BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

(Adjudication Order: Order/VV/NK/2023-24/28594-28597)

Under section 15-I of the Securities and Exchange Board of India Act, 1992 read with rule 5 of the Securities and Exchange Board of India (Procedure for Holding Inquiry & Imposing Penalties) Rules, 1995

In respect of:

Tanla Platforms Ltd. (Noticee No. 1) **PAN:AABCT5004H**	**Mr D Udaykumar Reddy, CMD (Noticee No. 2)** **PAN: ADWPD9631R**
Mr Kamoji Srinivas G., CFO (Noticee No.3) **PAN: AFFPG4635M**	**Ms Seshanuradha Chava, Compliance Officer (Noticee No.4)** **PAN: ADHPC2054J**

(Hereinafter, Noticee 1 to Noticee 4 are collectively referred to as **"Noticees")**.

In the matter of:
Tanla Platforms Limited

A. Background of the case:

1. SEBI received a complaint dated July 4, 2022, against Tanla Platforms Limited (hereinafter referred to as **"Tanla"**/ **"Company"**). The complainant, *inter alia,* alleged that the Company's profit has been quite abnormal for last 2 years without any change in its line of activity. He further alleged that Tanla reported very little margins/ sometimes losses and therefore, the Company's management had cheated and misrepresented the Company's performance.

2. The matter was taken up for detailed investigation to ascertain whether there was any misrepresentation / misstatement in the financial statements of Tanla in the accounting

treatment of depreciation on its technical assets-Platform and Deployments in FY 2018-19 and FY 2019-20, and if so, whether the same were in violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as **"LODR Regulations"**) read with the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**). The investigation period is taken as April 01, 2018 to March 31, 2020 i.e. FY2018-19 and 2019-20 *(hereinafter referred to as "Investigation period" or "IP")*. However, whenever deemed necessary, references were made to the events/ timeframes outside this period.

B. <u>Background of the Company:</u>

3. Tanla, incorporated in 1995, is in communication services and offers commercial communication services to the telecom industry. Commercial communication services comprise SMS, voice calls, push notifications, e-mails, WhatsApp, etc. The shares of Company are listed on the BSE and NSE.

C. <u>Financial Overview of the company:</u>

4. The Company's standalone financial results for FY 2018-19 and FY 2019-20 were as under:

(INR in crores)

Details	**2018-19**	**2019-20**	**Change**
Revenue from Operations	1003.96	1942.84	94%
Depreciation & amortization expenses	73.23	377.79	416%
Other expenses	20.93	89.00	325⁰/
Profit/ (Loss) After Tax (PAT)	**29.82**	**(211.17)**	**(808%)**

D. <u>Investigation:</u>

5. Pursuant to investigation, it was observed that during the FY 2018-19, although Tanla (**Noticee-1**) was required to record the depreciation on its technical assets as Rs. 168.12 crores, However, the same was accounted as Rs. 64.98 crores. This resulted into misrepresentation/ misstatement of the depreciation amount recorded by Tanla against the technical assets-Platform & Deployments to the extent of Rs. 103.15

crores in the financial statements for FY 2018-19 and 2019-20. It was also observed that Tanla failed to implement the prescribed accounting standards i.e. IND AS 16 and IND AS 36 while assessing and determining the useful life of the technical assets-Platform & Deployment which resulted in misrepresentation/ misstatement of the company's financial statements to the extent of Rs. 103.15 crores. Thus, it was alleged that the Company knowingly reported wrong, false, and misleading financial statements for FYs 2018-19 and 2019-20.

6. It was also observed that:

6.1. Mr D. Udaykumar Reddy, Chairman & Managing Director (**Noticee-2**), failed to perform his duties and obligations, which resulted in publication of misrepresented/misstated financial statements of Tanla for FYs 2018-19 and 2019-20. He knowingly furnished wrong, false and misleading certification of the company's financial statements.

6.2. Mr Kamoji Srinivas G., Chief Financial Officer (**Noticee-3**) failed to perform his duty as CFO of Tanla, which resulted in publication of misrepresented/misstated financial statements of the company for FYs 2018-19 and 2019-20. He knowingly furnished wrong, false and misleading certification of the company's financial statements.

6.3. Ms Seshanuradha Chava, Compliance Officer /Company Secretary (**Noticee-4**) of Tanla signed the financial statements, which resulted in publication of misrepresented/misstated financial statements of the company for FYs 2018-19 and 2019-20. Being one of the signatories of the financial statements, she knowingly furnished wrong, false and misleading financial statements of the company.

E. Appointment of the Adjudicating Officer:

7. In view of the above, SEBI initiated adjudication proceedings and appointed the undersigned as an Adjudicating Officer (hereinafter referred to as "**AO**") under section 15-I (1) of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter be referred to as the "**Adjudication Rules**") to inquire into and adjudge under Section 15HA and 15HB of the SEBI Act, 1992, the alleged violations by Noticee no. 1 to 4. The appointment of the AO was communicated to the undersigned vide a communique

dated March 31, 2023.

F. **Show Cause Notice:**

8. A common Show Cause Notice dated April 28, 2023 (hereinafter referred to as **"SCN"**) in terms of the provisions of Rule 4 (1) of the Adjudication Rules read with section 15-I of the SEBI Act was issued to each of the Noticees calling upon them to show cause as to why an inquiry should not be held against them under Rule 4 of the Adjudication Rules and penalty in terms of Sections 15HA and 15 HB of the SEBI Act, be not imposed upon them for the alleged violations.

9. Based on the financials for FYs 2018-19 and 2019-20 and the Company's submissions during the investigation, the SCN, *inter alia,* observed and alleged as follows:

    9.1. Tanla adopted a straight-line method of depreciation based on useful life of the assets. It estimated useful life of Platforms & Deployments assets as 5 to 10 years in the financial statements for FY 2018-19.

    9.2. However, in the next FY 2019–20, Tanla wrote off the Platform & Deployments assets on accelerated depreciation basis. Accordingly, it reported huge fall in its Profit after Tax (**"PAT"**) for FY 2019-20 (i.e. decrease of profit from Rs. 29.82 crores in FY 2018–19 to a loss of Rs.211.16 crores in FY 2019-20). This reduction of 808% in the Company's PAT was attributable to accelerated depreciation of technical assets-Platform & Deployments made by the Company in FY 2019-20.

    9.3. Despite implementation of Telecom Commercial Communications Customer Preference Regulations, 2018 **("TCCCPR, 2018"**), by the Telecom Regulatory Authority of India ("**TRAI**"), no effect on the actual useful life of the Platform & Deployments assets was assessed and accounted by Tanla in FY 2018-19 and it treated useful life of the said assets as 5-10 years, as it was for the previous FY 2017-18.

    9.4. The applicable accounting standards i.e. IND AS 16 and 36, *inter alia*, provide that the factors viz. technical or commercial obsolescence, legal limits, expected usage etc. must be considered while assessing and determining the useful life of assets.

9.5. Tanla was therefore, required to make proper estimation of the useful life of the technical assets taking into account these factors for making proper accounting treatment on its technical assets. Accordingly, considering that TCCCPR, 2018 were promulgated by TRAI in July, 2018, Tanla's officials were actively involved in the discussion/consultation process with TRAI officials on formulation of TCCCPR, 2018 from very beginning and subsequent to promulgation of TCCCPR 2018 in July 2018 which came into effect from February 28, 2019 Tanla started to develop the required Distributed Ledger Technology (DLT) in October, 2018 which was subsequently launched in February 2019 and finally after tie up/agreement with the telco companies in February-March 2019, the Company implemented the DLT enabled solution through TRUBLOQ platform in FY 2019-20. Accordingly, the depreciation on the technical assets should have been spread over in both the financial years i.e. FYs 2018-19 and 2019-20 considering that TCCCPR, 2018 were promulgated by TRAI in July, 2018.

9.6. Further, It was observed that the company's Board of Directors had approved the proposed acquisition of Karix Mobile Pvt. Ltd. (Karix) on August 14, 2018. Karix was cloud communications provider with reach to enterprise clients in various industries viz. banking, insurance, DTH, retail, e-commerce, etc. Accordingly, the company announced that it has entered into a definitive agreement to acquire 100% of Karix Mobile Pvt. Ltd. on August 20, 2018. Subsequent to approval by the company's shareholders, Tanla completed the acquisition process of Karix on April 10, 2019. As the company had already initiated the acquiring process of Karix in August, 2018 and was also assessing business opportunities on implications of TCCCPR, 2018, it is apparent that the acquiring process of Karix for not warranting the change in useful life of technical assets in FY 2018-19, is not justifiable

9.7. As per Tanla's Annual Report for FY 2021-22, launching of "TRUBLOQ"- the world's first DLT enabled solution/ platform made a significant impact on Tanla's revenue and established it as a prominent player in its segment.

