



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

**DEPUTY GENERAL MANAGER  
CORPORATION FINANCE INVESTIGATION DEPARTMENT**

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Tel: 022-26449486

**SEBI/HO/CFID/CFID4/OW/P/2022/ 43120/1**  
**August 12, 2022**

| Noticee No. | Name of the Noticee                | PAN        | Address                                                                                                           |
|-------------|------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------|
| 1.          | M/s. Five Core Electronics Limited | AAACF6709Q | WZ-15B, Ground Floor, Uggarsain Market, Ashok Nagar, Tilak Nagar Thana, New Delhi – 110018                        |
| 2.          | Mr. Amarjit Singh Kalra            | AKWPK0803H | Flat No.- B/307, Samrat CHS Society, Lee Peeter Oeriera Wadi Road, Behind City Hospital, Kurla, Mumbai – 400 070. |
| 3.          | Mr. Surinder Kaur Kalra            | AFMPK2461E |                                                                                                                   |
| 4.          | Ms. Jagjit Kaur Kalra              | ANTPK4395G |                                                                                                                   |
| 5.          | M/s. Amarjit Singh Kalra HUF       | AAHHA8772Q |                                                                                                                   |
| 6.          | Mr. Surinder Singh Kalra           | AFYPK7984E |                                                                                                                   |
| 7.          | M/s. Surinder Singh Kalra HUF      | AAQHS3875P |                                                                                                                   |

**Sub: Show Cause Notice under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 ("SEBI Act, 1992") in the matter of Five Core Electronics Limited ("FCEL" or "Company")**

**Background:**

1. Five Core Electronics Limited ('FCEL') was incorporated on April 11, 2002 in West Bengal, Kolkata. Subsequently, FCEL shifted its registered office from the State of West Bengal to NCT of Delhi on May 29, 2006. The registered office of FCEL is WZ-15B, Ground Floor, Uggarsain Market, Ashok Nagar, Delhi – 110018.
2. In the resignation letter of FCEL Compliance Officer i.e., Mr. Saurabh Kumar Jain and a complaint of Anand Lakhota (Representative of Choice Equity Broking Private Limited) filed with Delhi Police, it is stated that on February 15, 2019, Mr. Amarjit Singh Kalra and Mrs. Surinder Kaur Kalra left for USA on a personal trip. On February 27, 2019, Department of Revenue Intelligence conducted a search on FCEL premises and seized certain documents.
3. The independent directors of FCEL filed complaints with NSE, MCA and SEBI informing about the non-availability of Managing Director, Non-Independent directors/Promoters and closure of registered office & factory of FCEL. Disclosures in this regard were also made on NSE on April 27, 2019.
4. The scrip was suspended from trading on NSE w.e.f. June 25, 2019. In the instant matter, SEBI passed an interim order on July 23, 2020 (**Annexure 1**) against seven entities i.e., FCEL and its promoters/ non-independent directors. The directions of

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : [www.sebi.gov.in](http://www.sebi.gov.in)

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

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the interim order were confirmed vide confirmatory order dated July 08, 2021 (**Annexure 2**).

5. In terms of the directions of aforesaid interim order, NSE appointed BDO India LLP as a forensic auditor for conducting a detailed forensic audit of the books of accounts of Noticee No. 1. Due to the closure of the company and absence of employees/ management, the forensic auditor obtained information like bank statements, loan statements, GST returns, partial purchase & sales documents from third parties like Banks, Statutory Auditor, IBC Resolution Professional and Department of Revenue Intelligence. The Forensic Auditor submitted his report based on the limited available information through NSE on January 25, 2021. The major observations of the forensic auditor are as under:

- a. Noticee No. 1 appeared to be involved in circular trading activities with three entities namely B.C. Power Controls Limited; Bonlon Industries Limited and RCI Industries & Technology Limited indicating potential inflated revenue of around ₹54.67 Cr.
- b. The potential relationship between Noticee No. 1 and its export customers indicating a potential diversion of funds through export customers.
- c. Public domain searches indicate that promoters are engaged in business and trading activities in USA post closure of Noticee No. 1.
- d. Payments amounting to ₹3.39 Cr made to six vendors which appears to be doubtful due to different line of business, GST cancellation, mismatch in vendor's turnover vis-à-vis the payments made by Noticee No. 1.
- e. Based on the GST records and vendor invoices, certain unusual factors were identified about the vendors to whom payments were made, which includes vendors with high payments compare to their turnovers displayed on trade websites, Cancellation of GST, different business profiles than Noticee No. 1 business.
- f. Mismatch in balances between financial statements and drawing power statement along with inadequate accounting and documentary records raise concerns on the basis of financial reporting.

