BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SKV/AJ/30197-30200]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICERS), RULES, 1995 in respect of

Noticee No. 1: **Kaarya Facilities and Services Limited** **PAN: AADCK5987G** **Address: -** 217, Gemstar Commercial Complex, Ramchandra Lane Extn, Malad (W), Mumbai 400064 **Email**:- info@kaarya.co.in	**Noticee No. 2:** **Vishal Panchal, (Promoter, CMD)** **PAN: AKGPP9947F** **Address:** 18/10, Shastri Nagar, Linking Road Extn. Mumbai-400054 **Email**:- vishal@kaarya.co.in
Noticee No. 3: **Vineet Pandey, (Promoter and Joint Managing Director)** **PAN: - ALLPP6562G** **Address: -** B104, Mahesh Tower, Sector-2, Charkop, Kandiwali (West) Mumbai-400067 **Email**:- vineet@kaarya.co.in	**Noticee No. 4:** **Jitendra Adhyaru (Chief Financial Officer)** **PAN: - AJFPA0033R** **Address: -** 217, Gemstar Commercial Complex, Ramchandra Lane Extn, Malad (W), Mumbai 400064 **Email**:- jadhyaru@kaarya.co.in

in the matter of Kaarya Facilities & Services Ltd

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had received a reference from the Institute of Chartered Accountants of India ("**ICAI**") dated April 28, 2023 against Kaarya Facilities and Services Limited **("Noticee 1"/ "Company" / "Kaarya**"). The ICAI has, *inter-alia,* observed number of irregularities in the financial statements of Noticee 1 for Financial Year 2018-19 and requested SEBI to take appropriate action in the matter.

2. Accordingly, SEBI carried out a detailed investigation to ascertain (i) whether there were irregularities in the financial statements of Noticee 1 and (ii) whether there were

misrepresentations/ misstatements in the financial statement of Noticee 1. If so, whether the same were in violation, of the Securities and Exchange Board of India Act, 1992 ***(hereinafter referred to as "SEBI Act")*** read with 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/LODR Reg. 2015**")*. The investigation period *(**hereinafter referred to as "Investigation period" or "IP"**)* was taken as FY 2018-19.

INVESTIGATION

3. Pursuant to investigation, it was observed that Noticee 1 failed to prepare and publish its financial statements as per the applicable accounting standards and provisions of the Companies Act 2023, which led to misrepresentation/misstatement its financial statements for the FY 2018-19. Hence, it was alleged that Noticee 1 has/had violated Regulation 44(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015.

4. The violations committed by the company were attributable to the CMD and Jt. MD of the company who were responsible for the day-to-day Affairs of the company during the relevant time. It was their responsibility to ensure that the company's financial statements present true and fair picture of the company's state of financial affairs. However, they failed to perform their duties and obligations, which resulted in publication of misrepresented/misstated financial statements of Noticee 1. Accordingly, Mr. Vishal Panchal (Noticee 2) and Vineet Pandey (Noticee 3) by virtue of holding such directorships were responsible for the acts, omissions and conduct of the Company.

   Mr. Jitendra Adhyaru, (Noticee 4) being CFO was a part of the senior management of a company and provided a Compliance Certificate in terms of Regulation 17(8) of the LODR Regulations, *inter alia,* certifying that the financial statements do not contain any misleading statement, present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations specified under LODR Regulations. As the company's financial statements were found to be misrepresented.

APPOINTMENT OF ADJUDICATING OFFICER

5. In view of the above, SEBI initiated adjudication proceedings in the instant matter and appointed the undersigned as 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 referred o a the "**Adjudication Rules**") to inquire into and adjudge, under Section 15HB of the SEBI Act, , the alleged violations by Noticee 1 to 4. The appointment of the AO was communicated to the undersigned vide communiqué dated November 03, 2023.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. A common Show Cause Notice No. SEBI/HO/EAD-8/SKV/DD/2023/46593/1/2/3/4 dated November 22, 2023 (hereinafter referred to as "**SCN**") was issued to all the Noticees for alleging:

   6.1 that Noticee 1 by failing to prepare and publish its financial statements as per the applicable accounting standards and provisions of the Companies Act 2013 which led to misrepresentation/ misstatement of its financial statements for FY 2018-19, has violated Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of LODR Regulations, 2015.

