BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/AK/AS/2022-23/21390-21393

UNDER SECTION 23-I OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF THE SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005 AND SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

S No	Name of Noticee
1	**Jump Networks Ltd (formerly, Iris Mediaworks Ltd; now, WinPro Industries Ltd) (PAN: AAACB4506D)** Address: Office No. 212, 2nd Floor, Trade Centre, G Block, Opp. MTNL, Bandra Kurla Complex, Bandra (East), Mumbai, Maharshtra-400051
2	**Mr Atul Kumar (PAN: BAWPS1169M)** Address: 1402, Tower-5, Vipul Belmonte, Golf Course Road Sector 53, Gurgaon-122003
3	**Mr Nirdesh Shah (PAN: BHAPS2769G)** Address: Flat No. 10, 2nd Floor, Kalpavriksha Building, Haji Bapu Road, Near Post Office, Malad East, Mumbai (Sub Urban), Maharashtra-400097
4	**Ms Minakshi Singh (PAN: CNYPS8739P)** Address: Room No. 373 Squater Colony, Abdul Hamid Marg, Gate No. 7, Jama Masjid Malvani, Malad West, Kharodi, Mumbai, Maharashtra-400095

In the matter of Jump Networks Limited

A. BACKGROUND OF THE CASE

1. SEBI had received a letter dated November 26, 2021 from M/s. MSKA & Associates (hereinafter referred to as **"MSKA"**) addressed to the Board of

Directors and the Audit Committee of Jump Networks Limited, for resignation as its statutory auditor. Thereafter, SEBI carried out an examination to ascertain if Jump Networks Limited or its Audit Committee violated any of the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as **"LODR Regulations"**) and/ or circulars issued thereunder. Based on the findings of the examination, it was alleged that Jump Networks Limited (**Noticee No: 1/ Company**), Atul Kumar (**Noticee No: 2**), Nirdesh Shah (**Noticee No: 3**) and Minakshi Singh (**Noticee No: 4**) (hereinafter collectively referred to as "**Noticees"**) were in violation of certain provisions of the LODR Regulations and circular issued thereunder.

B. APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI initiated adjudication proceedings and appointed Ms. Geetha G as the Adjudicating officer (AO) under Section 23-I of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as **"SCRA"**) read with Rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the "**Adjudication Rules, 2005**") and under Section 15-I of the Securities and Exchange Board of India, 1992 (hereinafter referred to as **"SEBI Act"**) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules, 1995**"), vide order dated February 10, 2022. Pursuant to transfer of Ms. Geetha G, undersigned was appointed as AO, vide order dated August 29, 2022.

C. SHOW CAUSE NOTICE AND PERSONAL HEARING

3. A common Show Cause Notice dated June 07, 2022 (hereinafter referred to as "**SCN**") was issued to the Noticees. The allegations levelled in the SCN were as below:

3.1 Alleged violation of provisions of Clause 6(A)(iii) of SEBI Circular No. CIR/CFD/CMD1/114/2019 dated October 18, 2019 (hereinafter referred to as **"Auditor Resignation Circular"**) read with sub-para 2 of para A of Part C of Schedule II of LODR Regulations read with Regulation 18(3) of LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE Ltd. by Noticee No. 1.

3.2 Alleged violation of provisions of Clauses 6(C)(i) and 6(C)(iii) of Auditor Resignation Circular read with sub-para (7A) of para A of Part A of Schedule III of the LODR Regulations read with Regulation 30(2) of the LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE, by Noticee No. 1.

3.3 Alleged violation of provisions of Clause 6(B)(i) and Clause 6(C)(iii) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations by, Noticee No. 2/3/4.

4. SCN was served on the Noticees on June 07, 2022 by way of electronic mail along with digital signature, which constitutes valid service as per Rule 7(1)(b) of the Adjudication Rules, 1995 and Rule 7(1)(b) of the Adjudication Rules, 2005, to show cause as to why inquiry should not be initiated against the Noticees, and penalty, if any, should not be imposed under the provisions of Section 23E of the SCRA on Noticee No: 1 and under Section 15HB of the SEBI Act on Noticee No: 2 to 4. However, no reply was received on merits from the Noticees with in the stipulated time.