TRUBLOQ was then one of the largest Blockchain implementation case in the world, processing more than a billion transactions a day and about 63% of India's SMS traffic. Over the last 3 years, it had grown from Zero to Rs. 100 crore+ gross margin platform.

10. In light of the above, the SCN alleged that the net block of the then existing technical assets should have been fully depreciated starting from 2nd Quarter of FY 2018-19 (when TRAI vide TCCCPR, 2018 promulgated and mandated to use DLT based technology), to 4th Quarter of FY 2019-20 (when Tanla completed the implementation process of DLT based TRUBLOQ platforms) i.e., in total 7 quarters. Further, an estimation of the difference between the amount of depreciation accounted and required to be accounted by Tanla on its technical assets for FY 2018-19 as alleged in the SCN is tabulated as under:

(Rs in Crores)

Particulars	**Amount Rs in Crores**
Net Block as on March 31, 2019 - **A**	305.65
Depreciation accounted by Tanla for FY 2018-19 - **B**	**64.98**
Net Bock as on March 31, 2018 (after adjusting disposals) - **C** (A+B)	370.63
Depreciation required to be accounted for 1st Quarter FY 2018-19- **D** (B/4) (Depreciation amount of Rs. 64.98 divided by 4 quarters)	16.24
Net Block as on June 30, 2018 (after 1st Quarter FY 2018 - 19) – **E** (C - D)	354.39
Depreciation required to be accounted for 2nd, 3rd & 4th Quarters FY 2018-19 - **F** (E/7*3)	151.88
Total Depreciation required to be accounted by Tanla for FY 2018-19 -**G** (F+D)	**168.12**
Difference between the depreciation accounted and required to be accounted by Tanla - **H** (G-B)	103.15

11. In view of the above, it was alleged in the SCN that, Tanla was required to record the depreciation on its technical assets as Rs. 168.12 crore, however, the same was

accounted as Rs. 64.98 crores in the financial statements for FY 2018-19. This resulted into misrepresentation/ misstatement of the depreciation amount recorded by Tanla against the technical assets-Platform & Deployments to the extent of Rs. 103.15 crores in the financial statements for FY 2018-19 and 2019-20. Hence, it was alleged in the SCN that, Tanla failed to consider all the factors including significant changes which had taken place, expected usage of the assets, technical or commercial obsolescence, legal limit on using the assets etc. while assessing the useful life of its technical assets in terms of the IND-AS 16 and 36 which resulted in misrepresentation/ misstatement in its financial statements for FYs 2018-19 and 2019-20 as it made improper estimation of useful of the said assets as 5-10 years in FY 2018-19 and accounting treatment of the depreciation charged on its Platform & Deployment assets.

12. It was therefore alleged in the SCN that:

12.1. Tanla (**Noticee-1**) failed to make proper assessment and determination of useful life of its technical assets-Platform & Deployments which resulted in misrepresentation/ misstatement of the Company's financial statements to the extent of Rs. 103.15 crores for FYs 2018-19 and 2019-20. Thus, Tanla knowingly, reported wrong, false and misleading financial statements for FYs 2018-19 and 2019-20. Hence, Noticee-1 was alleged to have violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations.

12.2. Mr D. Udaykumar Reddy (**Noticee-2**), the CMD of the Company failed to perform his duties and obligations, which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20. He knowingly furnished wrong, false and misleading certification of the Company's financial statements. Hence, Noticee-2 was alleged to have violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f) (iii)(7) and 17(8) of LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations and Section 27 of the SEBI Act, 1992.Mr Kamoji Srinivas G. (**Noticee-3**) failed to perform his duty as CFO of

Tanla, which resulted in publication of misrepresented/misstated financial statements of the Company for FYs 2018-19 and 2019-20. He knowingly furnishedwrong, false and misleading certification of the Company's financial statements. Hence, Noticee-3 was alleged to have violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 17(8) of LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations and Section 27 of the SEBI Act, 1992.

12.3. Ms. Seshanuradha Chava (**Noticee-4)**, the Compliance Officer signed the financial statements, which resulted in publication of misrepresented/ misstated financial statements of the Company for FYs 2018-19 and 2019-20. Being one of the signatories of the financial statements, she knowingly furnished wrong, false and misleading financial statements of the Company. Hence, by failing in performing her duties/ obligations, Noticee-4 was alleged to have violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 6(2) of LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations and Section 27 of the SEBI Act, 1992.

13. The alleged violation against Noticees as mentioned in the SCN made them liable for penalty under section 15HA and 15HB of the SEBI Act. The provisions of section 15HA and 15HB of the SEBI Act, mentioned in the SCN, read as under:

"Penalty for fraudulent and unfair trade practices.

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

"Penalty for contravention where no separate penalty has been provided.

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

14. I find from the records that, the aforesaid SCNs was duly served to each of the Noticees.

G. Reply and the Hearing:

15. Vide letter dated May 15, 2023, the Noticees requested for certain additional documents. Vide an email dated May 17, 2023, the copies of documents requested were furnished to the Noticees. The Noticees furnished their common written reply vide a letter dated May 30, 2023, through their authorised representative. An opportunity of personal hearing was granted to the Noticees on June 14, 2023. The Noticees alongwith their authorised representatives appeared for the hearing and reiterated their submissions. Subsequently, the Noticees filed their additional reply vide a common letter dated June 27, 2023, through their authorised representative. The submissions made by the Noticees are mentioned in brief as under:

There was no improper accounting treatment of the depreciation charged on the assets of the Company.

16. ***There was lack of clarity and a consequent delay in the implementation of TCCCPR, 2018.***

- *The TCCCPR, 2018 were introduced on July 19, 2018 with the objective to control spam SMS and calls through blockchain-based technology, the DLT. TCCCPR, 2018 was a first of its kind regulation in the world and there was a lack of clarity in terms of its implementation during FY 2018-19. Several uncertainties in the implementation of TCCCPR, 2018 came into light during the initial discussions among the market players that required reworking the entire architecture of the platforms. Upon receiving representations from market participants for extension of deadlines to implement TCCCPR, 2018, the TRAI notified the TCCCPR (Amendment) Regulations, 2018 on December 21, 2018. Accordingly, the deadline for implementation of certain clauses were increased to 150 days from the date of publication of these regulations in the Official Gazette. Thus, TRAI extended the deadline to May 2019.*

In support, the Noticees have furnished a copy of the TCCCPR (Amendment) Regulations, 2018.

- *TCCCPR, 2018 was a first of its kind in the world that mandated implementation of one of the largest blockchain systems for providing voice and text communication, thereby creating immutable records. Therefore, new ecosystems, new architecture and new entities required a significant amount of time to be built from when TCCCPR, 2018 was first introduced. The lack of clarity surrounding the terms of deployment of the DLT also meant that prior to the deployment there was no visibility as to whether the existing technical assets would be rendered obsolete in the coming months.*

- *The SCN makes a reference to the Statement Recording of Mr. Sunil Bajpai, who was deputed as the Principal Advisor in TRAI for four years till December 2020, in claiming that the TRAI notified TCCCPR, 2018 in July 2018. It is submitted that the SCN conveniently fails to take into account the fact that Mr. Sunil Bajpai, in the same response in his Statement Recording, had clarified that an amendment to defer the original timeline provided in TCCCPR, 2018 was notified by the TRAI in December 2018, wherein an additional time of 150 days was granted to implement certain clauses.*

In support, the Noticees have furnished a copy of the said Statement Recording.

- *It was only in Q1 of FY 2019-20 that phase-wise implementation of TCCCPR, 2018 involving finalisation of technology and architecture, establishment of SOPs and COPs, closure of agreements with telcos and line of sight to enterprise registration were achieved. It should be further noted that at the time of promulgation of the TCCCPR, 2018 in July 2018, the Company had no visibility as to when the new platform could be successfully deployed given that the abovementioned steps were still pending.*
- *Thus, it is submitted that the allegation made in the SCN that the Company's submissions in relation to the lack of clarity surrounding TCCCPR, 2018 are unjustified and that TCCCPR, 2018 were implemented in July 2018 are incorrect. It is pertinent to note that certain elements of TCCCPR, 2018 around voice have not been implemented till date. It is further submitted that the lack of clarity surrounding*

the new technology and the delay in the implementation of TCCCPR, 2018 meant that in FY 2018-19 the Company continued to use its then existing technical assets, i.e. Platforms and Deployments. The new technology mandated by TCCCPR, 2018 had not yet been deployed and had no revenue visibility. Since the existing technical assets, i.e. Platforms and Deployments were still operational and generating revenue and there was no reason to discontinue the use of the existing assets, the Company had no legal or rationale basis to depreciate the useful life of these assets at the time of promulgation of TCCCPR, 2018. Thus, the Company assessed the useful life of its then existing technical assets, Platforms and Deployments, as 5-10 years and decided not to depreciate it in the financial statements of FY 2018-19 since they continued to generate revenue for the Company.