   6.2 That Noticee 2 and Noticee 3 by virtue of being the promoter, Chairperson cum Managing Director (**CMD**) and Promoter and Joint Managing Director(**JMD**), respectively, of Noticee 1, handled / involved in the day-to-day affairs of Noticee 1, accordingly, the violations alleged to be committed by Noticee 1 were attributable to the Noticee 2 and 3 . By failing to perform their duties and obligations (which resulted in publication of misrepresented/ misstated financial statements of Noticee 1), it is alleged that Noticees 2 and 3 have violated the provisions of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7), 4(2)(f)(iii)(7) of LODR Regulations. It is also alleged that Noticee 2 and Noticee 3 have violated Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of LODR Regulations read with Section 27 of SEBI Act.

   6.3 That further, by virtue of signing the compliance certificate under Regulation 17(8) of LODR Regulations, Noticee 3 has violated Regulation 17 (8) of LODR Regulations.

6.4 That Noticee 4, being CFO of Noticee 1, was at the helm of the financial decisions of Noticee 1, it was therefore his responsibility to prevent the accounting irregularities in the company and to present a "True and Fair" picture of the affairs of company. Accordingly, the violations alleged to be committed by Noticee 1 were attributable to the Noticee 4. In view of the same, Noticee 4 has violated Regulation 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of LODR Regulations r/w Section 27 of SEBI Act, 1992.

6.5 That further, by furnishing a certificate to the Board of Directors stating that the financial statement of Noticee 1 gave a "True and Fair" picture of the Company's affairs, despite there being accounting irregularities as observed earlier, Noticee 4 has violated Regulation 17(8) of LODR Regulations.

7. The SCN was served upon all the Noticees and vide letter/email dated January 06, 2024 a reply was filed collectively by all the Noticees.

8. In compliance with the principles of natural justice, an opportunity of personal hearing was granted to all the Noticees on January 25, 2024. Mr. Kunal Kataria, advocate and authorized representative, (AR) appeared, representing all the Noticees and submitted that they would be relying upon reply dated January 06, 2024 filed in response to the SCN and requested time till February 05, 2024 to submit an additional reply. The Noticees vide email dated February 06, 2024 have submitted an additional/written submission along with a copy of a certificate issued by their auditor.

9. The Noticee(s) denied all the allegations and charges made against them in the SCN They submitted that the Noticee is a small listed company and has been profitable for substantial part of their existence. They further submitted that the allegations against the Noticee are of the nature of several technical/venial default and no penalty, especially a harsh penalty ought to be levied on the Noticees.

CONSIDERATION OF ISSUES AND FINDINGS

Issue No. I

a. Whether Noticee 1 is in violation of Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015.

b. Whether Noticee 2 is in violation of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 and Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

c. Whether Noticee 3 is in violation of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 and Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

d. Whether Noticee 4 is in violation of Regulation 17(8) of SEBI (LODR) Regulations 2015 and Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 r/w Section 27 of SEBI Act, 1992.

Issue No. II If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HB of the SEBI Act, 1992?

Issue No. III If yes, what would be the quantum of monetary penalty that should be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

10. The applicable provisions of the SEBI (LODR) Regulations, 2015 and SEBI Act, 1992 are reproduced as under:

SEBI Act: -

[1]***Contravention by companies**.*

27. (1) Where [2][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 [3][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 4[4][contravention] and shall be liable to be proceeded against and punished accordingly:

[1] Substituted for the words "Offences by companies." by the Finance Act, 2018 w.e.f. 08-03-2019
[2] Substituted for the words "an offence under this Act" by the Finance Act, 2018 w.e.f. 08-03-2019
[3] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019
[4] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019

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 [5][contravention] was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such [6][contravention].

(2) Notwithstanding anything contained in sub-section (1), where an [7][contravention] under this Act has been committed by a company and it is proved that the [8][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 [9][contravention] and shall be liable to be proceeded against and punished accordingly.

Explanation: For the purposes of this section, —

(a) "company" means anybody corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm.

LODR Regulations: -

A. ***Regulations 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.

B. ***Regulation 4(2)****: - The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be*

[5] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019
[6] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019
[7] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019
[8] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019
[9] Substituted for the word "offence" by the Finance Act, 2018 w.e.f. 08-03-2019

implemented in a manner so as to achieve the objectives of the principles as mentioned below:

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

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

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

(iii) Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.

*(f)**Responsibilities of the board of directors**: The board of directors of the listed entity shall have the following responsibilities:*

*(i**) Disclosure of information**:*

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

*(ii) **Key functions of the board of directors***

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

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

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

*(iii) **Other responsibilities***

(7) The board of directors shall exercise objective independent judgement on corporate affairs.

C. Board of Directors

Regulation 17(8): *The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II*

D. Financial results

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

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

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

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

E. Annual Report

34 (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.

F. Accounting Standards*.*

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

G. Annual Report

Regulation 53: [10]*[(1)]The annual report of the listed entity shall contain disclosures as specified in Companies Act 2013 along with the following:*

[10] Numbered as sub-regulation (1) by the SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 w.e.f. 7.9.2021.