5. In compliance with principles of natural justice, the following opportunities of personal hearings were given to the Noticees;

5.1 Vide email dated June 23, 2022, Noticees were granted opportunity of personal hearing on June 28, 2022. Vide email dated June 23, 2022, Noticees sought additional time for submitting reply to the SCN, and also, stated that they were considering filing for settlement under the provisions of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as **"Settlement Regulations"**).

5.2 Vide email dated July 08, 2022, Noticees were granted opportunity of personal hearing on July 14, 2022. On July 14, 2022, the authorized representative of the Noticees, Ms Aparna Wagle, Advocate, appeared on behalf of the Noticees and sought adjournment of the hearing. Acceding to the request, Noticees were granted another opportunity of personal hearing on July 27, 2022. Vide email dated July 26, 2022, Noticees were conveyed that the personal hearing, as scheduled on July 27, 2022, was adjourned due to administrative exigency.

5.3 Vide email dated August 10, 2022, Noticees were granted opportunity of personal hearing on August 17, 2022. Vide email dated August 17, 2022, Noticees again sought additional time of four weeks for submitting reply to the SCN, and also, stated that they were considering filing for settlement. Vide email dated August 17, 2022, Noticees were conveyed that their request for adjournment of personal hearing has been acceded to.

5.4 Vide email dated August 26, 2022, Noticees were granted opportunity of personal hearing on September 08, 2022. Vide email dated September 07, 2022, Noticees conveyed that they had filed the Settlement Application on August 18, 2022, and requested that the proceedings must be kept in abeyance till the disposal of the aforesaid Settlement Application. Ms Aparna Wagle, Advocate appeared on behalf of the Noticees on September 08, 2022, and intimated that Settlement Application had been filed in the matter. She sought additional time of 4 weeks for submitting reply to the SCN and reiterated the same vide email sent subsequently on the same day i.e.

September 08, 2022. It was conveyed during the hearing that no further opportunity of personal hearing in the matter will be granted.

5.5 I note from the records that on the date of last hearing i.e. September 08, 2022, vide email the Noticees were informed that as per of Regulation 4(1) of SEBI (Settlement Proceedings) Regulations, 2018, *"An application in respect of any specified proceeding pending before the Board shall not be considered if it is made after sixty days from the date of service of the notice to show cause or supplementary notice(s) to show cause, whichever is later*." It was informed that as per Regulation 8 (1) of SEBI (Settlement Proceedings) Regulations, 2018, *"The filing of an application for settlement of any specified proceedings shall not affect the continuance of the proceedings save that the passing of the final order shall be kept in abeyance till the application is disposed of."* During the hearing, it was conveyed to the Noticees again that in terms of Regulation 8(1) of the Settlement Regulations, filing of settlement application would not affect the continuance of proceedings save that the passing of final order would be kept in abeyance till the settlement application was disposed of. And thus, hearing proceedings in the matter were concluded.

6. I note from the records that the Settlement Application made by the Noticees was not admitted by SEBI, as it was filed beyond the stipulated period of sixty days from the date of service of SCN within which the application should have been filed, in terms of Regulation 4(1) of the Settlement Regulations. The intimation about rejection of the settlement application along with physical copies of the settlement application was sent to the address of Noticee No. 1 by Settlement division of SEBI on September 07, 2022 and again on September 16, 2022, however the same came back undelivered. The intimation of rejection was then intimated to the Noticees by Settlement division of SEBI, vide email dated October 04, 2022, and again vide email dated October 11, 2022.

7. I also note that even after more than two months, no reply has been received from the Noticees on merits. I note from the chronology of events that multiple

opportunities of personal hearing were granted to the Noticees. Noticees availed of two of the said opportunities. However, in none of the said hearings, Noticees made submissions on merits. Also, the settlement application was submitted with a delay and therefore, rejected. Therefore, I am of the view that the principles of natural justice have been complied with in the instant matter, and I now proceed to consider the matter on merits, based on documents on record.

D. ISSUES

8. Based on the above, following issues arise:

8.1 Whether Noticee No: 1 violated the provisions of Clause 6(A)(iii) of Auditor Resignation Circular read with sub-para 2 of para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE?