17. ***The implementation of TRUBLOQ to meet the requirements of TCCCPR, 2018 and the tie up with telco companies kicked off in FY 2019-20.***

- *At the foremost, it is submitted that vide Press Release dated February 26, 2019, the Company merely made a marketing announcement of the launch of TRUBLOQ at the Mobile World Congress 2019, Barcelona, as a standalone platform. It is submitted that the announcement pertained to the launch of only version one of the TRUBLOQ platform that the Company had solely designed and prepared for Vodafone Idea Ltd., which was announced as the first customer set to avail the services of TRUBLOQ. It is pertinent to note that TRUBLOQ is an in-house product that the Company started developing to comply with the requirements of TCCCPR, 2018.*

In support, the Noticees have furnished a copy of the Press Release dated February 26, 2019.

- *There was lack of clarity over several clauses of TCCCPR, 2018 which required the establishment of new ecosystems and new entities and mandated the usage of blockchain based technology for the first time in the world. Since the implementation of TCCCPR, 2018 was extended to May 2019 and elaborate discussions surrounding the new blockchain based technology were still underway, the technology and architecture of TRUBLOQ as of February 2019 required changes* *for implementation as the final decision by Telcos was to go on a consortium basis and not on standalone basis. It is submitted that after the telecom companies failed in deploying the standalone platform, the market players realised that the telcos had to form a consortium requiring interoperability of business rules with ledgers talking to each other using blockchain technology. Subsequently the telcos initiated the discussion and worked on revising the SOPs and COPs.*

- *The establishment of SOPs and COPs among the ecosystems were agreed upon only post March 2019. It was only in the month of May 2019 and beyond that several outcomes like finalisation of technology and architecture, establishment of SOPs and COPs, closure of agreements with lending telcos and line of sight to enterprise registration were achieved. Accordingly, this resulted in the Company having to upgrade and change the architecture and code of TRUBLOQ which was done across the months of June and July 2019.*

The Noticees have furnished a detailed chronology of events of implementation of TCCCPR, 2018 from Q4 of FY 2018-19 to Q1 of FY 2019-20**.**

- *The agreements with other telco companies including Bharti Airtel Ltd., BSNL, TATA Teleservices Ltd., Videocon Ltd. and MTNL entered prior to March 2019 were merely Letters of Intent ("**LoIs**"), wherein the telco companies had agreed to avail the services of TRUBLOQ. It was only in Q1 of FY 2019-20 that the new architecture, the blockchain fabric, Code of Practices, COPs and SOPs were agreed upon among the telecom operators in line with the requirements prescribed under the TCCCPR, 2018. Subsequently, the Company developed the TRUBLOQ platform in line with the agreed COPs and SOPs. Once the platform was developed in line with the requirements under TCCCPR, 2018, the Company implemented TRUBLOQ with the telecom operators with which it had entered into LoIs for providing the services of the platform.*

In support, the Noticees have furnished a copy of Statement Recording of Mr. D. Uday Kumar Reddy, explaining the implementation of TRUBLOQ.

- *It is reiterated that the TRUBLOQ platform developed by the Company was never implemented in FY 2018-19. The then existing technical assets of the Company,* *i.e., Platforms and Deployments, were still in place and continuing to generate revenue for the Company in FY 2018-19. Since, as of March 2019, discussions about the architecture and blockchain fabric of the platform were ongoing, there was no revenue visibility of TRUBLOQ or any clarity as to when the technology could be successfully deployed. The Company's revenue was being generated only by its older technical assets.*

- *Therefore, it is submitted that the allegation contained in the SCN that the Company developed the requisite DLT platform prior to February 28, 2019 is incorrect. Further, it should be noted that merely because the first version of TRUBLOQ was announced in February 2019, which was designed only for one vendor, i.e., Vodafone Idea Ltd, did not in itself require the Company to depreciate its existing technical assets. Further, the SCN fails to appreciate the fact that TRUBLOQ platform developed by the Company was never implemented in FY 2018-19 and in fact, post finalisation of the COPs and SOPs, the platform developed by the Company was further upgraded. There were constant changes in COPs and SOPs and there was no clarity whether there would be complete or partial shift from existing technical assets to the DLT platform. During FY 2018-19, there were no discussions to discontinue the use of Platforms and Deployments assets since these assets continued to be operational and generated revenue leading to y-o-y profits by a good margin. Therefore, the Company was justified in reassessing the useful life of the Platforms and Deployments assets in FY 2018-19 as 5-10 years.*

18. ***The acquisition of Karix led to greater visibility of the Company's revenue in FY 2018-19.***

    - *Para 14.3(iv) of the Notice alleges that as the Company had already initiated the process of acquiring Karix in August 2018 and was also assessing business opportunities on implications of TCCCPR, 2018, it is apparent that the acquiring process of Karix for not warranting the change in useful life of technical assets in FY 2018-19 is not justifiable.*

    - *In this regard, it is submitted that the useful lives and residual lives of the Company's assets are determined by the management at the time the asset is acquired and reviewed periodically at the end of each financial year. This* *determination is made based on historical experience with similar assets as well as anticipation of future events, which may impact their life, and in accordance with the factors laid down in IND AS 16.*

- The Noticees while furnishing a copy of the relevant extract of the Company's Annual Report 2018-19, stated that the same provides that:

  "Depreciation is provided on a straight-line method, based on the useful life of the asset. Life of assets is assessed at the end of each financial year and assets whose useful life has expired are depreciated fully in line with the applicable Ind-AS Accounting Standard.
  The Company's assets are assessed for impairment at the end of each financial year, where events or changes in circumstances reflect that the carrying amount of an asset or group of assets may not be recoverable. If such an indication exists, the Company estimates the recoverable amount of the asset or group of assets and the impairment loss is recognised in the Statement of Comprehensive Income."

- *The Company's revenue had consistently grown from FY 2017-18 due to acceleration of A2P messaging as enterprises connected more with users. The management of the Company evaluated and projected revenues basis internal assessment. It is further submitted that with the transformative acquisition of Karix, a Blackstone held messaging and communications provider, the Company was able to provide its services to enterprises, thereby addressing the entire ecosystem from telecom companies to enterprises. This led to further visibility of the Company's revenue streams given that the Company now addressed the entire ecosystem from telecom companies to enterprises.*

- *In view of the growth achieved in FY 2018-19 and the acquisition of Karix, the management reasonably believed that the then existing technical assets of the Company, i.e. Platforms and Deployments, were sufficient to meet the growth prospects of the Company given the wider visibility of the Company's revenue, as it now addressed the entire ecosystem in the space from telecom companies to enterprises. This continuing capability of the Company's technical assets was rightly assessed by the management which is also evident by the fact that the revenue of the*

Company grew by 94% from Rs. 1003.96 crores in FY 2018-19 to Rs. 1942.84 crores in FY 2019-20.

- *Therefore, taking into account these developments, the Company's management concluded that a change in the useful life of the assets was not warranted during FY 2018-19, which remained 5-10 years, since the then existing Platforms and Deployments were able to generate revenues for the Company. Further, the Company anticipated to continue to make revenue from existing assets and the same was aided by acquisition of Karix and therefore there was no reason for the Company to believe at that time that there would be no useful life of Platforms and Deployment in the near future. It is submitted that merely because the Company was assessing business opportunities on implications of TCCCPR, 2018, did not in itself require the Company to depreciate the useful life of its existing technical assets. Further, as there was no visibility as to if and when the Company would be able to generate revenue from the new architecture, there were not sufficient grounds for it to depreciate its existing revenue generating assets.*

- *Thus, contrary to the allegation in the Notice that the Company wrongfully assessed the useful life of the assets in FY 2018-19, it is submitted that the management of the Company took into account all the relevant factors and developments surrounding the assets and the Company in treating the useful life of its assets as 5-10 years in the financial statements for FY 2018-19.*

19. ***The Company took into account the factors laid down in the applicable accounting standards, i.e. IND AS 36 and 16, while assessing the useful life of the assets.***

- *Contrary to the allegations in the SCN, the Company took into consideration factors including significant changes taken place, expected usage of the assets, technical or commercial obsolescence, legal limit on using the assets etc. while assessing the useful life of the technical assets in terms of IND AS 16 and 36.*

<u>Expected usage of an asset</u>

- *In terms of IND AS, usage is affected by reference to the asset's expected capacity or physical asset and companies are expected to take into consideration the expected usage of an asset while determining depreciation. It is submitted that the* *management of the Company considered the expected continued usage of the Platform and Deployment assets in FY 2018-19 as they continued to generate revenue and there was no visibility then as to if and when the Company would discontinue or limit the usage of such assets.*