(a) audited financial statements i.e. balance sheets, profit and loss accounts etc. [, and Statement on Impact of Audit Qualifications as stipulated in regulation 52(3)(a), if applicable;][11]
b) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3/ Indian Accounting Standard 7, mandated under Section 133 of the Companies Act 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable;
(c) auditors report;
(d) directors report;
(e) name of the debenture trustees with full contact details;
(f) related party disclosures as specified in Para A of Schedule V.

H. Annual Report
71. (3) The listed entity shall comply with the requirements with respect to preparation and disclosures in financial results in annual report as specified in Part B of Schedule IV.

11. The aforesaid alleged violations, if established, make Noticees liable for monetary penalty under Section 15 HB of the SEBI Act, which read as under:

SEBI Act, 1992
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 [12][liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees].*

Issue No. I

a. Whether Noticee 1 is in violation of Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015.

[11] Substituted for the symbol ';' by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016, w.e.f. 01.04.2016
[12] Substituted for the words "liable to a penalty which may extend to one crore rupees" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

b. Whether Noticee 2 is in violation of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 and Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

c. Whether Noticee 3 is in violation of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 and Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

d. Whether Noticee 4 is in violation of Regulation 17(8) of SEBI (LODR) Regulations 2015 and Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 r/w Section 27 of SEBI Act, 1992.

12. The allegations made in the SCN and replies filed by the Noticees vide letter dated January 06, 2024 by the Noticees, submissions made during the course of hearing on January 25, 2024 and additional submissions dated February 06, 2024 along with my findings are dealt with separately in the sub-paragraphs:

12.1.1 **Provision for gratuity and other post-employment benefits by the company:** The Company had to make any provision towards its employees' gratuity for FY 2018-19

<u>Allegation in the SCN:</u>

12.1.2 During the course of investigation, the aspect related to the provision of gratuity for employees was verified. It was observed by SEBI that in the Annual Report for the FY 2018-19, it had been mentioned that, "*The Company pays gratuity to the employees whoever has completed five years of service with the Company at the time of resignation/superannuation. However, the company has not made provision for Gratuity during the year".*

12.1.3 As per Accounting Standard-15 (**AS-15**) which, *inter-alia*, states the following for the Employee benefits, include that:

(a) *"short-term employee benefits, such as wages, salaries and social security contributions (e.g., contribution to an insurance company by an* *employer to pay for medical care of its employees), paid annual leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;*

(b) *Post-employment benefits such as gratuity, pension, other retirement benefits, post-employment life insurance and post-employment medical care; (emphasis supplied)*

(c) *other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; and*

(d) *termination benefits."*

12.1.4 The Guidance note on implementing AS 15 states that "*In this case, the employee's right to receive the benefit is conditional on future employment for a period of five years. Although there is a possibility that the benefit may not vest, there is also a probability that the employee would serve for the minimum period of five years and become eligible for gratuity. An obligation exists even if a benefit is not vested. The obligation arises when the employee renders the service though the benefit is not vested. The measurement of this obligation at its present value takes into account the probability that the benefit may not vest, and this is appropriately factored in the calculation of the present value of the defined benefit obligation. An enterprise should, therefore, create a provision in respect of gratuity payable during the first five years of service of an employee*."

12.1.5 As per Payment of Gratuity Act, 1972 (hereinafter referred to as "**Gratuity Act"**), which, *inter-alia,* states that the Act shall apply to such establishments, in which ten or more employees are employed, or were employed, on any day of the preceding twelve months, and to which this Gratuity Act has become applicable shall continue to be governed by this Act notwithstanding that the number of persons employed therein at any time after it has become so applicable falls below ten. Accordingly, Gratuity is one of the post-employment retirement benefit expenses of the company. The Gratuity Act is applicable if the number of employees are 10 or more than 10 at any time during the current year or previous year and this act continues to apply once it becomes applicable.

12.1.6 From the Director's Report as given in the Annual Report, it was observed by SEBI that Noticee 1 had employed 15 employees during the FY 2018-19. Hence, Gratuity Act was applicable to Noticee 1 and Noticee 1 was required to comply with the accounting treatment in its Books of Account. It was also observed by SEBI that Noticee 1 failed to make any provisions for the payment of gratuity on the pretext that none of the employees had completed five years which was not tenable as the provision needs to be created irrespective of the fact whether the employees had competed/not completed five years of service.