8.2 Whether Noticee No: 1 violated the provisions of Clauses 6(C)(i) and 6(C)(iii) of Auditor Resignation Circular read with sub-para (7A) of para A of Part A of Schedule III of the LODR Regulations read with Regulation 30(2) of the LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE?

8.3 Whether Noticee No: 2 violated the provisions of Clause 6(B)(i) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations? Further, whether Noticee Nos. 2 to 4 failed to ensure compliance with the provisions of Clause 6(C)(iii) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations?

8.4 If yes, Whether the Noticees are liable for a monetary penalty under section 23 E read with section 23-I of SCRA and section 15HB of the SEBI Act read with section 15-I of SEBI Act, as applicable?

8.5 If so, what quantum of monetary penalty should be imposed on the Noticees after taking into consideration the factors mentioned in section 23J of SCRA/ 15J of the SEBI Act, as applicable?

E. CONSIDERATION OF ISSUES AND FINDINGS

9. Before I proceed with the matter, it is pertinent to mention the relevant legal provisions alleged to have been violated by the Noticees and the same are reproduced below:

Auditor Resignation Circular

……….

6. In light of the above, the conditions to be complied with upon resignation of the statutory auditor of a listed entity/material subsidiary w.r.t. limited review/audit report as per SEBI LODR Regulations, are as under:

A. All listed entities/material subsidiaries shall ensure compliance with the following conditions while appointing/re-appointing an auditor:

(i)If the auditor resigns within 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for such quarter.

(ii)If the auditor resigns after 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for such quarter as well as the next quarter.

(iii)Notwithstanding the above, if the auditor has signed the limited review/ audit report for the first three quarters of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.

B. Other conditions relating to resignation shall include:

(i)Reporting of concerns with respect to the listed entity/its material subsidiary to the Audit Committee:

a. In case of any concern with the management of the listed entity/material subsidiary such as non-availability of information / non-cooperation by the management which may hamper the audit process, the auditor shall approach the Chairman of the Audit Committee of the listed entity and the Audit Committee shall receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.

b. In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents shall be brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the company, the auditor shall inform the Audit Committee of the details of information/explanation sought and not provided by the management, as applicable.

c. On receipt of such information from the auditor relating to the proposal to resign as mentioned above, the Audit Committee / board of directors, as the case may be, shall deliberate on the matter and communicate its views to the management and the auditor.

……….

……….

C. Obligations of the listed entity and its material subsidiary:

(i) Format of information to be obtained from the statutory auditor upon resignation:

Upon resignation, the listed entity / its material subsidiary shall obtain information from the Auditor in the format as specified in Annexure A to this Circular. The listed entity shall ensure disclosure of the same under Sub-clause (7A) of Clause A in Part A of Schedule III under Regulation 30(2) of SEBI LODR Regulations.

(ii)Co-operation by listed entity and its material subsidiary:

During the period from when the auditor proposes to resign till the auditor submits the report for such quarter / financial year as specified above, the listed entity and its material subsidiaries shall continue to provide all such documents/information as may be necessary for the audit / limited review.

(iii)Disclosure of Audit Committee's views to the Stock Exchanges:

Upon resignation of the auditor, the Audit Committee shall deliberate upon all the concerns raised by the auditor with respect to its resignation as soon as possible, but not later than the date of the next Audit Committee meeting and communicate its views to the management. The listed entity shall ensure the disclosure of the Audit Committee's views to the stock exchanges as soon as possible but not later than twenty-four hours after the date of such Audit Committee meeting.

<u>LODR Regulations</u>

Audit Committee

18………..

(3) The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.

Disclosure of events or information

30………

(2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.

Schedule II

Part C: Role of the Audit Committee and Review of Information by Audit Committee

A. The role of the audit committee shall include the following:

………

(2) recommendation *for appointment, remuneration and terms of appointment of auditors of the listed entity;*

……….

(7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.

Schedule III

Part A: Disclosures of Events or Information: Specified Securities

The following shall be events/information, upon occurrence of which listed entity shall make disclosure to stock exchange(s):

A. Events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of regulation (30):

……….

(7A) In case of resignation of the auditor of the listed entity, detailed reasons for resignation of auditor, as given by the said auditor, shall be disclosed by the listed entities to the stock exchanges as soon as possible but not later than twenty-four hours of receipt of such reasons from the auditor.