- *In light of the delay in the implementation of TCCCPR, 2018, the new technology was not deployed in FY 2018-19 since several details as to the architecture and blockchain fabric of the new technology were still being discussed and decided upon. Moreover, aided by acquisition of Karix, the Company anticipated to continue making revenue using its then existing assets. Therefore, there was no reason for the Company to believe at that time that there would be no or limited usage of Platform and Deployment in the near future.*

Technical or commercial obsolescence

- *In terms of IND AS 16, any technical or commercial obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset should be considered while determining the useful life of an asset. It is submitted that existing Platform and Deployment assets of the Company were not obsolete and were very much in use by the Company in FY 2018-19 and in fact till the time TRUBLOQ was finally deployed. These assets continued to generate revenue for the Company and the Company had no plans till then to discontinue its use. The TCCCPR, 2018 was an enabling regulation which required the use of DLT Platform but there was no certainty to the form and manner in which it would be implemented. Since the Company had decided to continue with its existing technical assets, which were operational and servicing its clients, there was no reason for the Company to treat its functioning assets as technically or commercially obsolete and, hence, the Company did not revise the useful life of the assets in FY 2018-19. In fact, one can argue that reassessing the useful life of assets without clarity on the implementation of the regulations could also be questioned at a later date if the clarity took longer to emerge.*

Legal limits on the use of assets

- *In terms of IND AS 16, if there are legal or contractual limits to the use of an asset such as expiry of lease etc., companies are required to take these into account while determining the useful life of the assets. It is submitted that there was no legal limit or restriction on the use of Platforms and Deployment assets of the Company in FY 2018-19. Even though TCCCPR, 2018 was promulgated in 2018, there was no legal bar on the usage of the existing Platforms and Deployment assets of the Company and, in fact, the Company continued to use them for providing its services till in FY 2019-2020. It should also be noted that the TCCCPR, 2018 was not fully implemented in FY 2018-19 and it was operationalized much later in FY 2019-20. Therefore, in FY 2018-19, since there existed no legal restriction or limit on the usage of its then existing assets, the Company was justified in not re-evaluating/ depreciating the useful life of such assets.*

- *In light of the above, it is submitted that the Company took into account all the relevant factors as provided in the applicable accounting standards, i.e., IND AS 16 and 36, such as expected usage of the assets, the technical or commercial obsolescence and the legal or similar limits on the use of the asset, in assessing the useful life of the Platforms and Deployments assets as 5-10 years in FY 2018-19.*

20. ***There was a structural shift to a single platform company resulting in the Company completely writing off its technical assets in FY 2019-20.***

- *In addition to the submissions made hereinabove pertaining to the Company's assessment of the useful life of the assets as 5-10 years in FY 2018-19, it is submitted that the Company's decision to fully write off its technical assets in FY 2019-20 was guided by its business decision to shift to a single platform company.*

- *It is submitted that the Company completed the transformative acquisition of Karix, a Blackstone held messaging and communication company, on April 10, 2019. This led the Company to reimagine its strategy and create an integrated single platform that would encompass both the telco facing Tanla technology estate as well as enterprise facing Karix technology estate. This was coupled with a multitude of macro trends driven by the paradigm changing TCCCPR, 2018, a first of its kind in the world that mandated implementation of one of the largest blockchain systems.*

Pursuant to the above, the Company envisaged the need to modernize and shift to a single platform company and go through fundamental structural shifts across technology, business model, enhancing its governance and building its talent.

- *It is submitted that in Q1 of FY 2019-20, the Company took stock of its entire platform strategy and relooked at its technology architecture, development and deployment. Given the scale of the business opportunity ahead of it and keeping in mind factors surrounding sustainability and continuity, the Company finalised its strategy to shift to new technology and cloudify its services in a staged manner. Thus, clarity emerged that there would be a complete migration of the existing platform to the cloud. It is submitted that as and when the then existing Platforms and Deployments were migrated to the cloud, the Company reassessed the useful life of the assets and accelerated its depreciation as there was no alternate use for these Platforms and Deployments. It is reiterated that the depreciation was only done where there existed reasonable certainty that the existing platform would be completely migrated to the cloud and that the then technical assets, i.e., Platforms and Deployments, would become redundant.*

- *It is submitted that for the FY 2019-20, the change in technology and cloudification of services, as well as the implementation of TRUBLOQ, resulted in re-assessment of useful life of technology assets leading to additional provision of accelerated depreciation amounting to Rs. 256.12 crores. Pursuant to such change in technology on account of provisions of TCCCPR, 2018, the Company re-assessed the useful life of assets, including those at branch and subsidiary, amounting to Rs. 328.52 Cr which were fully depreciated as on March 31, 2020. The depreciation was also announced as part of the Company's investor presentation on July 31, 2019.*

In support, the Noticees have enclosed a copy of the relevant extracts of the Annual Reports 2018-19 and 2019-20 of the Company, wherein the depreciation on technology assets and the audit procedures were disclosed. Also, a copy of the minutes of the Board and Audit Committee meeting dated July 31, 2019, wherein the depreciation was approved, is enclosed.

- *It is a very common practice for technology and telecom companies to re-evaluate the useful life of an asset based on shifts in technology strategy and, thereafter,* *write off the older asset on an accelerated depreciation basis. For instance, in FY 2019-20, Vodafone Idea Ltd. accelerated the depreciation on network re-alignment, i.e., re-framing their network from 3G spectrum to 4G services.*

The Noticees have enclosed a copy of the relevant extract of Vodafone Idea Ltd.'s Annual Report for the year ended March 31, 2020.

- *Thus, in light of the above, it is submitted that the Company's management decided to write off its assets on an accelerated depreciation basis due to its structural shift into a single platform company post which there was no alternate use for its then technical assets, i.e., Platforms and Deployments. It is further submitted that such practice is not unique among technology and telecom companies and, therefore, the Company cannot be said to have applied improper accounting standards in assessing the useful life of its assets.*

21. ***Allegation of fraud is a serious charge and cannot be imputed upon the Noticees in the present case.***

The Noticees have also made detailed submissions on the following, which are summed up as under:

- *in terms para 1 of the Notice, SEBI initiated an investigation into the affairs of the Company upon receiving the complaint dated July 04, 2022 that the Company's profits had been quite abnormal for last 2 years without any change in line of activity and that the Company reported very little margins/sometime losses. However, it is submitted that the scope of the investigation and the subsequent findings of SEBI presented in the Notice pertain to completely different allegations of improper accounting treatment of depreciation on the Company's technical assets, i.e., Platforms and Deployments. It is clear that investigations carried out by SEBI did not find any irregularities in the financial statements especially in relation to the profits made by the Company. However, SEBI in its investigation only alleged that there was an irregularity in relation to how the Company assessed the useful life of its technical assets.*

- *SEBI's investigation itself proves that there is no fraudulent or material misrepresentation in the books of accounts of the Company. The only bone of* *contention found in SEBI's long and intrusive investigation was the difference of opinion on when and how the useful life of the assets of the Company should have been assessed, with the benefit of hindsight. Such a difference of opinion is only a technical interpretation of Accounting Standards based on a certain factual matrix. The evidence collected and presented by SEBI does not even highlight a hint of fraudulent conduct by the Noticees. There is also no mention of any benefit that the Noticees achieved or any loss caused to the investors as a result of the manner in which the Company decided to depreciate its assets. In light of the above, it is submitted that charges of fraud in the Notice are made in a casual manner and are contrary to the findings of the investigation carried out by the Company.*

- *It is further submitted that in terms of the PFUTP Regulations, without any evidence showing knowledge or intention on part of the Noticees to misrepresent a truth or conceal a fact which they believe to be true or suggest a fact which they believe is not true, the Noticees cannot be said to have committed fraud. It is reiterated that the assessment of the useful life of the assets was done in a bona fide manner by taking into account the applicable accounting standards i.e. Ind AS 16 and 36. The financial statements of the Company for FYs 2018-19 and 2019-20 were certified and published only after the assessment of the useful life of the assets and the decision to depreciate the assets in FY 2019-20 was thoroughly vetted and also reviewed by the audit committee. A copy of the minutes of the Board and Audit Committee meeting dated July 31, 2019, wherein the change in the useful life of the technical assets was approved, is enclosed as Annexure No. 8. The financial statements were duly verified by the Company's statutory auditors who also did not raise any concern in relation to this. Therefore, it is submitted that the Noticees had no reason to believe that the financial statements of the Company did not reflect the true state of the Company's affairs.*

- *It is submitted that the allegation of fraud is a grave charge and a fraudulent act cannot be imputed merely based on surmises and conjectures and such allegations of serious violations should not be made casually by the regulatory agencies. Various judicial pronouncements have unequivocally stated that fraud is a serious offence and therefore the standard of proof must be of a higher degree and mere conjectures and surmises will not be sufficient to hold a person liable for fraud.*