12.1.7 Noticee 1 in its reply to SEBI dated June 19, 2023, inter-alia, submitted that it is an integrated facility management company, the gratuity liability is primary obligation of the Principal employer i.e., its customers/clients and the clause in this regard, is included in the agreements executed with the customers. So, as and when gratuity liability arises, the company raises bill to its clients and accordingly, discharge the liability. Thus, they had not made provision of gratuity and other benefits. However, SEBI observed that in support of its claim, Noticee 1 failed to furnish any customer agreement, details viz. when gratuity liability arises, billing/invoices raised to the customers/clients for gratuity, discharging liability etc.

12.1.8 Hence, it was observed by SEBI that Noticee 1 failed to make any provisions towards its employees' gratuity for FY 2018-19 which was required to be accounted as per the applicable provisions of AS 15 and Gratuity Act. It was further observed that if Noticee 1 accounted the provisions for gratuity, in its books of accounts, it would have had an impact on the annual profit of the current year as well as the profit/loss disclosed in the previous financial years.

12.1.9 In view of the above, SEBI observed that Noticee 1 failed to make any provision towards its employees' gratuity for FY 2018-19 as per the provisions of AS 15, which led to overstatement of the company's profit in financial statement for FY 2018-19.

<u>Reply of Noticee 1</u>

12.1.10 Noticee 1 submitted that "*Noticee No. 1 is an integrated facilities management services provider. The Noticee No. 1 usually hire manpower on contract basis and not on* *permanent basis. Additionally, Noticee No. 1's clients, being principal employer, are liable for all compliances of manpower that were hired by them and deployed on Noticee No. 1's premises. Further in the terms of service, it was clearly agreed that the gratuity liability is **"on actual"** basis i.e., whenever liability is due, the Noticee No. 1 need to raise invoice to our client for gratuity payment and on receipt of payment from client the same needs to be paid to employees. A copy of the sample agreement of one of Noticee No. 1's clients was submitted along with the Invoice raised and payment received from client. It is pertinent to note that since the labour turnover in manpower intensive industry in normally high, it was least expected that the considerable numbers of manpower will complete five years of service. In view of the same, the Noticee No. 1 requests to consider the nature of services that the said Noticee provides before imposing a penalty, if any. It is therefore denied that Noticee No. 1 failed to make any provision towards its employees' gratuity for FY 2018-19 as per the provisions of AS 15, which led to overstatement of the Noticee No. 1's profit in the financial statement for FY 2018-19. In view of the said venial nature of violation, it is urged that no penalty be imposed. If the Ld. AO decides to impose a penalty, it is submitted that in view of the venial nature of violation, it is urged that no penalty be imposed".*

Findings

12.1.11 From the Ministry of Corporate Affairs (**MCA**) website, I note that, Noticee 1 has been incorporated on February 03, 2009. Considering the year of incorporation and as observed from the Director's Report (as available on BSE website and shared with Noticee 1)as given in the Annual Report, for FY 2018-19, Noticee 1 had 15 permanent employees on it's rolls.

12.1.12 I also note that Noticee 1 in his reply dated January 06, 2024 has submitted that it (Noticee No. 1) usually hires manpower on a contract basis. This statement is in contradiction to the declarations made in the Annual Report for FY 2018-19 as elaborated in the preceding paragraph.

12.1.13 I further note that the while the Noticee on the one hand denies having failed to make provisions for gratuity for FY 2018-19 as per the provisions of AS 15, Noticee 1 simultaneously urges that no penalty be imposed "***in view of the venial nature*** of violation” . I note that the phrase “in view of the venial nature of violation” is in itself an admission of a violation.

12.1.14 I note that as per the provisions of the Gratuity Act as iterated in preceding paragraphs, Noticee No. 1, having 15 permanent employees, is bound by the provisions of the said Act, and was liable to make necessary provisions for gratuity in compliance with the Gratutity Act and AS 15.

12.1.15 Noticee 1 has contended that gratuity is liable on an actual basis and Noticee 1’s clients being the principal employer is liable for all compliances of manpower that were hired by them and deployed on Noticee 1’s premises. Noticee 1 has also provided supporting documents viz. sample agreement and invoice. I agree with the contention of the Noticee that that their clients being the principal employer are liable for all compliances of manpower hired by them.

12.1.16 However, in the case of the 15 permanent employees hired by Noticee 1 it must be regarded as the principal employer, and provisions for payment of gratuity should have been made.

12.1.17 It was also observed by SEBI that Noticee 1 failed to make any provisions for the payment of gratuity on the pretext that” it was least expected that the considerable numbers of manpower will complete five years of service. This submission is not tenable as the compliance with AS 15 demands that provision needs to be created irrespective of the fact whether the employees had competed/not completed/was not expected to complete five years of service. I further note that if the gratuity had been provided for in the books of accounts, it would have had an impact on the annual profit of the current years as well as the profit/loss disclosed in the previous financial years. Therefore, I note that Noticee 1 is liable to make necessary provisions for gratuity. I note that Noticee 1 has not made any submission in this regard.