Clause 2(i) of the listing agreement

That without prejudice to the above clause, the Issuer hereby covenants and agrees that it shall comply with the following: —

i. the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable regulations /guidelines/circulars as may be issued by SEBI from time to time.

10. **Whether Noticee No: 1 violated the provisions of Clause 6(A)(iii) of Auditor Resignation Circular read with sub-para 2 of para A of Part C of Schedule II of LODR read with Regulation 18(3) of LODR read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE?**

10.1 I note from the records that MSKA submitted resignation as the statutory auditor of Noticee No: 1 vide letter dated November 26, 2021. The facts and circumstances stated by MSKA in the said Resignation Letter are summarized below:

- Inadequate support from the Management of the Company in providing books of account, information and explanation sought and sufficient appropriate audit evidence to enable completion of audit of FY 2020-21.
- Appointment of M/s. Mohandas & Co. (hereinafter referred to as "**Mohandas**") as the auditor of the Company, in violation of the provisions of Section 139 of the Companies Act, 2013. Further, no notice was

provided to MSKA for removal from office of auditors, as required under Section 140 of the Companies Act, 2013.

- MSKA had issued limited review reports for the first three quarters of FY 2020-21. Thus, as per the provisions of Auditor Resignation Circular, MSKA was under the obligation to issue limited review/audit report for the last quarter and for the financial year ended March 31, 2021. However, the same were audited/reviewed by Mohandas.

10.2 I note that prior to the resignation, MSKA had issued limited review reports for the Noticee No: 1's financial results for the first three quarters of FY 2020-21. In terms of provisions of Clause 6(A)(iii) of the Auditor Resignation Circular, the Noticee No: 1 was obligated to ensure compliance with the following condition while appointing/ re-appointing an auditor:

> *6A(iii)…If the auditor signs the limited review/ audit report for the first three quarters of a financial year, then the auditors should, before its resignation, issues the limited review/ audit report for the last quarter as well as the audit report for such financial year.*

10.3 I note that MSKA neither issued limited review/ audit report for the last quarter nor the audit report for such financial year.

10.4 I note that Noticee No: 1, *vide* its email dated December 14, 2021 *inter*-alia stated that despite making several requests and reminders to MSKA to complete the above-mentioned limited review / audit process, MSKA refused and deliberately neglected to do the needful, however, when Copies of requests / reminders as stated by the Company were sought by SEBI *vide* email dated December 16, 2021, Noticee No: 1 failed to provide the same in its reply vide email dated December 30, 2021 or in any communication thereafter.

10.5 Although sufficient opportunities were given to the Noticees, they failed to make any submission. In this regard, I would like to rely upon the findings of the Hon'ble SAT in the matter of Sanjay Kumar Tayal Vs. SEBI (Appeal No. 68 of 2013 order dated February 11, 2014, regarding the significance of filing the reply to the SCN, in which it stated that *"appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices."*

10.6 Therefore, failure of Noticee No: 1 to ensure that the statutory auditor viz. MSKA issued limited review report for the last quarter of FY 2020-21 and audit report for the said FY before resignation, in compliance with provisions of Clause 6(A)(iii) of Auditor Resignation Circular read with sub-para 2 of para A of Part C of Schedule II of LODR Regulations read with Regulation 18(3) of LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE, is established.

11. **Whether Noticee No: 1 violated Clauses 6(C)(i) and 6(C)(iii) of Auditor Resignation Circular read with sub-para (7A) of para A of Part A of Schedule III of the LODR Regulations read with Regulation 30(2) of the LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE?**

11.1 I note that in terms of Clause 6(C)(i), Noticee No: 1 was obligated to receive the information in the following format from the auditor upon its resignation:

Format of information to be obtained from the statutory auditor upon resignation

1.Name of the listed entity/ material subsidiary:

2.Details of the statutory auditor:

a.Name:

b.Address:

c.Phone number:

d.Email:

3.Details of association with the listed entity/ material subsidiary:

a. Date on which the statutory auditor was appointed:

b. Date on which the term of the statutory auditor was scheduled to expire:

c. Prior to resignation, the latest audit report/limited review report submitted by the auditor and date of its submission.