6. NSE, vide email dated January 25, 2021 submitted the final report of the forensic auditor (**Annexure 3**), the findings of which required detailed examination by SEBI.





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7. The focus of the examination was to ascertain whether there was any violation of the provision of SEBI Act, 1992 and SEBI (Prohibition and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (**"PFUTP Regulations"**) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"LODR Regulations"**) during the period between May 09, 2018 (IPO Open Date) to June 25, 2019 (Date of suspension from trading) (**"hereafter referred to as 'Examination Period/EP'"**). However, wherever deemed necessary, reference has been made to outside the examination period.
8. The examination by SEBI, *inter-alia* revealed the following:
- a. Mis-utilization of IPO Proceeds with Intent to defraud the Investors:**  
Noticee No. 1 raised an amount of ₹46.67 Cr through IPO and as per forensic audit report, the utilization of the IPO proceeds is as under:

| Object to the issue                                                       | Amount<br>(in ₹<br>Crores) | Utilisation<br>(in ₹<br>Crores) | Utilisation as per Forensic Audit |                               |
|---------------------------------------------------------------------------|----------------------------|---------------------------------|-----------------------------------|-------------------------------|
| Meeting the working capital requirement of the company and its subsidiary | 33.20                      | 42.08                           | Payment to Domestic Vendors       | Amount (in ₹ Crores)<br>22.42 |
| General Corporate Purposes                                                | 5.60                       |                                 | Related parties                   | 13.41                         |
| Repayment of unsecured loans of promoters / directors                     | 3.20                       |                                 | Import vendors                    | 3.67                          |
|                                                                           |                            |                                 | Salary Payment                    | 0.78                          |
|                                                                           |                            |                                 | Income Tax                        | 0.52                          |
|                                                                           |                            |                                 | Self-Withdrawal                   | 0.24                          |
|                                                                           |                            |                                 | *Others                           | 1.04                          |
| Issue expenses                                                            | 4.67                       | 4.59                            | <b>Lead Manager</b>               |                               |
| <b>Total</b>                                                              | <b>46.67</b>               | <b>46.67</b>                    | <b>-</b>                          |                               |

\*Utilization for an amount of ₹45.80 Cr was identified in forensic audit. The remaining amount of ₹0.87 Cr is included under the heading 'others' above.

- i. In terms of LODR Regulations, Noticee No. 1 made a corporate disclosure on October 30, 2018, confirming that there was no deviation from the objects of the issue under the signature of Noticee no. 2. However, no itemized details of utilization were provided in this regard.
- ii. With respect to the utilization of IPO proceeds, the forensic auditor identified that majority of the funds were utilized by Noticee No. 1 for the payments to (i) Lead Manager (ii) Domestic Vendors (iii) Related Parties (iv) Import Vendors which were analyzed as under:

**A. Payment to the Lead Manager:** During the forensic audit, it has been observed that an amount of ₹4.59 Cr was transferred by Noticee No. 1 to the lead manager of the issue i.e. Sarathi Capital Advisors Private Limited. The payment to the lead manager is a part of issue expenses and within the disclosed limit of ₹4.67 Cr in the Objects of the Issue.





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**B. Payments to domestic vendors:**

I. Based on the vendor documentation received from Directorate of Revenue Intelligence and transfers from Noticee No. 1 bank account, the forensic auditor has observed that payment of ₹22.42 Cr was made to domestic vendors. Of these, based on the information on public domain like trade websites, GST details on invoices, following were observed:

- Major payments of Noticee No. 1 were made to 26 domestic vendors for payment of ₹15.73 Cr (70% of ₹22.42 Crores) in the range of ₹1.78 Crores to ₹0.20 per vendor.
- Based on profile mismatch, turnover mismatch & GST cancellation records, there is a potential mis-utilization for an amount of ₹3.39 Crores in case of six vendors namely Balaji Sales Corporation, Reliable Technologies, Bansal Steels, S Enterprises, Shreeji Enterprises and Ensons Trading LLP.