12.1.18 In view of the above, the allegation raised in the SCN that Noticee 1 has not complied with the requirement of AS 15 viz. failed to make for the provision for gratuity of its employees in its books of accounts, which led to overstatement of the company’s profit in the financial statement for FY 2018-19 and affected the true and fair view of the financial statements of Noticee 1 stands established.

Allegation in SCN

12.2 **Financial Statements not signed by CFO & CS:**

12.2.1 On perusal of the company's (Noticee 1's) financial statements for FY 2018-19, as disseminated on the exchange, the following were observed:

(i) Balance sheet and Profit and Loss Account were not signed by the company's CFO and Company Secretary; (non-compliance of Section 134(1) of the Companies Act, 2013)

(ii) The Cash Flow Statement was neither signed by the Auditor nor by the Board of the Directors. (non-compliance of Section 134(1) of the Companies Act, 2013)

(iii) Further, name of the signatories Directors along with Director Identification number (DIN) was not mentioned on the financial statements. (non-compliance of Section 158 of the Companies Act, 2013)

12.2.2 Section 134(1) of the companies Act, 2013 states that:

"the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the Company Secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon".

12.2.3 Further, Section 158 of the companies Act, 2013 states that:

"*Every person or company, while furnishing any return, information or particulars as are required to be furnished under this Act, shall mention the Director Identification Number in such return, information or particulars in case such return, information or particulars relate to the director or contain any reference of any director".*

12.2.4 Noticee 1 in its reply to SEBI, inter- alia, submitted that the financials had been signed as per statutory requirement and stamped copy of the financial statements for FY 2018-19 was also provided by Noitcee1 in its reply. On examining the said stamped financial statements, it was observed by SEBI that that the Balance Sheet and Profit & Loss Account statement were not signed by the CFO and Company Secretary. It was also observed by SEBI that the financial statements were signed by the company's CMD and Joint MD without indicating their DIN and Cash Flow Statement was not found to be signed by the Board of the Directors and even by the Auditor.

12.2.5 In view of the same, it was observed by SEBI that Noticee 1 failed to comply with the provisions of Section 134 and Section 158 of the Companies Act 2013, while preparing and publishing its financial statements for FY. 2018-19.

Reply of Noticee 1

12.2.6 Noticee 1 inter-alia submitted that *"…that it was due to the inadvertent error that the DIN no. was not printed in annual report despite the fact that DIN no. was mentioned on financials"; "The signature of Company secretary and Chief Financial officer was also not printed in annual report despite of their signature on the actual document. The document that was sent for printing was containing incorrect page"; "…every page of balance sheet had been signed by directors as well as auditors" and "there was no alteration in the financials by Noticee No. 1, despite the said inadvertent errors."*

Findings

12.2.7 Noticee 1 has contented that there were no alteration in the financials despite the inadvertent errors. However, on perusal of the financials submitted by Noticee 1, I note that there are alterations. As per the Balance Sheet as at March 31, 2019, provided by Noticee 1, in his reply to the SCN served by SEBI, dated January 06, 2024, under the head "Assets", INR 10,086,769/- was reflected under the sub-head "Capital work-in-progress, for March 31, 2018. However, I note that the same has not been reflected as per the Company's financial statements as disseminated on the exchange i.e. the BSE Exchange website. Similarly, differed tax of INR (146,330) for year ended March 31, 2019 and INR 206,625/- for the year ended March 31, 2018, has been reflected in copy of the

Audited Profit and Loss Statement provided by Noticee 1, in its reply to the SCN served by SEBI, dated January 06, 2024, but the same has not been reflected in the financial statements as disseminated on the exchange.

12.2.8 The importance of financial statements in the corporate sector and financial market cannot be denied in any way. No decision can be confidently taken without referring to these statements and the data contained in them because they show all relevant financial information such as the revenue, cost, profits, cash flows, expenses, asset and liability position, etc. From these data, it is possible to derive a conclusion regarding whether the company is profitable and sustainable, whether it is burdened with huge debt and lacks liquidity and creditworthiness, its future investment plans and possible funds allotted for them, and so on. Such information not only directly influences the stock prices and valuation but also provides information to investors and lenders so that they may assess whether it is worth investing in this company. It provides information regarding whether their existing or potential investment will generate the expected return and whether the business has good growth prospects in the future. These statements are to be submitted to the Stock Exchanges and published on the Company's website as per the provisions of the Company Act in respect of listed companies. Every stakeholder can only make an informed opinion about the company's performance before they make any investment decision if they have access to duly-verified, accurate and error-free annual reports, which they may avail from the Company's website, the Stock Exchanges or the published printed copy.