- *The allegation of fraud cannot be based on surmises and conjectures. In support, the Noticees have relied upon the observations in certain Orders viz. the Hon'ble Supreme Court in **SEBI and Ors. v. Kanaiyalal Baldevbhai Patel and Ors,** Hon'ble SAT in **KSL & Industries v. Chairman, SEBI,** the Hon'ble Supreme Court in **Union of India v. Chaturbhai M. Patel & Co.,** referring to the decision in **A.L.N Narayanan Chettyar v. Official Assignee** and the Privy Council in **Hansraj Gupta v. Dehra Dun Mussoorie Electric Tramway Ltd**.*

- *The Noticees did not violate the provisions of PFUTP Regulations.*

- *Business judgement of the Company's management cannot be second-guessed by the regulator.*

- *The Noticees did not benefit from the alleged misrepresentation of financial statements of the Company.*

- *The allegations against the Noticees stem from a different interpretation of the applicable accounting standards and the same cannot be regarded as fraud.*

- *The Noticees did not violate the provisions LODR Regulations.*

- *The Noticees are not liable under Section 27 of the SEBI Act.*

22. Post hearing, vide a common letter dated June 27, 2023, the authorised representative of the Noticees made additional submissions which are summed up in brief as under:
Cloudification of the services performed by the Company's then existing assets, Platforms and Deployments, was a strategic decision taken by the Company.

- *In FY 2019-20, the Company took stock of its entire platform strategy and relooked at its technology architecture, development and deployment. Given the scale of the business opportunity ahead, the Company finalised its strategy to shift to new technology and cloudify its services in a staged manner. Subsequently, the existing platform was migrated to the cloud.*

- *The TCCCPR, 2018 mandated the usage of blockchain-based technology, i.e., the Distributed Ledger Technology. It is clarified that the blockchain requirement mandated by the TCCCPR, 2018 was only an add-on requirement and the Platforms and Deployments could co-exist with the blockchain technology platform. The TCCCPR, 2018 required only one-leg of the entire ecosystem, of the messages flowing from the enterprises to the telcos, to be on blockchain. Thus, the Platforms and Deployments of the Company continued to have revenue potential and continued to be of further economic use and revenue-generating even in FY 2019-20 and which, as mentioned in the foregoing paragraphs, also constituted one of the factors for the assessment of the useful life of such assets as 5-10 years in FY 2018-19.*

- *In Q1 of FY 2019-20, the Company took a strategic decision to migrate the then existing platform, i.e., Platforms and Deployments, to cloud and retired the Platforms and Deployments as and when it was migrated to the cloud in a staged manner. Such cloudification was not mandated by the TCCCPR, 2018. The Company chose to upgrade the Platforms and Deployments and move it to cloud, not because the Platforms and Deployments did not have revenue-generating potential, but because the Company made a technology choice and keeping in mind the long-term view and goals of the Company. This was accompanied by several other structural shifts such as a SaaS business model and revenue sharing with other ecosystem players.*

  The Noticees have enclosed a copy of the presentation made by the Company before the Audit Committee regarding the transformation of technology based on which the useful life of the Platforms and Deployments was reassessed.

- *The Company had assessed the useful life of the Platforms and Deployments as 5-10 years in FY 2018-19. In line with this assessment, the Platforms and Deployments could have continued to generate revenue and be of further economic use for the remaining period had the Company not decided to shift to a completely new platform. It is pertinent to note that the TCCCPR, 2018 was not a fait accompli for the depreciation of the value of the Platforms and Deployments. The TCCCPR, 2018 required commercial communication (voice and text) to be provided using blockchain technology. This shift to new technology and cloudification of services resulted in the need for re-assessment of the useful life of the Platforms and Deployments. Given the* *new regulations, the Company decided to develop cloud-based single platform with single API (application programming interface). As stated above, the Company's then existing assets, Platforms and Deployments, would have continued to generate revenue and provide services even after the promulgation of the TCCCPR, 2018, irrespective of whether it was implemented in FY 2018-19 or FY 2019-20.*

- *It is submitted that Mr. D. Uday Kumar Reddy, Founder Chairman and CEO of the Company, in his Statement Recording had also clarified that the Platforms and Deployments were not required to be depreciated only because of the TCCCPR, 2018. However, the SCN fails to take this into consideration and proceeds to allege that though the TCCCPR, 2018 was notified in July 2018, the Company had failed to depreciate its assets in FY 2018-19.*

- *The aforesaid migration of the Platforms and Deployments to cloud happened across FY 2019-20. Accordingly, in FY 2019-20, the Company reassessed the useful life of the Platforms and Deployments and accelerated its depreciation as and when they were migrated to the cloud since there was no alternate use for these Platforms and Deployments thereafter. It is submitted that the depreciation was done only after there existed certainty that the Platforms and Deployments would be completely migrated to the cloud and would have no other use in the near future.*

  The Noticees have enclosed a copy of the cover note detailing the background for change in the useful life of the Platforms and Deployments in FY 2019-20.

- *In light of the above, it is submitted that the migration of the Platforms and Deployments to the cloud was not mandated by the TCCCPR, 2018 but was a technology choice made by the Company keeping in mind its long-term view and goals. Further, the Platforms and Deployments of the Company continued to be of further economic use and generate revenue even in FY 2019-20 till the time it was completely migrated to the cloud. It is further submitted that only after the Company made the strategic choice to migrate to cloud and retire its existing technical asset, i.e., Platforms and Deployments, the Company decided to accelerate its depreciation since there was absolute certainty that the Platforms and Deployments would have no alternate use.*

IND AS 8 is not applicable in the present case.

- *During the course of the hearing, clarity was sought regarding the applicability of Indian Accounting Standard 8 ("**AS 8**") in light of the structural shift to a single platform company and cloudification of services. The scope of AS 8 is reproduced hereinbelow:*

  "3. This Standard shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors."
- *From the scope of AS 8, it is clear that AS 8 is to be applied in selecting the accounting policies and for accounting any changes in the accounting policies. It is submitted that the Company's decision to shift to a single platform company was a strategic decision taken so as to encompass both the telcos-facing Tanla technology estate as well as the enterprise-facing Karix technology estate. The decision was also driven by business requirements as enterprises were looking for scalable, compliant, omni-channel solutions with AI/ML capabilities and ease of integration.*

- *Throughout the structural shift to a single platform company that took place gradually over FY 2019-20, the Company did not make any changes to its existing accounting policies. The shift to a single platform Company only meant that all the services provided by the Company's then existing technical assets, Platforms and Deployments, were moved to cloud. In this backdrop, the Company reassessed the useful life of the Platforms and Deployments in compliance with the IND AS and its existing accounting policy and depreciated its value as and when it was migrated to the cloud since there was no alternate use for these Platforms and Deployments.*

- *It is reiterated that at no point did the Company approve or make any changes to its existing accounting policies or accounting estimates, or corrections for prior period errors. The Company continued to apply the same accounting standards in its usual course of business as per its existing accounting policy in assessing the useful life of the assets of the Company. Further, no instances or allegations with respect to any changes in the accounting policy of the Company have been made out in the Notice. Therefore, it is submitted that AS 8 is not applicable in the present case.*

The assessment of the useful life of the Company's assets as 5-10 years in FY 2018-19 was correct and there was no overstatement.

- *The useful lives and residual lives of the Company's assets are determined at the time the asset is acquired and reviewed periodically at the end of each financial year. The impairment testing of an asset, especially intangible assets such as Platforms and Deployments, is done based on the assessment of the future net cash flows of the particular asset.*

- *In FY 2017-18, the useful life of the Company's technical assets was assessed and accounted as 5-10 years. In FYs 2017-18 and 2018-19, the revenue of the Company increased consistently due to increase in A2P messaging as enterprises became more connected with their users. Moreover, with the transformative acquisition of Karix Mobile Private Limited ("**Karix**"), a messaging and communications provider, the Company was able to provide its services to both telecom companies and enterprises. As a result, the Company's revenue continued to grow even in FY 2018-19. Resultantly, the Company's outlook for FY 2019-20 was very strong which, in hindsight, is also demonstrated by the fact that the increase in consolidated revenue of the Company from FY 2018-19 to FY 2019-20 was 94%.*

- *In light of the revenue generated by the Platforms and Deployments in FYs 2017-18 and 2018-19, the Platforms and Deployments, showed sufficient revenue generating potential and further economic use. In other words, there was no change in the revenue generating capability or future economic usage of these assets. The acquisition of Karix further increased the financial outlook of the Company and the revenue generating capability of the existing technical assets. Thus, based on the above factors, the management assessed the useful life of the Platforms and Deployments as 5-10 years.*