4.Detailed reasons for resignation:

5.In case of any concerns, efforts made by the auditor prior to resignation (including approaching the Audit Committee/Board of Directors along with the date of communication made to the Audit Committee/Board of Directors)

6.In case the information requested by the auditor was not provided, then following shall be disclosed:

a. Whether the inability to obtain sufficient appropriate audit evidence was due to a management-imposed limitation or circumstances beyond the control of the management.

b. Whether the lack of information would have significant impact on the financial statements/results.

c. Whether the auditor has performed alternative procedures to obtain appropriate evidence for the purposes of audit/limited review as laid down in SA 705 (Revised)

d. Whether the lack of information was prevalent in the previous reported financial statements/results. If yes, on what basis the previous audit/limited review reports were issued.

7.Any other facts relevant to the resignation:

Declaration

1.I/ We hereby confirm that the information given in this letter and its attachments is correct and complete.

2.I/ We hereby confirm that there is no other material reason other than those provided above for my resignation/ resignation of my firm.

Signature of the authorized signatory

Date:

Place:

Encl:

11.2 From a perusal of the resignation letter dated November 26, 2021, I note that the information was submitted by MSKA in the aforesaid format as Annexure A to the said letter.

11.3 Noticee No: 1 was required to disclose the reasons for resignation, as submitted by MSKA, to the stock exchanges as soon as possible, but not later than twenty-four hours from the receipt of such information in terms of sub-para (7A) of para A in Part A of Schedule III under Regulation 30(2) of LODR Regulations. However, it is noted from the record that such information had not been disclosed in the given time frame, or any time thereafter to the stock exchanges by Noticee No: 1.

11.4 Further, in terms of Regulation 6(C)(iii) of the LODR Regulations, Audit Committee of Noticee No: 1, was obligated to deliberate upon all concerns raised by MSKA as soon as possible, but not later than date of next Audit Committee meeting, and communicate its views to management of Noticee No:1. Thereafter, Noticee No: 1 was obligated to ensure disclosure of Audit Committee's views to the stock exchanges, as soon as possible but not later than twenty-four hours after the date of meeting of Audit Committee in which such issues were deliberated. However, I note from the records that the said disclosure was not made by Noticee No: 1.

11.5 I note that Noticee No: 1 made disclosure to the stock exchanges on March 12, 2021, but the same was regarding outcome of the Company's Board meeting held on March 12, 2021. It was inter-alia informed in the said disclosure that the intimation of "proposed" resignation received from MSKA, effective FY 2021-22, was placed before the board of directors. MSKA's letter dated March 10, 2021 was intimation of a "proposed" resignation. However, MSKA eventually resigned vide letter dated November 26, 2021, wherein detailed reasons of resignation and Format of information as per Auditor Resignation Circular were provided. Therefore, the Company's disclosure dated March 12, 2021 cannot be taken as disclosure of resignation of MSKA in compliance with Regulation 30 of the LODR Regulations.

11.6 Hence, failure of Noticee No. 1 to make the required disclosures under provisions of 6(C)(i) and 6(C)(iii) of Auditor Resignation Circular read with sub-para (7A) of para A of Part A of Schedule III of the LODR Regulations read with Regulation 30(2) of the LODR Regulations read with Clause 2(i) of Uniform Listing Agreement dated December 21, 2015 signed between the Company and BSE, is established.

12. **Whether Noticee No: 2 violated the provisions of Clause 6(B)(i) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations? Further, whether Noticee Nos. 2 to 4 failed to ensure compliance with the provisions of Clause 6(C)(iii) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations?**

12.1 I note that in terms of Clause 6(B)(i) of Auditor Resignation Circular, it is interalia mandated that in case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents should be brought to the notice of the of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the company, the auditor should inform the Audit Committee of the details of information / explanation sought and not provided by the management, as applicable.