II. In this regard, based on the transactions in Noticee No. 1 bank account held with Andhra Bank, SEBI obtained bank details of top 5 counter party and six vendors with potential mis-utilization as identified in forensic audit report (total 10 entities – one common entity). The counter party banks were requested to provide the KYC of respective counter party account holder. Of 10 entities, received KYC of eight entities to whom the letters were sent seeking details of transactions w.r.t. payments received from Noticee No. 1 and details of any connection with seven entities against whom interim order was passed. Of the eight entities, five entities confirmed that funds received from Noticee No. 1 were against the purchases made by Noticee No. 1 from them and also submitted that they have, except business relationship, no relationship with the seven entities against whom interim directions were passed. Of the five entities, four entities submitted copies of the invoices and e-way bills. One entity, Reliable Technologies, submitted that its documents were seized by Director General of GST Intelligence Chandigarh on September 11, 2019. Letters sent to the two entities returned undelivered. No reply was received from one entity. The entity wise details are as under:

(amount in ₹ Crores)

| S. No. | Target Party Name        | Line of Business | Payment from IPO funds | Remarks                                                                  |
|--------|--------------------------|------------------|------------------------|--------------------------------------------------------------------------|
| 1      | Sanmukhi International   | Not Known        | 1.78                   | Letter Returned undelivered                                              |
| 2      | Reliable Sales           | Electronics      | 1.50                   | Entity Replied with Documents                                            |
| 3      | Balaji Sales Corporation | Electronics      | 1.44                   | Entity Replied with Documents. Also submitted a copy of police complaint |





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|              |                       |                        |             |                                                                                                                                            |
|--------------|-----------------------|------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------|
|              |                       |                        |             | filed against Noticee no. 2, Mr. Surinder Kalra and Mr. Jagjit Kalra for non-payment for purchases made by them through various companies. |
| 4            | S N Impex             | Not Known              | 1.00        | Letter Returned undelivered                                                                                                                |
| 5            | Radius Industries     | Electronics            | 0.90        | Entity Replied with Documents                                                                                                              |
| 6            | Reliable Technologies | Information Technology | 0.55        | Entity Replied without Documents                                                                                                           |
| 7            | Bansal Steels         | Metal Sheets/Wires     | 0.54        | Entity Replied with Documents                                                                                                              |
| 8            | S S Enterprises       | Not Known              | 0.43        | Target Bank submitted that Bank Account No. submitted by Source Bank is not correct                                                        |
| 9            | Shreeji Enterprises   | Plastics Materials     | 0.23        | No reply received form the entity                                                                                                          |
| 10           | Ensons Trading LLP    | General Wholesale      | 0.20        | Target Bank submitted that Bank Account No. submitted by Source Bank is not correct                                                        |
| <b>Total</b> |                       |                        | <b>8.57</b> | -                                                                                                                                          |

The information submitted by the said five entities is analyzed as under:

(amount in ₹ Crores)

| Name                     | Products as per Invoices       | Invoices submitted by Vendors |                 |              | Invoices Post Listing i.e. May 31, 2018 |                 |              |                           |
|--------------------------|--------------------------------|-------------------------------|-----------------|--------------|-----------------------------------------|-----------------|--------------|---------------------------|
|                          |                                | Date of Invoices              | No. of Invoices | Amount       | Date of Invoices                        | No. of Invoices | Amount       | Payment from IPO Proceeds |
| Radius Industries        | Electronic Components          | 31/07/2017 – 07/03/2019       | 64              | 6.47         | 07/06/2018-07/03/2019                   | 42              | 3.98         | 0.90                      |
| Balaji Sales Corporation | Electronic Components & Cables | 06/10/2017 – 28/02/2019       | 55              | 5.78         | 28/05/2018-28/02/2019                   | 26              | 2.99         | 1.44                      |
| Bansal Steels            | Steel Sheets (GP & CR)         | 16/05/2018 - 09/06/2018       | 9               | 0.7          | 16/05/2018-09/06/2018                   | 9               | 0.7          | 0.54                      |
| Reliable Sales           | LED TV Panel, AV Card for DTH  | 26/08/2017 – 19/12/2019       | 36              | 6.03         | 28/06/2018-26/02/2019                   | 29              | 4.15         | 1.50                      |
| Reliable Technologies    | -                              | 16/05/2018 - 14/09/2018       | 7               | 0.57         | 24/05/2018-14/09/2018                   | 5               | 0.41         | 0.55                      |
| <b>Total</b>             |                                |                               | <b>171</b>      | <b>19.55</b> | <b>-</b>                                | <b>111</b>      | <b>12.23</b> | <b>4.93</b>               |