12.2.9 Hence, the onus is on the Noticees to exert the utmost caution, rigour, meticulousness and diligence in respect of printing and publishing of the annual report. Thus, even if I were to accept the submission of the Noticees that the errors in the printed Annual Report of 2018-19, were inadvertent, this does not in any way diminish the grave and serious nature of the offence. Nor do I find any substance in the submission of the Noticees that "there was no alteration in the financials by Noticee No. 1, despite the said inadvertent errors."

12.2.10 In view of the same, I find that Noticee 1 has failed to comply with the provisions of Section 134 and Section 158 of the Companies Act 2013, while preparing and publishing its financial statements for FY 2018-19 and the allegation in the SCN stands established.

12.3 **Related Party Transactions**

<u>Allegation in the SCN</u>

12.3.1 As alleged in the SCN, Noticee 1 had Related Party Transactions (RPTs) in respect of loan & advances amounting to Rs 38.94 Lacs with its related party i.e. Kaarya Next Solutions Pvt. Ltd. Further, there were also transactions in nature of remuneration paid to Key managerial personnel (KMP). However, necessary disclosures relating to the description of the nature, volume, outstanding balance and amount written off in respect of due from the related party, were not given in related party disclosure in terms of AS 18 requirements. W.r.t. transactions executed with Kaarya Next Solutions Pvt. Ltd., it was observed by SEBI that Noticee 1 had disclosed this transaction of the balance due from the related party, in the Annual Account as balance from "Other" in Note 14 'Short Term Loans and Advances'. However, in accordance with the requirements of General Instructions for preparation of Balance Sheet in the Division-I of Schedule-III to the Companies Act 2013, the same should have been disclosed as "*loans and advances to related parties*" instead of "*others- short term loan and advances.*

12.3.2 As per Paragraph 23 of AS18

> "If there have been transactions between related parties, during the existence of a related party relationship, the reporting enterprise should disclose the following:
>
> …
>
> iii. a description of the nature of transactions;
>
> iv. volume of the transactions either as an amount or as an appropriate proportion
>
> v. any other elements of the related party transaction necessary for an understanding of the financial statements;
>
> vi. the amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date and
>
> vii. amounts written off or written back in the period in respect of debts due from or to related parties."

Further, Paragraph 3 (xiii) of Companies Auditor's Report Order (CARO), 2016 reads as follows:

"3. Matters to be included in the Auditor's Report

…

(xiii) whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act 2013, where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;"

12.3.3 W.r.t. aforesaid transaction, Noticee 1 in its reply to SEBI submitted that the related party's name and their balances reported in financial statement for the relevant period and disclosures had also been made in Noticee 1's Annual report and to the stock exchange. There was no amount that is written off in its books of accounts. The submission made by Noticee 1 was not found to be relevant by SEBI. Accordingly, SEBI observed that RPTs in nature of remuneration paid to KMPs and transactions with a related party-Kaarya Next Solutions Pvt. Ltd., were not disclosed by Noticee 1 in its financial statements in terms of AS 18 requirements.

Reply of the Noticee

12.3.4 Noticee 1 submitted that

i. The Disclosure of Related party was mentioned in Note 21 of Financials.
ii. The transaction has been disclosed in annual report as well as BSE (Stock Exchange).
iii. The page containing related party disclosure was not printed in annual report, inadvertently.
iv. Hence, the said violation being venial in nature ought not to be penalized.
v. However, since Noticee No. 1 has already complied it is denied that RPTs in nature of remuneration paid to KMPs and transactions with a related party Kaarya Next Solutions Pvt Ltd were not disclosed by Noticee No. 1 in its financial statements in terms of AS 18 requirements.

Findings

12.3.5 I have perused the Annual Report and attention is drawn to the extract of Form MGT -9, Form No. AOC – 2, Note '14' Short Term Loans and Advances, Note '21' Related Party

Disclosures and Annexure “B” to the Independent Auditors’ Report as given on page 22, 29, 68, 70 and 56 respectively of the Annual Report which reads as follows:

Form No. MGT — 9

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Table 1

No.	Particulars of Remuneration	Name of MD/WTD/Manager Vineet Pandey	Name of MD/WTD/Manager Vineet Pandey	Total Amount
1	Gross Salary	-	-	-

Form No. AOC - 2

Details of contracts or arrangements or transactions at Arm's length basis.