- *In view of the above, it is submitted that there was no need to reassess the useful life of the technical assets of the Company, i.e., Platforms and Deployments, in FY 2018-19 since the assets continued to show high revenue generation capacity and further economic use at the time. Therefore, taking into account the above factors, it is submitted that the assessment of the useful life of the Platforms and Deployments was correct as per the circumstances that existed at the time of such assessment.*

H. **<u>Issues for consideration</u>:**

23. I have perused the material available on record including the SCN and the submissions of the Noticees. I note that the following issues arise for consideration in the present case: -

a) *Whether the Noticee-1 has failed to implement the prescribed accounting standards i.e. IND AS 16 and AS 36 while assessing and determining useful life of the technical assets-Platform & Deployments, which resulted in misrepresentation/ misstatement of its financial statements to the extent of Rs. 103.15 crores and hence, whether the Noticee-1 knowingly reported wrong, false and misleading financial statements for FYs 2018-19 and 2019-20?*

b) *If the answer to the aforesaid question (a) is in affirmative, whether Noticee-1 has violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations?*

c) *Whether Noticee-2 has failed to perform his duties and obligations which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20 and whether he knowingly furnished wrong, false and misleading certification of the Company's financial statements?*

d) *If the answer to the aforesaid question (c) is in affirmative, whether Noticee-2 has violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations and Section 27 of the SEBI Act, 1992?*

e) *Whether Noticee-3 has failed to perform his duties as CFO of Tanla, which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20 and whether he knowingly furnished wrong, false and misleading certification of the Company's financial statements?*

f) *If the answer to the aforesaid question (e) is in affirmative, whether Noticee-3 has violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 17(8) of the LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations and Section 27 of the SEBI Act, 1992?*

g) *Whether Noticee-4 by signing the financial statements which resulted in publication of misrepresented/ misstated financial statements for FYs 2018-19 and 2019-20, knowingly furnished wrong, false and misleading financial statements of the company?*

h) *If the answer to the aforesaid question (g) is in affirmative, whether, Noticee-4 has violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 6(2) of the LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations and Section 27 of the SEBI Act, 1992?*

i) *If the answer to the aforesaid questions (b), (d), (f) and (h) is in affirmative, whether the Noticees are liable for monetary penalties under Section 15HA and Section 15HB of the SEBI Act?*

j) *If the answer to the aforesaid questions (i) is in affirmative, what quantum of monetary penalty should be imposed on the Noticees?*

24. The relevant applicable provisions of the SEBI (LODR) Regulations, SEBI (PFUTP) Regulations, 2003 and SEBI Act are reproduced as under:

SEBI (PFUTP) Regulations, 2003:

Regulation 4: Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

(a) ....

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

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

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

<u>Relevant provisions of LODR Regulations</u>

Principles governing disclosures and obligations:

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

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

(b) The listed entity shall implement the prescribed accounting standards in letter 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.

(d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.

(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.

(f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.

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

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

(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) (f): Responsibilities of the Board of Directors:

Disclosure of information:

4(2)(f)(i) (1)…..

4(2)(f)(i)(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."

Key functions of the board of directors:

4(2)(f)(ii)(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed."

4(2)(f)(ii)(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."

Other responsibilities:

4(2)(f)(iii)(7) The board of directors shall exercise objective independent judgement on corporate affairs."

Regulation 6. (2) compliance officer of the listed entity shall be responsible for:

(a) ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit

(b) ………

(c) ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.

Financial results.

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

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

(b)……

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

Annual Report.

34. (2) The annual report shall contain the following:

(a)…..

(3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.

Accounting Standards.

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

SEBI Act, 1992:

Section 27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder] has been committed by a company, every person who at the time the 164[contravention] was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the 165[contravention] and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the 166[contravention] was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2)Notwithstanding anything contained in sub-section (1), where an 168[contravention] under this Act has been committed by a company and it is proved that the 169[contravention] has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the 170[contravention] and shall be liable to be proceeded against and punished accordingly.

I. Findings:

25. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees, I record my findings hereunder.

Issue (a): Whether the Noticee-1 has failed to implement the prescribed accounting standards i.e. IND AS 16 and AS 36 while assessing and determining useful life of the technical assets-Platform & Deployments, which resulted in misrepresentation/ misstatement of its financial statements to the extent of Rs. 103.15 crores and hence, whether the Noticee-1 knowingly reported wrong, false and misleading financial statements for FYs 2018-19 and 2019-20?

I note from the records as under:

25.1. In support of the allegations against the Noticees, the SCN observes that taking into consideration that Tanla's officials were involved in consultation, formulation and implementation process of TCCCPR, 2018 from the very beginning; the company launched DLT based platform TRUBLOQ on February 26, 2019 to comply with the TCCCPR requirement; the Company's claims viz. lack of clarity, discussing the concept in consulting papers, transition from idea to implementation, finalisation of technology etc., are not correct and justifiable, hence, untenable.

25.2. As per the Noticees, on December 21, 2018, considering the representations received from the market participants facing implementation challenges, TRAI had extended the deadline for implementation of certain clauses of TCCCPR, 2018 by further 150 days i.e. May 2019. The Noticees have also claimed that the delay in implementation of TCCCPR, 2018 had considerable bearing on the Company's decision to not depreciate the assets in FY 2018-19. Further, in FY 2018-19, the Company's revenue was being generated by its technical assets, i.e., Platforms and Deployments. The new technology mandated by TCCCPR, 2018, i.e., the DLT, was not deployed then, since several details such as the architecture, blockchain fabric, the Standard Operating Procedures, etc. had not been finalised by then. Thus, the Company's then existing technical assets were fully operational and generating revenue in FY 2018-19.

25.3. I note that TRAI had promulgated the TCCCPR, 2018 on July 19, 2018, which came into effect from February 28, 2019. As per the Noticees, on December 21, 2018, considering the representations received from the market participants facing implementation challenges, TRAI had extended the deadline for implementation of certain clauses of TCCCPR, 2018 by further 150 days i.e. May 2019. I have perused the copy of TCCCPR (Amendment) Regulations, 2018. I note that the 'Explanatory Memorandum' to the said amended Regulations reads as under:

"2. In compliance of Regulation 16 of principal regulation, all TSPs submitted their CoPs according to requirements of the regulations. <u>However, various representations were received from Access Service Providers for extension of timelines of these regulations, as establishment of new ecosystem and new entities may take a longer time</u>. Subsequently, workshop and meetings were organized with Access providers to assess the readiness of implementation. <u>After discussions and deliberations, it was felt that Access Providers require some more time for implementation. In view of above, the Authority has decided to extend the dates for implementation of above said regulations</u>."

(Emphasis supplied)

25.4. Having regard to the contents of the aforesaid 'Explanatory Memorandum' about representations received by TRAI requesting for extension of the deadline as establishment of new ecosystem and new entities took a longer time and TRAI organising workshops and meetings with Access providers. I find merit in the contention of the Noticees that, there were challenges in implementing the TCCCPR, 2018. I also note that TRAI did feel that Access Providers require some more time for implementation and it extended the deadline for implementation of certain clauses of TCCCPR, 2018 by further 150 days i.e. May 2019.

25.5.In support of allegations against the Noticees, the SCN observes that the Company had developed the requisite DLT platform on February 26, 2019 i.e. prior to the deadline mandated by TRAI for implementing TCCCPR, 2018.

25.6.The Noticees have claimed that the TRUBLOQ platform developed by the Company was never implemented in FY 2018-19 and from Q4 of FY 2018-19 to Q1 of FY 2019-20, there was a transition of TCCCPR, 2018 from idea to implementation.

25.7.I note that on February 26, 2019, Tanla had launched World's First Blockchain Enabled Commercial Communication Stack, TRUBLOQ. The press release dated February 26, 2019 issued by the Company, *inter alia,* reads as under:

"

- *Dr. R S Sharma, Chairman, TRAI, launches Trubloq at Mobile World Congress 2019*
- *Trubloq is the industry first telecom solution built on Distributed Ledger Technology (DLT) as per the latest TRAI regulations*
- *India's largest mobile network Vodafone Idea Limited will be the first Telecom Operator to go live on Trubloq*
- *……."*

(Emphasis supplied)

25.8.On perusal of the press release dated February 26, 2019, I note that on February 26, 2019, which falls in the 4th Quarter of FY 2018-19, Tanla had merely launched the TRUBLOQ, and it was yet to implement it, then. Further, the press release also stated that Vodafone will be the first telecom operator to go live on TRUBLOQ. Thus, I note that on February 26, 2019, which falls in the 4th Quarter of FY 2018-

19, Vodafone was yet to go live on TRUBLOQ. Since there is difference between 'launch' and 'implementation', in absence of any evidence to the contrary on record, I find merit in the contention of the Noticees that TRUBLOQ platform developed by the Company was not implemented by it in FY 2018-19.