III. From the above tables, it is observed that the four vendors namely Bansal Steels (₹0.54 Crores), Shreeji Enterprises (₹0.23 Crores), Ensons Trading LLP (₹0.20 Crores) and Reliable Sales (₹0.41 Crores) totaling to ₹1.38 Crores to which Noticee No. 1 made payments were not in the same line of business of Noticee No. 1. Noticee No. 1, in its object of the issue stated





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that IPO funds will be used for the working capital of the company whereas the funds paid to the said four entities do not appear as working capital expenditure.

C. Payment to Related Parties:

- I. During the forensic audit, it has been observed that an amount of ₹10 Crores was transferred by Noticee No. 1 to its subsidiary (5core Acoustics Pvt. Ltd) and ₹3.25 Crores to its promoters namely Noticee no. 2 (₹1.35 Crores) and Noticee no. 4 (₹1.90 Crores). As per the prospectus, Noticee No. 1 disclosed that an amount of ₹10 Crores will be utilized towards the working capital requirement of the Company and it's Subsidiary. Further, it is also disclosed that Noticee No. 1 availed long term loans from lenders including promoters and directors to the extent of ₹3.19 Crores (as on April 12, 2018) for which IPO proceeds will be utilized for repayment.
- II. Noticee No. 1 transferred ₹10 Crores to its subsidiary i.e., 5 core Acoustics Pvt. Ltd ('5Core') during May 22-24, 2018. From the MCA filings, it is noticed that Noticee No. 1 held 99.99% of the holdings of its subsidiary. Noticee no. 2, Noticee no. 4 and Noticee no. 6 are the directors of the subsidiary. As per MCA filings, 5core is non-compliant with filings. The last filing of 5core was form MGT-7 (Annual Return) on November 30, 2018. No filings thereafter were noticed. The 5core received funds from Noticee No. 1 to this bank account number 5427000600001301 held with Karnataka Bank. SEBI sent email dated December 22, 2021 to Karnataka Bank requesting the status of the said account. Karnataka Bank, vide email dated December 22, 2021, submitted that the said account is active but last transaction was made on March 26, 2019. Karnataka Bank also submitted that balance in 5Core account is overdue for ₹3.09 Crores and suit was filed after classifying the account as NPA.
- III. In this regard, it is pertinent to note that Noticee no. 2, Noticee no. 4 and Noticee no. 6, the only directors of 5Core are not available or traceable from February 27, 2019. 5Core have no other director.
- IV. Noticee No. 1, in its objects of the issue stated that it will utilize IPO funds towards the working capital of company/subsidiaries. However, post transfer of the funds by Noticee No. 1 to 5Core, it stopped operations. The promoters/ non-independent directors of Noticee No. 1 i.e., Noticee no. 2, Noticee no. 4 and Noticee no. 6 are the only directors of 5Core who managed its operations.





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- V. In absence of the directors from February 27, 2019 and no transactions in the bank account from March 26, 2019, it appears that 5Core stopped its functioning within a year from the receipt of the funds from Noticee No. 1.
- VI. With regard to the utilization of IPO funds for the repayment of unsecured loans of promoters/directors, Noticee No. 1 has transferred ₹0.05 Crores (Amount Transferred i.e., 3.25 Crores – Amount disclosed at Objects of the Issue i.e., 3.20 Crores) in excess of the amount disclosed in Objects of the issue.

