viz. Damani and Skyfall where Mr. Prafulla Bhat was a director.
- g. It is alleged that Mr. Prafulla Bhat, Whole-Time Director during investigation period, had failed to comply with the provisions of the PFUTP Regulations and LODR Regulations with regard to the observations explained at para 3. Therefore, the violations by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of Mr. Prafulla Bhat and he is responsible for all the acts of omission and commission by the company in this connection.
- h. In view of the observations explained at para 3 & 4 and the role of Mr. Prafulla Bhat as explained above, it is alleged that Mr. Prafulla Bhat had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments (to connected entities) towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.
- i. Therefore, it is alleged that Mr. Prafulla Bhat, former Whole Time Director had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1),(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

5.4 Role of Mr. Trichur Ganpat Krishnan (Noticee No. 4)

- a. Mr. Trichur Ganpat Krishnan (T G Krishnan) was the Managing Director of the company during January 01, 2011 to December 19, 2018.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- b. He has attended all the 15 board meetings held during April 01, 2016 to December 19, 2018, as per annual reports of SIL.
- c. Summons for personal appearance was issued to him. He sought extension of few months citing his old age of 86 years and severe medical condition and indifferent health.
- d. Summons was issued to him for submission of information to which he replied vide letter dated July 21, 2022 (**Annexure H of IR**).
- e. As per Annual reports, Mr. T G Krishnan was one of the signatories to Directors' Report and audited financial statements for FY 2016-17 and FY 2017-18.
- f. It is alleged that Mr. T G Krishnan, as Managing Director, had failed to comply with the provisions of the PFUTP Regulations and LODR Regulations with regard to the observations explained at para 3. Therefore, the violations by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of Mr. T G Krishnan and he is responsible for all the acts of omission and commission by the company in this connection.
- g. In view of the observations explained at para 3 & 4 and the role of Mr. T G Krishnan as explained above, it is alleged that Mr. T G Krishnan had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.
- h. Therefore, it is alleged that Mr. T G Krishnan, former Managing Director, had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

6. Relevant provisions

SEBI (PFUTP) Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(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;





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:

(f) [knowingly] publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 13[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;

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

SEBI (LODR) Regulations, 2015:

“Regulation 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 and spirit 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





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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.
- (i) filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
- (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.

Regulation 4(2)(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.

Regulation 4(2)(f) Responsibilities of the board of directors:

The board of directors of the listed entity shall have the following responsibilities:

(i) Disclosure of information:

(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) Key functions of the board of directors-

(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.

(6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

(7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

(8) Overseeing the process of disclosure and communications.

(iii) Other responsibilities:

(1) The board of directors shall provide strategic guidance to the listed entity,





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.

(3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

(6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.

(12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.

Clause A of Part C to Schedule II under regulation 18(3). The role of the audit committee shall include the following:

(1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

- (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - (b) changes, if any, in accounting policies and practices and reasons for the same;
 - (c) major accounting entries involving estimates based on the exercise of judgment by management;
 - (d) significant adjustments made in the financial statements arising out of audit findings;
 - (e) compliance with listing and other legal requirements relating to financial statements;
 - (f) disclosure of any related party transactions;
 - (g) modified opinion(s) in the draft audit report;
- (11) evaluation of internal financial controls and risk management systems;

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

(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.

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





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SEBI Act, 1992

Section 12A. No person shall directly or indirectly—

(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;

27. (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.

7. For the alleged violations in foregoing paragraphs, Noticee No. 1 to 4 are hereby called upon to show cause as to why appropriate directions under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever should not be issued against:

7.1. Noticee No. 1 for the alleged violation of provision of Regulations 3 (c), (d) & 4 (1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations, 2015.

7.2. Noticee No. 2 for the alleged violation of provisions of Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12), 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of LODR Regulations.

- 7.3. Noticee No. 3 and 4 for the alleged violation of provisions of Regulations 3 (c), (d) & 4 (1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.
8. Further, for the allegations alleged in foregoing paragraphs, Noticee No. 1 to 4 are hereby called upon to show cause as to why appropriate monetary penalty under Sections 11B(2) and 11(4A) read with Sections 15HA and 15HB of the SEBI Act, 1992 read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "SEBI Adjudication Rules") should not be levied against Noticee No. 1 to 4 for the alleged violations of provisions of SEBI Act, PFUTP Regulations and LODR Regulations.
9. The reply of Noticee No. 1 to 4, if any, along with documentary evidences that Noticee No. 1 to 4 choose to rely upon in support of their submissions, should reach the undersigned, at the address given below and also in softcopy (in MSWORD format) through email at email-id shinod@sebi.gov.in and veenal@sebi.gov.in within 21 days from the date of receipt of this notice, failing which it shall be construed that Noticee No. 1 to 4 have no reply to submit and the matter shall be proceeded ex-parte on the basis of the material available on record.

**Securities and Exchange Board of India
SEBI Bhavan II,
Plot No. C-7, G Block, Opp. NSE Building,
Bandra Kurla Complex, Bandra (E), Mumbai – 400 051**

10. The Noticees are advised to keep SEBI informed about their present email address and any change in their correspondence address, if any, till the proceedings in the extant matter are complete. Noticees are also advised to submit a photocopy of your Income Tax Permanent Account Number Card (PAN card).
11. Noticees are advised to keep SEBI informed of all types of bank accounts (savings, deposits, recurring, current, etc.) mentioning the account number, name and address of the bank/branch held by them, details of all the demat accounts / mutual fund units held by them and a list of all other movable/immovable assets owned by them.
12. This show cause notice is without prejudice to right of SEBI to take any other action as it deems fit in accordance with law.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

13. This notice is without prejudice to the rights of SEBI to issue a supplementary notice and to initiate any other proceedings/actions for the aforesaid violations in terms of the SEBI Act and rules or regulations made there under.
14. The Noticees may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticees wish to opt for the settlement process, Noticees may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticees may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.
15. The documents relied upon in the notice have been annexed as per the list of enclosures.

M A Shinod



List of Annexures:

All the Annexures mentioned below are placed in the CD enclosed alongside.

Annexure no.	Particulars
Annexure - I	Investigation Report (including Annexures A to K)
Annexure – II	Work order of Navi Mumbai Metro Station project