25.9.The SCN while observing that the Company had already initiated the acquiring process of Karix in August 2018 and was also assessing business opportunities on implications of TCCCPR, 2018, alleges that the acquiring process of Karix for not warranting the change in useful life of technical assets in FY 2018-19 is not justifiable.

25.10.The Noticees have submitted that taking into account the growth achieved in FY 2018-19 and the acquisition of Karix initiated in August 2018, the Company's Management reasonably assessed that the technical assets of the Company, i.e., Platforms and Deployments, were sufficient to meet the growth prospects of the Company. Further, the delay in deploying the new technology, DLT, in terms of TCCCPR, 2018, and the lack of clarity on the timelines, the Company concluded that a change in the useful life of the assets was not warranted during FY 2018-19. Further, the useful lives and residual lives of the Company's assets are determined by the management at the time the asset is acquired and reviewed periodically at the end of each financial year. This determination is made based on historical experience with similar assets as well as anticipation of future events, which may impact their life, and in accordance with the factors laid down in IND AS 16. In support, the Noticees have relied upon the extract of Company's Annual Report 2018-19. I have perused the said extract of the report and note that at page 11 under the heading 'Management Discussion and Analysis', it is mentioned as under:

"Depreciation is provided on a straight-line method, based on the useful life of the asset. <u>Life of assets is assessed at the end of each financial year and assets whose useful life has expired are depreciated fully in line with the applicable Ind-AS Accounting Standard.</u>

The Company's assets <u>are assessed for impairment at the end of each financial year,</u> where events or changes in circumstances reflect that the carrying amount of

an asset or group of assets may not be recoverable. If such an indication exists, the Company estimates the recoverable amount of the asset or group of assets and the impairment loss is recognised in the Statement of Comprehensive Income."
(Emphasis supplied)

25.11. Thus, from the contemporaneous records, I note that the Company had indeed reviewed the useful lives and residual lives of its assets. Further, I note that the SCN itself observes that Tanla completed the acquisition process of Karix on April 10, 2019, i.e. FY 2019-20 and not in FY 2018-19.

25.12. In support of allegations against the Noticees, the SCN observes that in addition to Vodafone Idea Ltd. as first customer of TRUBLOQ platform at the time of its launching in February, 2019, Tanla was also in discussion with the major telecom companies for providing its DLT based TRUBLOQ services in compliance with TCCCPR, 2018 and moreover, it had entered into agreement/tie up with Airtel, BSNL, Tata Teleservices Ltd. even before March 31, 2019.

25.13. The Noticees submitted that the agreements with other telco companies including Bharti Airtel Ltd., BSNL, TATA Teleservices Ltd., Videocon Ltd. and MTNL entered prior to March 2019 were merely Letters of Intents (**"LoIs"**), wherein the telco companies had agreed to avail the services of TRUBLOQ. It was only in Q1 of FY 2019-20 that the new architecture, the blockchain fabric, Code of Practices, COPs and SOPs were agreed upon among the telecom operators in line with the requirements prescribed under the TCCCPR, 2018. Subsequently, the Company developed the TRUBLOQ platform in line with the agreed COPs and SOPs. Once the platform was developed in line with the requirements under TCCCPR, 2018, the Company implemented TRUBLOQ with the telecom operators with which it had entered into LoIs for providing the services of the platform.

25.14. I have perused the Material available on record viz. Term Sheet, agreement, offer, proposal, Expression of Interest (EoI), e-mail correspondence etc. in this regard. Further, I have also perused the letter/ notice dated May 02, 2019, issued by Tanla which was enclosed with SCN. It, *inter alia*, reads as under:

"

- *Tanla has tied up with 6 telecom operators viz., Airtel, Vodafone Idea, BSNL, Videocon, MTNL & TATA to launch Trubloq.*
- *<u>Deployment of Trubloq is in progress with revenue expected to flow from Q4FY2020</u>."*

25.15.Noticees has also stated that, the blockchain requirement mandated by the TCCCPR, 2018 was only an add-on requirement and the Platforms and Deployments could co-exist with the blockchain technology platform. The TCCCPR, 2018 required only one-leg of the entire ecosystem, of the messages flowing from the enterprises to the telcos, to be on blockchain. Thus, the Platforms and Deployments of the Company continued to have revenue potential and continued to be of further economic use and revenue-generating even in FY 2019-20 and which, as mentioned in the foregoing paragraphs, also constituted one of the factors for the assessment of the useful life of such assets as 5-10 years in FY 2018-19.

25.16.In the light of aforesaid contemporaneous record and the reasons cited in the Explanatory Memorandum to the TCCCPR (Amendment) Regulations, 2018 mentioned earlier in this Order and in absence of any evidence to the contrary on record, I find merit in the contention of the Noticees that TRUBLOQ platform developed by the Company was not implemented by it in FY 2018-19.

25.17.The SCN alleged that the Company has failed to comply with certain provisions of Ind AS 36 and 16 which clearly stipulate that expected usage, technical or commercial obsolescence, or legal or similar limits on the use of asset must be considered while determining useful life of the assets, hence, Tanla made improper estimation of useful of the said assets as 5-10 years in FY 2018-19 and accounting treatment of the depreciation charged on its Platform & Deployment assets.

25.18.The Noticees have submitted that contrary to the allegations in the SCN, the Company took into consideration factors including significant changes taken place, expected usage of the assets, technical or commercial obsolescence, legal limit on using the assets etc. while assessing the useful life of the technical assets in terms of IND AS 16 and 36. The management of the Company considered the expected continued usage of the Platform and Deployment assets in FY 2018-19 as they continued to generate revenue and there was no visibility then as to if and when the Company would discontinue or limit the usage of such assets. Moreover, aided by acquisition of Karix, the Company anticipated to continue making revenue using its then existing assets. The then existing Platform and Deployment assets of the Company were not obsolete and were very much in use by the Company in FY 2018-19 and in fact till the time TRUBLOQ was finally deployed. Further, in FY 2018-19, since there existed no legal restriction or limit on the usage of its then existing assets, the Company was justified in not re-evaluating/ depreciating the useful life of such assets. In FY 2018-19, in light of the uncertainty around several aspects of the new technology, the Company's management had no reason to believe that the then revenue-generating assets of the Company would become obsolete in the near future. It was only after clarity emerged on the implementation of TCCCPR, 2018 and shift to a single platform company, that the useful life of the then existing technical assets was reassessed. For the FY 2019-20, the change in technology and cloudification of services, as well as the implementation of TRUBLOQ, resulted in re-assessment of useful life of technology assets leading to additional provision of accelerated depreciation amounting to Rs. 256.12 crores. Pursuant to such change in technology on account of provisions of TCCCPR, 2018, the Company re-assessed the useful life of assets, including those at branch and subsidiary, amounting to Rs. 328.52 Cr which were fully depreciated as on March 31, 2020.The Company's management decided to write off its assets on an accelerated depreciation basis due to its structural shift into a single platform company post which there was no alternate use for its then technical assets, i.e., Platforms and Deployments. It is further submitted that such practice is not unique among technology and telecom companies and, therefore, the Company cannot be said to have applied improper accounting standards in assessing the useful life of its assets.

25.19.I note that relevant provisions of Ind AS 16 and Ind AS 36 alleged in the SCN, read as under:

<u>Clause 12(b) of IND AS 36</u>

"12. <u>In assessing</u> whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

…

(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

…"

<u>Clause 56 of IND AS 16</u>

"56. The future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

a. expected usage of an asset. Usage is affected by reference to the asset's expected capacity or physical asset.
b. …
c. technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.
d. legal or similar limits on the use of the asset, such as the expiry dates of related leases."

25.20.Since, in support of their contention, the Noticees have relied upon the Company's Annual Reports 2018-19 and 2019-20 and investor presentation dated July 31, 2019, on perusal, I note that in Company's Annual Report 2018-19 at page 11 under the heading 'Management Discussion and Analysis', it is mentioned as under:

"Depreciation is provided on a straight-line method, based on the useful life of the asset. <u>Life of assets is assessed at the end of each financial year and assets whose</u>

useful life has expired are depreciated fully in line with the applicable Ind-AS Accounting Standard.

The Company's assets are assessed for impairment at the end of each financial year, where events or changes in circumstances reflect that the carrying amount of an asset or group of assets may not be recoverable. If such an indication exists, the Company estimates the recoverable amount of the asset or group of assets and the impairment loss is recognised in the Statement of Comprehensive Income."
(Emphasis supplied)

25.21. Further, in Company's Annual Report 2019-20 at page 10 and 13 respectively, under the heading 'Management Discussion and Analysis', it is mentioned as under:

(Page 10)
"Depreciation:
As per The Telecom Commercial Communications Customer Preference Regulations, 2018 (TCCCPR,2018) that were announced on July 19, 2018, by Telecom Regulatory Authority of India (TRAI), Commercial communication (voice and text) should be provided using block chain technology. This move to new technology and cloudification of services has resulted in the need for re-assessment of useful life of technology assets, leading to additional provision of accelerated depreciation. Management has assessed the net book value of such assets as on March 31, 2019 at INR 305.6 Cr and provided accelerated depreciation on such assets as and when the related platforms were moved to cloud during the financial year FY 2020."