D. Payment to Import Vendors:

- I. During the forensic audit, based on the invoices and bill of entries submitted by Andhra Bank, it has been observed that Noticee No. 1 made a payment of ₹3.66 Crores to three overseas entities. The information available in public domain on the said three entities is as under:

| Amount in ₹ Crores                       |             |                                                                              |                                                                                |
|------------------------------------------|-------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Name                                     | Amount      | Address                                                                      | Line of Business                                                               |
| CQA Electronics Technology Hk Co Ltd     | 1.80        | Flat Rm3 27/F Ho King Comm Centre No 2-16 Fa Yun Street Mongkok KI Hong Kong | Company incorporated in April 2018. Line of Business is not known              |
| MSS International (Hk) Ltd               | 1.05        | Rm M 1/f Mau Lam Coml Bldg 16 - 18 Mau Lam St Jordan Hong Kong               | The wholesale distribution of electrical appliances, television and radio sets |
| Shengzhou City Esound Electronics Co Ltd | 0.81        | Yinzhou Zone Ningbo City China                                               | PA Systems, Audio Speakers etc.                                                |
| <b>Total</b>                             | <b>3.66</b> | <b>-</b>                                                                     | <b>-</b>                                                                       |

- II. As books of accounts of Noticee No. 1 is not available due to the closure of the company and with the limited information available on the aforesaid three entities, the veracity of Noticee No. 1 purchases could not be confirmed.

iii. Conclusion on mis-utilization of IPO funds:

- A. Noticee No. 1 and its promoters/ non-independent directors namely Noticee no. 2, Noticee no. 3, Noticee no. 4 and promoters viz. Noticee no. 5, Noticee no. 6 and Noticee no. 7 raised ₹46.67 Crores from IPO in May 2018. Noticee No. 1 utilized the IPO proceeds for payments to Lead Manager for issue expenses (₹4.59 Crores), Payment to Domestic Vendors for purchase of goods (₹22.42 Crores), Payment to Promoters & Subsidiary (₹13.41 Crores), Payments for importing goods (₹3.67 Crores) and other expenses.





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B. Further, Noticee no. 2 to 7 (Mr. Amarjit Singh Kalra, Mrs. Surinder Kaur Kalra, Mrs. Jagjit Kaur Kalra, M/s Amarjit Singh Kalra HUF, Mr. Surinder Singh Kalra and M/s Surinder Singh Kalra HUF) raised ₹143.08 Crores from Banks/Financial institutions. Noticee no. 2 manufactured goods with the raised funds and exported goods to his connected entities. Just one week prior to the Department of Revenue Intelligence search on Noticee No. 1, Noticee no. 2 to 7 become not available or non-traceable from February 2019, with in period of eight months, without any intimation/ information to the independent directors/ shareholders of Noticee No. 1.

C. During the NSE visit to Noticee No. 1, it was observed that Registered Office and Factory of Noticee No. 1 are closed. At present, Noticee No. 1 is in Corporate Insolvency Resolution Process (CIRP) before NCLT. Further, from the Forensic Auditor's observations and a copy of the FIR filed by Union Bank of India (UBI) with CBI, it was observed that Promoters/ Non-independent directors of Noticee No. 1 obtained loans from Andhra Bank (merged with UBI) by discounting export bills and defrauded for an amount of ₹51.92 Crores.

D. Forensic Auditor, based on the public domain information, also noticed that promoters/ non-independent directors of the Noticee No. 1 and their relatives incorporated companies in USA and were involved in trading of products similar to Noticee No. 1 products such as Woofers, Speakers, Public Address Systems etc., through e-commerce websites such as Walmart, Sears, Kmart. From the bill discounting documents submitted by Andhra Bank, it is observed that FCEL had exported goods to five entities. Of these, on examination, it is noticed that three entities are connected to FCEL. Details of the said 3 entities are as under:

| S. No. | Name of the Entity                                  | *FBP / FBD o/s as on March 31, 2020 | Packing Credit o/s as on March 31, 2020 | Basis of Connection                                                                                                                                                                                                                                                                                                                        |
|--------|-----------------------------------------------------|-------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | Singapore Trade Links Pte. Ltd. (Overseas customer) | 13.51                               | 0.00                                    | As per prospectus of FCEL, South Asia Exim Pte. Ltd., Singapore is a wholly owned subsidiary of FCEL having registered address at 10, Jalan Besar, #02-20, Sim Lim Tower, Singapore 208787.<br>Singapore Tradelinks Pte. Ltd. and South Asia Exim Pte. Ltd share Common address (10, Jalan Besar, 02-20, Sim Lim Tower, Singapore 208787). |
| 2      | South Asia                                          | 8.10                                | 0.00                                    | As per Credit Report of South Asia                                                                                                                                                                                                                                                                                                         |