12.2 I note that at the time of proposed resignation of MSKA vide letter dated March 10, 2021, two of the members of the Company's Audit Committee had already resigned from directorship of the Company. The then chairperson of the Audit Committee was Mr. Atul Kumar (Noticee No: 2). The Company later appointed two independent directors on June 15, 2021 viz. Mr. Nirdesh Shah (Noticee No: 3) and Ms. Minakshi Singh (Noticee No: 4), who became the Chairperson and member of the Company's Audit Committee, respectively. The composition of the Audit Committee thereafter, including at the time of submission of Resignation Letter dated November 26, 2021 by MSKA, was as follows:

Name of Committee members	**Category**	**Date of Appointment**
Nirdesh Shah	Non-Executive - Independent Director, Chairperson of the Audit Committee	15-06-2021
Atul Kumar	Executive Director	28-09-2016
Minakshi Singh	Non-Executive - Independent Director	15-06-2021

12.3 I note that in the instant matter, even though the audit committee met on June 17, 2021, it failed to deliberate upon the concerns raised in the proposed resignation as per the minutes on record. Noticee No. 2, who was the chairperson of the Company's Audit Committee at the time MSKA proposed to resign, failed to provide any evidence regarding immediate receiving and deliberation on the concerns raised by MSKA in its proposed resignation dated March 10, 2021.

12.4 Therefore, Noticee No. 2 failed to perform his obligation as per the provisions of Clause 6(B)(i) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations.

12.5 I further note that in terms of Regulation 6(C)(iii) of the LODR Regulations, Audit Committee of Noticee No: 1, was obligated to deliberate upon all concerns raised by MSKA in its resignation letter dated November 26, 2021, as soon as possible, but not later than date of next Audit Committee meeting, and communicate its views to management of Noticee No:1.

12.6 Noticee No: 2 to 4 had submitted their response dated January 12, 2022, pertaining to compliance with Auditor Resignation Circular. I note from a perusal of the said response that Noticee No: 2 to 4 have contended that they were in compliance with Clause 6(C)(iii) of the Auditor Resignation Circular. However, they have not brought anything on record to show that the issues raised in the resignation letter submitted by MSKA were deliberated by them, ensuring compliance with the aforesaid provision.

12.7 Therefore, failure of Noticee No: 2 to comply with provisions of Clause 6(B)(i) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations, is established. Further, failure of Noticee No: 2 to 4 to comply with provisions of Clause 6(C)(iii) of Auditor Resignation Circular read with sub-para 7 of Para A of Part C of Schedule II of the LODR Regulations read with Regulation 18(3) of the LODR Regulations, is established.

13. **Does the violation(s), if any, attract monetary penalty under the provisions of Section 23E of the SCRA and / or Section 15 HB of the SEBI Act?**

13.1 It has been established in the foregoing paragraphs that Noticees have violated the provisions of LODR Regulations and provisions of the applicable circular, and therefore, the aforesaid violations committed by Noticee No: 1 attract monetary penalty under Section 23E of the SCRA and by Noticee No: 2 to 4 attract monetary penalty under Section 15HB of the SEBI Act.

13.2 The relevant provisions read as under:

SCRA

Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds

23E. If a company or any person managing collective investment scheme or mutual fund or real estate investment trust or infrastructure investment trust or alternative investment fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or 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.

SEBI Act

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. **If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

14.1 In this regard, I note that the Hon'ble SAT in the matter of Suzlon Energy Ltd. and Anr. vs. SEBI (Appeal No. 201 of 2018) dated May 03, 2021 has held the following:

"Section 23E provides that where a Company fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof then penalty would be a minimum of Rs. 5 lakh upto maximum of Rs. 25 crore. The words "fails to comply with the listing conditions" cannot mean failure to comply with the conditions in the Listing Agreement. One of the requirements in the Listing Agreement which is required to be complied with is Clause 36 whereas Section 23E refers to the conditions which are imposed upon a Company when Page 42 of 46 it is applying for its shares to be listed on the stock exchange platform. Section 23E has to be read along with Rule 19 of the Securities Contracts (Regulation) Rules, 1957 ('SCRR' for short). Rule 19 of the SCRR provides certain requirements with respect to a listing of securities on a recognized stock exchange. Rule 19A provides that a Company has to continuously maintain listing requirements. Rule 21 provides conditions for delisting of securities. Failure to comply with the listing conditions which are stated in Rule 19 would entail a penalty as provided under Section 23E. Thus, in our view violation of Clause 36 of the Listing Agreement will attract Section 23A(a) of the SCRA and will not attract Section 23E....." (emphasis supplied)