(Page 13)
"Retained earnings decreased by INR 217.3 Cr primarily on account of accelerated depreciation of INR 305.6 Cr provided on redundant technology assets on moving operations to cloud and to be in line with regulatory changes to move to block chain technology."
(Emphasis supplied)

25.22.Further, the investor updates for quarter & three months ended June 30, 2019, made by the Company to the stock exchanges on July 31, 2019, *inter alia*, read as under:

Depreciation for the quarter is Rs.153.6 Cr:

- *As per THE TELECOM COMMERCIAL COMMUNICATIONS CUSTOMER PREFERENCE REGULATIONS, 2018 (TCCCPR,2018) that were announced on July 19, 2018, commercial communication (voice and text) should be provided using block chain technology.*
- *New technology and cloudification of services has resulted in a need for re-assessment of useful life of technology assets, leading to additional provision of accelerated depreciation amounting to Rs.133.15 Cr.*
- <u>*Management has assessed*</u> *the net book value of such assets as on March 31, 2019 at Rs.305 Cr and the depreciation to be charged in the current quarter at Rs.150 Cr. The balance of Rs.155 Cr would be charged as and when the related platforms are moved to cloud during the current financial year FY2020.*

(Emphasis supplied)

25.23.Thus, in view of the above, I note that the Company had in fact assessed the Life of assets at the end of each financial year 2018-19 and 2019-20 and assets whose useful life had expired were depreciated fully in line with the Accounting Standard.

25.24.I have also taken note of the submissions of the Noticees that the allegation of fraud cannot be based on surmises and conjectures and also the observations in Orders relied upon by the Noticees. viz. the Hon'ble Supreme Court in ***SEBI and Ors. v. Kanaiyalal Baldevbhai Patel and Ors,*** Hon'ble SAT in ***KSL & Industries v. Chairman, SEBI,*** the Hon'ble Supreme Court in ***Union of India v. Chaturbhai M. Patel & Co.,*** referring to the decision in ***A.L.N Narayanan Chettyar v. Official Assignee*** and the Privy Council in ***Hansraj Gupta v. Dehra Dun Mussoorie Electric Tramway Ltd***.

25.25.I have taken note of the submissions of the Noticees that there is no allegation that the Noticees derived any benefit in any manner from alleged misrepresentation of financial statements of the Company and the SCN does not provide any evidence that the Noticees, with a *mala fide* intent, purposely did not re-assess the useful of the Company's assets in FY 2018-19. I note that there is no material on record to differ with the said submissions of the Noticees. The Noticees have also submitted that allegations of fraud are made without any evidence or suggestions which would corroborate with the charges that the Noticees knowingly, with an intent to defraud, did not timely depreciate the useful life of the then existing technical assets, i.e., Platforms and Deployments.

25.26. I have taken note of the submission of Noticees that, the financial statements of the Company for FYs 2018-19 and 2019-20 were certified and published only after the assessment of the useful life of the assets and the decision to depreciate the assets in FY 2019-20 was thoroughly vetted and also reviewed by the audit committee. The financial statements were duly verified by the Company's statutory auditors who also did not raise any concern in relation to this. Therefore, it is submitted that the Noticees had no reason to believe that the financial statements of the Company did not reflect the true state of the Company's affairs. I have perused the copy of the minutes of the Board and Audit Committee meeting dated July 31, 2019, wherein the change in the useful life of the technical assets was approved and I note that there is no material on record to differ with the said submission of the Noticees.

25.27.In the light of the contemporaneous records, submissions of the Noticees and the reasons cited in the Explanatory Memorandum to the TCCCPR (Amendment) Regulations, 2018 mentioned earlier in this Order and in absence of any evidence to the contrary on record with me, I find merit in the contention of the Noticees that the Company cannot be said to have applied improper accounting standards in assessing and determining the useful life of its technical asset -Platform & Deployments. In view of the aforesaid, including the contemporaneous records and in absence of any evidence to the contrary on record with me, it cannot be concluded that the Noticee-1 has failed to implement the prescribed accounting standards i.e. IND AS 16 and AS 36 while assessing and determining useful life of the technical assets-Platform & Deployments or there was any misrepresentation/ mistreatment of the Company's financial statements to the extent of Rs.103.15

crores in the financial statements for FY 2018-19 and 2019-20 as alleged in the SCN. Consequently, it can be concluded that Noticee-1 did not report any wrong, false and misleading financial statements for FYs 2018-19 and 2019-20.

Issue b) If the answer to the aforesaid question (a) is in affirmative, whether Noticee-1 has violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations?

26. In view of my findings at para 25, I conclude that the Noticee-1 has not violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations.

Issue c) Whether Noticee-2 has failed to perform his duties and obligations which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20 and whether he knowingly furnished wrong, false and misleading certification of the Company's financial statements?

27. In view of my findings at paras 25 and 26, there is no material on record to conclude that the Noticee-2 failed to perform his duties and obligations which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20 and that he knowingly furnished wrong, false and misleading certification of the Company's financial statements.

Issue d) If the answer to the aforesaid question (c) is in affirmative, whether Noticee-2 has violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations and Section 27 of the SEBI Act, 1992?

28. In view of the findings at para 27, it is concluded that the Noticee-2 has not violated the provisions of Regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of LODR Regulations and Section 27 of the SEBI Act, 1992.

Issue e) Whether Noticee-3 has failed to perform his duties and obligations, which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20 and whether he knowingly furnished wrong, false and misleading certification of the Company's financial statements?

29. In view of the findings at para 25 and 26, there is no material on record to conclude that the Noticee-3 has failed to perform his duty as CFO, which resulted in publication of misrepresented/ misstated financial statements of Tanla for FYs 2018-19 and 2019-20 and that he knowingly furnished wrong, false and misleading certification of the Company's financial statements.

Issue f) If the answer to the aforesaid question (e) is in affirmative, whether Noticee-3 has violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 17(8) of the LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations and Section 27 of the SEBI Act, 1992?

30. In view of the findings at para 29, it is concluded that the Noticee-3 has not violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 17(8) of the LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations and Section 27 of the SEBI Act, 1992.

Issue g) Whether Noticee-4 by signing the financial statements which resulted in publication of misrepresented/ misstated financial statements for FYs 2018-19 and 2019-20, knowinglyfurnished wrong, false and misleading financial statements of the company?

31. In view of the findings at para 25 and 26, there is no material on record to conclude that signing the financial statements by Noticee-4 resulted in publication of misrepresented/ misstated financial statements for FYs 2018-19 and 2019-20 or she knowingly furnished wrong, false and misleading financial statements of the company.

Issue h) If the answer to the aforesaid question (g) is in affirmative, whether, by failing in performing her duties/ obligations, Noticee-4 has violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 6(2) of the LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations and Section 27 of the SEBI Act, 1992?.

32. In view of the findings at para 31, it is concluded that the Noticee-4 has not violated the provisions of Regulations 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations and Regulation 6(2) of the LODR Regulations r/w Regulation 4(1), 33(1)(a), 33(1)(c), 34(2)(b), 34(3) and 48 of the LODR Regulations and Section 27 of the SEBI Act, 1992.

Issue I) If the answer to the aforesaid questions (b), (d), (f) and (h) is in affirmative, whether the Noticees are liable for monetary penalties under Section 15HA and Section 15HB of the SEBI Act?

33. In view of the finding at para 26, 28, 30 and 32, as the alleged violations as mentioned in the SCN are not established against the Noticees, therefore consequent Issues (i) & (j) as mentioned in paragraph 23 requires no examination.

J. ORDER

34. In view of my findings noted in the preceding paragraphs, I hereby dispose of the Adjudication Proceedings against the Noticees viz. Tanla Platforms Ltd. - Noticee-1, Mr D Udaykumar Reddy, CMD- Noticee-2, Mr Kamoji Srinivas G., CFO-Noticee-3 and Ms Seshanuradha Chava, Compliance Officer- Noticee-4 initiated vide Show Cause Notice dated April 28, 2023 and without imposition of any monetary penalty under Section 15HA and Section 15 HB of SEBI Act.

35. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy each of this Order is being sent to the Noticees and also to Securities and Exchange Board of India, Mumbai.

Date: August 10, 2023 **Vijayant Kumar Verma**

Place : Mumbai **Adjudicating Officer**