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|--------------------------------------------------------------|-------------------------------------------|--------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                              | Electronics Pte. Ltd. (Overseas Customer) |              |             | Electronics Pte. Ltd. submitted by Andhra Bank, Mr. Gurpreet Singh (Manager in Kushi Overseas FZE) is the MD of South Asia Electronics Pte. Ltd. Gurpreet Kaur is the general manager. Gurpreet Singh is the 100% owner of South Asia Electronics Pte. Ltd.<br><br>As per trade website 'bizlok.in', 'Gurpreet Singh' is one of the contact person of FCEL along with Mr. Amarjit Singh Kalra. |
| 3                                                            | Kushi Overseas FZE (Overseas Customer)    | 7.51         | 0.00        | As per Credit Report submitted by Andhra Bank, Arvinder Singh is the 100% owner and CEO of Kushi Overseas FZE. Gurpreet Singh is the Manager, Raheem Khalid is the General manager and Rajesh Singh is the Executive.<br><br>As per trade website 'bizlok.in', 'Gurpreet Singh' is one of the contact person of FCEL along with Mr. Amarjit Singh Kalra.                                       |
| <b>Total</b>                                                 |                                           | <b>29.12</b> | <b>0.00</b> | -                                                                                                                                                                                                                                                                                                                                                                                              |
| *Foreign Bill Purchase (FBP) /Foreign Bill Discounting (FBD) |                                           |              |             |                                                                                                                                                                                                                                                                                                                                                                                                |

E. From the foregoing discussions, it may be concluded that Noticee No. 1 and its promoters/ non-independent directors raised ₹46.67 Crores in IPO with an intent to defraud the investors of IPO and become non-available or non-traceable thereafter.

F. The findings that Noticee No. 1 made payments to its subsidiary 5 Core, which itself shut its operations, and to various vendors who had a different line of business corroborates the mis-utilization. Even though Noticee No. 1 made payments to various entities from IPO proceeds, the investors did not realize any benefit as the promoters/non-independent directors were untraceable and the company stopped its operations and did not publish its Annual Report. The fact that the promoter-directors abandoned the company and also their fiduciary duty towards the shareholders and other stakeholders after raising money through IPO from the investors is a mis-utilization of the entire IPO proceeds and an act of fraud on the investor. Hence, the corporate disclosure made by Noticee No. 1 on October 30, 2018 stating that there was no deviation in the utilization of IPO proceeds from the objects of the issue can also be construed as false and misleading.

G. A company acts through its board of directors. The directors are responsible for all the acts of omission and commission by the company. It is the duty and responsibility of the directors to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such





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systems and controls. The directors have the duty of being vigilant, which calls for exercise of judgment which may reasonably be expected of a director in his position and any additional knowledge, skill and experience which he may possess.

H. The directors of the listed companies have greater responsibility as they have access to inside information such as the financial position of the company, annual accounts, etc., and they take major decisions on behalf of the company, which affects the investors. Therefore, they are expected to exercise the powers in bona fide manner and in the interest of all stakeholders of the company. Any misuse of their powers for making false misrepresentations to the public shall be construed as failure in their duties as directors of the company.

I. Hence, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. In view of the same, Noticee no. 2 to 4 are alleged to have violated Regulation 3(c), (d), 4(1), 4(2)(f), (k) of PFUTP Regulations.

J. Noticees no. 5, 6 and 7 were promoters of Noticee no. 1 and were holding 1.04%, 10.88% and 1.30% shares of total outstanding shares of noticee no.1 respectively. Noticee no. 5 is an HUF wherein Noticee no. 2 is Karta, who is Managing Director of Noticee no. 1. Noticee no. 6 is the father of Noticee no. 2 and director of 5Core. Noticee no. 7 is an HUF wherein Noticee no. 6 is Karta. Noticees no. 6 along with other noticees has fled from India. Noticee no. 5 to 7 are also involved in the alleged fraud, which is primarily carried out by Noticee no. 2. In view of the above, Noticees no. 5 to 7 are alleged to have violated Regulation 3(c), (d), 4(1), 4(2)(f), (k) of PFUTP Regulations.