Table 2

1.	Kaarya Next Solutions Pvt. Ltd.	-	-	-	-	38,94,801

Note 14: Short term loans and Advances

Table 3

Particluars	As at 31/03/2019	As at 31/03/2018
…	…	…
Others		
…		
Kaarya Next Solutions Pvt. Ltd.	38,94,801	23,18,189
	…	…

Note 21: Related Party Disclosures

(a) Details of related parties and nature of relationship:

Table 4

Entities over which key management personnel and their relatives exercise significant influence	Kaarya Next Solutions Pvt. Ltd. Evetan Fintech Pvt. Ltd. LMK Comtrade Pvt. Ltd.	Kaarya Next Solutions Pvt. Ltd. Evetan Fintech Pvt. Ltd. LMK Comtrade Pvt. Ltd.
Key Management Personnel	Mr. Vineet Pandey – JMD Mr. Vishal Panchal - CMD	Mr. Vineet Pandey – JMD Mr. Vishal Panchal - CMD

ANNEXURE **"B"** TO INDEPENDENT AUDITOR'S REPORT

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

12.3.6 I note from form MGT 9 above, that the transactions were clearly titled as “Particulars of Remuneration” and hence these were transactions in the nature remuneration paid to Key Managerial Personnel. Further, it was also noted from the AOC-2 that the transaction at arm’s length basis was undertaken with Kaarya Next Solutions Pvt. Ltd. On perusal of Note ‘21’ Related Party Disclosures, I however note that Noticee 1 has not provided disclosures relating to the description of nature, volume, outstanding balance and any amount written off in respect of due from the related party(s), thereby failing to comply with the requirements of AS 18 which resulted in violation of Regulation 4(1)(a) and (b) and Regulation 48 of SEBI LODR Regulations, 2015.

12.4 **The Company’s Various Accounting Policies**

<u>Allegations in the SCN:</u>

The allegations for non-compliance of Accounting Policies with the Accounting Standards made in the SCN are as under:

12.4.1 AS 29: Provisions, Contingent Liabilities and Contingent Assets: The company made and disclosed the accounting policy w.r.t. the provision stating provisioning amount is discounted to its present value, which is not in accordance with AS 29, since AS-29 specify that the amount of a provision should not be discounted to its present value and it should be the best estimate of the expenditure required to settle the present obligation.

12.4.2 AS 22: Accounting for Taxes on Income: Kaarya made and disclosed the accounting policy on deferred tax based on the basis of temporary difference rather than timing difference. Further, the company failed to provide breakup of the major components of the deferred tax assets in its financial statements in terms of AS 22 requirements.

12.4.3 AS 17: Segment Reporting: The SCN alleges that Noticee 1 had not complied with the provisions in respect of segment reporting in its financial statements for FY 2018-19, in terms of Para 38 and Para 40 of AS-17 .

12.4.4 **It may be noted that Accounting Standard 29(AS-29) in respect of Provisions, Contingent Liabilities and Contingent Assets,** *inter-alia*, states that :

> *"the amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the* balance *sheet date. The amount of a provision should not be discounted to its present value".*

12.4.5 AS-22, in respect of **Accounting for Taxes on Income- Accounting Standard-22** *inter-alia*, states that,

> "*Deferred tax should be recognised for all the timing* differences*, subject to the consideration of prudence in respect of deferred tax assets …… the break-up of deferred tax assets and deferred tax liabilities into major components of the respective balances should be disclosed in the notes to accounts."*

12.4.6 Para 40 of AS 17 inter-alia states that "*An enterprise should disclose the following for each reportable segment:*

> *(a) segment revenue, classified into segment revenue from sales to external customers and segment revenue from transactions with other segments;*
>
> *(b) segment result;*
>
> *(c) total carrying amount of segment assets;*

(d) total amount of segment liabilities;

(e) total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets);

(f) total amount of expense included in the segment result for depreciation and amortisation in respect of segment assets for the period; and

(g) total amount of significant non-cash expenses, other than depreciation and amortisation in respect of segment assets, that were included in segment expense and, therefore, deducted in measuring segment result."

It may be noted that the Explanation to para 38 and 40 of AS 17, Segment Reporting, reads as follows: *"38. …. Explanation: In case, by applying the definitions of 'business segment' and 'geographical segment', it is concluded that there is neither more than one business segment nor more than one geographical segment, segment information as per this Standard is not required to be disclosed. However, the fact that there is only one 'business segment' and 'geographical segment' is disclosed by way of a note."*

12.4.7 In view of the above, it was observed by SEBI that Noticee 1's Accounting Policies were found to be in contravention of AS 17, 22 and 29.