14.2 I note that a stay application has been filed before the Hon'ble Supreme Court by SEBI with respect to the findings of Hon'ble SAT in paragraphs 17 and 18 of the aforesaid order and an appeal has been filed before the Hon'ble Supreme Court against the aforesaid order vide civil appeal no. 4741 of 2021. I note that the aforesaid stay application and the appeal is pending. I note that vide orders in the matter of M/s NDTV vs. SEBI (Appeal no. 358 of 2015) dated August 07, 2019, and Oasis Securities Ltd. & Ors. Vs. SEBI (Appeal no. 316 of 2018), dated March 17, 2020, the Hon'ble SAT has upheld the imposition of penalty under Section 23E of SCRA on the appellant companies therein for the violation of clauses of the listing agreement. The limited purpose of these proceedings qua Noticee No: 1 is to determine if Noticee No: 1 has violated provisions of LODR Regulations and attracted penalty under section 23E of SCRA and if so, determine whether penalty should be imposed and assess the quantum of such penalty. However, the enforcement of this order qua Noticee No: 1, shall be subject to the outcome of the aforesaid appeal before the Hon'ble Supreme Court of India.

14.3 While determining the quantum of penalty under Section 23E of SCRA and Section 15HB of SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act, 1992 which reads as under: -

> ***<u>SEBI Act</u>***
>
> *<u>Factors to be taken into account by the adjudicating officer.</u>*
>
> *15J. While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:* -
>
> *a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *b) the amount of loss caused to an investor or group of investors as a result of the default;*
>
> *c) the repetitive nature of the default.*

SCRA

Factors to be taken into account while adjudging quantum of penalty.

23J. While adjudging the quantum of penalty under section 12A or section 23-I, the Securities and Exchange Board of India or the adjudicating officer shall have due regard to the

following factors, namely:—

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

14.4 In the instant case, it is not possible from the material on record to quantify the amount of disproportionate gain or unfair advantage resulting from the default of the Noticees or the consequent loss caused to investors as a result of the aforesaid default. With respect to the repetitive nature of the default, I find that penalty has been imposed by SEBI in the past against Noticee No. 1 and Noticee No. 2.

F. ORDER

15. I hereby hold the Noticees liable for penalty as given below:

<table>
<tr><th>Noticee No.</th><th>Name of Noticee</th><th>Provisions under which penalty imposed</th><th>Penalty Amount (In Rupees)</th></tr>
<tr><td>Noticee no. 1</td><td>Jump Networks Ltd (formerly, Iris Mediaworks Ltd; now, WinPro Industries Ltd)
(PAN: AACB4506D)</td><td>Section 23E of the SCRA</td><td>Rs 10,00,000/- Rupees Ten lakh only</td></tr>
<tr><td>Noticee no. 2</td><td>Mr Atul Kumar
(PAN: BAWPS1169M)</td><td rowspan="3">Section 15HB of the SEBI Act</td><td>Rs 2,00,000/-
Rupees Two lakh only</td></tr>
<tr><td>Noticee no. 3</td><td>Mr Nirdesh Shah
(PAN: BHAPS2769G)</td><td>Rs 1,00,000/-
Rupees One lakh only</td></tr>
<tr><td>Noticee no. 4</td><td>Ms Minakshi Singh
(PAN: CNYPS8739P)</td><td>Rs 1,00,000/-
Rupees One lakh only</td></tr>
</table>

I find that the penalties imposed on the Noticees is commensurate with the violations committed by them.

16. The **Noticees** shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

17. The **Noticees** shall forward said Demand Draft or the details / confirmation of penalty so paid to “The Division Chief (Enforcement Department-1 DRA-4), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.” The Noticee shall also provide the following details while forwarding DD / payment information:

Case Name :	
Name of Payee :	
Date of Payment:	
Amount Paid :	
Transaction No. :	
Bank Details in which payment is made :	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	

18. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for

realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

19. In terms of the provisions of Rule 6 of the Adjudication Rules, 1995 and Rule 6 of the Adjudication rules, 2005, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

Date: November 24, 2022	**AMIT KAPOOR**
Place: Mumbai	**ADJUDICATING OFFICER**