**b. Mismatches in balances of financial statements**

- i. The Noticee No. 1's drawing power statement dated September 30, 2018 from Andhra Bank was compared with its disclosed financial statements as on September 30, 2018 and noticed that inventory was overstated, debtors and creditors were shown short. The details of the same is as under:

| (Amount in Crores) |                   |            |                |
|--------------------|-------------------|------------|----------------|
| Particulars        | Drawing Statement | Financials | Excess/(Short) |
| Debtors            | 60.46             | 33.30      | (27.16)        |
| Inventory          | 2.29              | 40.88      | 6.04           |
| Creditors          | 3.27              | 2.72       | (0.57)         |





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- ii. From the above, it may be observed that Noticee No. 1 has misstated the financial statements for the half year ended September 30, 2018 which does not give a true and fair view to its investor. Noticee No. 1 and its promoters/ non-independent directors namely Noticee no. 2, Noticee no. 3, Noticee no. 4 knowingly published and disseminated financial results with mis-statements. The said financial results were disclosed on NSE website on November 13, 2018. From the price volume of the Noticee No. 1, it is noticed that the price of the scrip is increased from ₹110.05 (close price) as on November 12, 2018 to ₹117.00 (close price) as on November 14, 2018 i.e., 6.32% of close price as on November 12, 2018. In view of the above, it is concluded that false disclosure of Noticee No. 1's financial statements had resulted into increase of price in the scrip of FCEL by 6.32%. which allegedly has led to violation of Regulation 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) of PFUTP Regulations by Noticee no. 1, 2, 3 and 4.

**c. Violations of LODR Regulations:**

- i. The interim order in the instant matter, has alleged violations of various provisions of LODR Regulations by Noticee No. 1 such as failure to disclose the resignation of independent directors/ KMP, financial results, reasons for delay to disclose financial results, investor grievance report & shareholding pattern. The details of the same is as under:

| Event                                                                                                                     | Observations                                             | Relevant provisions                                                                                                                                                                                                                                                                                             | Provisions of SEBI LODR Regulations violated     |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| 1. Non-disclosure about Resignation of Mr. Amitabh Singh, Chief Financial Officer (w.e.f. 20.03.2019)                     | Disclosed on NSE on April 27, 2019 with delay of 37 days | In terms of SEBI LODR Regulations, the change in KMP, Auditor and Compliance Office is to be disclosed within 24 hours.<br><br>The disclosure was delayed by 37 days and 31 days with regard to the resignation of CFO & CS respectively.<br><br>No disclosures with regard to Independent directors were made. | Clause A(7) of Schedule III read with Reg. 30(6) |
| 2. Non-disclosure about Resignation of Mr. Saurabh Kumar Jain, Company Secretary & Compliance officer (w.e.f. 26.03.2019) | Disclosed on NSE on April 27, 2019 with delay of 31 days |                                                                                                                                                                                                                                                                                                                 |                                                  |
| 3. Non-disclosure about Resignation of Mr. Aditya Agarwal, (Independent Director)                                         | No Disclosure was observed                               |                                                                                                                                                                                                                                                                                                                 |                                                  |
| 4. Non-disclosure about Resignation of Mr. Neeraj Sharma, (Independent Director)                                          | No Disclosure was observed                               |                                                                                                                                                                                                                                                                                                                 |                                                  |
| 5. Non-disclosure of Financial Results and                                                                                | Last financial disclosure was                            | In terms of SEBI LODR Regulations, Noticee                                                                                                                                                                                                                                                                      | Reg. 33(3) read with 33(5), 34                   |





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|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Annual Reports                                                            | made on 12.02.2019 for quarter ended December 31, 2018. No disclosures thereafter were observed.                     | No. 1, SME listed company, shall disclose half year and yearly results. However, Noticee No. 1 failed to disclose results for FY 2018-19, 2019-20, 2020-21 and half year ended September 2019 & September 2020 & September 2021. |                                                             |
| 6. No corporate announcement for delay in disclosure of financial results | of Annual Report was made thereafter.                                                                                | In terms of SEBI Circular No. CIR/CFD/CMD-1/142/2018 dated November 19, 2018, Noticee No. 1 shall make a corporate announcement with detailed reasons wherever there is a delay in disclosure of financial results.              | Circular No. CIR/CFD/CMD-1/142/2018 dated November 19, 2018 |
| 7. Non-disclosure of Investor Grievance Report                            | No disclosures were available on NSE website.                                                                        | In terms of SEBI LODR Regulations, Noticee No. 1 shall file a statement on investor grievances on quarterly basis. As per NSE website, Noticee No. 1 made no such filings.                                                       | Reg. 13(3)                                                  |
| 8. Non-disclosure of Shareholding Pattern                                 | Latest shareholding pattern was made on NSE for the half year ended March 31, 2020.                                  | In terms of SEBI LODR Regulations, Noticee No. 1, SME listed company, shall disclose shareholding pattern for each half year within 21 days. Noticee No. 1 failed to make disclosure for half year ended September 2021.         | Reg. 31(1)                                                  |
| 9. Noticee No. 1 failed to appoint Compliance Officer                     | Post-resignation of Saurabh Kumar Jain, no disclosures regarding appointment of new Compliance Officer was observed  | Failure to appoint Compliance Officer                                                                                                                                                                                            | Reg. 6                                                      |
| 10. Non- Maintenance of functional website                                | Noticee No. 1 prospectus stated the company website as 'www.5core.com'. However, the said website is not functional. | Failure to maintain functional website                                                                                                                                                                                           | Reg. 46                                                     |





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- ii. For the aforesaid non-compliance of LODR Regulations, Noticee No. 1 is also alleged to be in violation of Regulation 4(1)(a), (d), (e), (g), (h) & (j), 4(2)(e), Clause A(7) of Schedule III read with Regulation 30(6); Regulations 6, 10, 13(3), 30, 31(1), 33(3) read with 33(5), 34, 46 of LODR Regulations and SEBI Circular No. CIR/CFD/CMD-1 /142/2018 dated November 19, 2018.
- iii. Promoters/ non-independent directors of Noticee No. 1 namely Noticee no. 2, Noticee no. 3 and Noticee no. 4 failed to conduct themselves to meet operational transparency to stakeholders, monitor and oversee the disclosures. Thus, they have violated Regulation 4(2)(f) of SEBI LODR Regulations.
9. In view of the above, Noticee no. 1 to 7 are hereby called upon to show cause as to why appropriate directions, including directions to debar them from accessing the securities market, or directions to debar them from dealing in securities, under Section 11(1), 11(4) and 11B(1) of SEBI Act, 1992, should not be issued against them, for the alleged violations of provision of SEBI Act, 1992, PFUTP Regulations and LODR Regulations by them, as mentioned above.
10. The replies of noticee no. 1 to 7, if any, along with documentary evidences that noticee no. 1 to 7 choose to rely upon in support of their submissions, should reach the undersigned, at the address given below and also in softcopy (in MSWORD format) through email at email-ids [deepeshmu@sebi.gov.in](mailto:deepeshmu@sebi.gov.in) and [dharmendra@sebi.gov.in](mailto:dharmendra@sebi.gov.in), within 21 days from the date of receipt of this notice, failing which it shall be construed that noticee no. 1 to 7 have no reply to submit and the matter shall be proceeded ex-parte on the basis of the material available on record.

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

11. If you are desirous of a personal hearing before the Whole Time Member, SEBI, the same may be intimated accordingly.
12. The Noticees are advised to keep SEBI informed about their present email address and any change in their correspondence address, if any, till the proceedings in the extant matter are complete. Noticees are also advised to submit a photocopy of their Income Tax Permanent Account Number Card (PAN card).





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13. The Noticees may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticees wish to opt for the settlement process, Noticees may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.
14. The documents relied upon in the notice have been provided in a CD enclosed with this Show Cause Notice.

**Deepesh M U**



**List of Annexures contained in the enclosed CD:**

| Annexure No. | Particulars                                                                |
|--------------|----------------------------------------------------------------------------|
| 1            | Copy of interim order passed by SEBI dated July 23, 2020                   |
| 2            | Copy of confirmatory order passed by SEBI dated July 08, 2021              |
| 3            | Forensic Audit Report dated January 25, 2021 along with Annexures thereon. |