Reply of Noticee

12.4.8 Noticee 1 submitted that:

"…there was nothing to be reported as contingent liability in financials of FY 18-19. The provision were made for expenses and taxes that were due in next financial year and on nominal amount, i.e., not discounted. There was no provision that were discounted and reported in financials. The Policy statement mentioned in Point no.8 of notes of accounts is general in nature and not to be construed as "provisions are discount" on every occasions. The Following are the snapshot of Note 8 of notes to the accounts

A. Provision of Taxation – Rs 47,33,234/-

   This is accumulation of provision made for direct taxes of current year as well as earlier years. This is not discounted.

B. Provision of Expense – Rs 1,12,085/-

This is provision for expenses made to report financials on accrual basis. The invoices for the said provision are received in next financial year and hence not discounted.

C. Audit fees payable – Rs 2,45,000/-

This is provision for Audit fees of FY 18-19 which is settled in FY 19-20. This is also not discounted. Thus, no provision in financials is reported on discounted basis.

12.4.9 Noticee 1 further submitted that “the deferred tax had been provided for timing difference on account of depreciation only. It is pertinent to note that the same was disclosed in point no.10 “Tax Expenses” of significant policy and note on accounts. Further, the emphasis is placed on word “temporary”. It is pertinent to peruse the definition available in AS 22 which is as follows:

“Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences”

Deferred tax assets are the amounts recoverable in future periods in respect of

(a) Deductible temporary differences

(b) The carry forward of unused tax losses; and

(c) The carry forward of unused tax credits “

“Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base”

The plain language in AS 22 itself contains the word “temporary”. Eventually, we put emphasis that temporary difference in tax arises due to timing difference in depreciation allowed as expenditure under companies act and income tax act. Thus, the usage of words “temporary” and “timing” do not affect the computation if deferred tax reported in financials”

<u>Findings:</u>

12.4.10 I note from the reply of Noticee 1, that deferred tax is recognized on the basis of temporary differences rather than timing differences. Further, I note there was no break-up of the major components of the deferred tax assets, which had been disclosed in the financial statements as per the requirement of AS 22. In view of the same, the allegation w.r.t. non-compliance of the requirement of AS 22 stands established.

12.4.11 Noticee 1 also submitted that "it operates in single segment. The said fact had been disclosed in point no.13 "Segment Reporting" of significant policy and note on accounts. Thus, adequate disclosures have been made.

12.4.12 I note that Noticee 1, in his reply to the SCN has stated that the Policy statement referred to in Point No. 8 of the notes of accounts on Page 80 of their Annual Report is general in nature. I find no merit in Noticee 1's arguments as the purpose of the Annual Report is to provide all stakeholders an accurate, precise, clear and error-free account reflecting the true position of the company and its policies, so that the stakeholders may take an informed decision regarding their engagement, investment or disinvestment vis-à-vis the company. Providing general and vague policy statements, not specific to the company defeats one of the primary purpose the Annual Report is meant to serve. The allegation made in the SCN that Noticee 1 made and disclosed the accounting policy w.r.t. the provision stating provisioning amount is discounted to its present value, is not in accordance with AS 29, therefore stands established. Though I keep in mind as a mitigating factor the submissions of the Noticee 1 that in actual there was no provision that were discounted and reported in financials.

12.4.13 On perusal of point no.13 "Segment Reporting" I note that the company's policy on Segment Reporting inter-alia mentioned that "*Identification of segments: The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The Company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered..."*

12.4.14 I note that the Noticee 1 submitted that it is operating in a single segment, hence segment reporting as per AS 17 is not applicable to the company. Further, it was noted that no other disclosure regarding segment reporting was provided in the financial statements in compliance with Para 40 of AS 17. I once again draw attention to that the Explanation to Para 38 and 40 of AS 17, Segment Reporting, which reads as follows: *"38. …. Explanation: In case, by applying the definitions of 'business segment' and 'geographical segment', it is concluded that there is neither more than one business segment nor more than one geographical segment, segment information as per this Standard is not required* *to be disclosed. However, the fact that there is only one 'business segment' and 'geographical segment' is disclosed by way of a note."*

12.4.15 Thus, it is clear that AS 17 mandates that even if there is only one segment in the company, the same was required to be stated and disclosed.

12.4.16 Thus the allegations made in the SCN that Noticee 1 had not complied with the provisions in respect of segment reporting in its financial statements for FY 2018-19, in terms of Para 38 and Para 40 of AS-17 stands established.

12.5 **Disclosure of Earnings Per Share(EPS)**

<u>Allegation in the SCN</u>

12.5.1 The SCN alleged that the company failed to comply with the provisions of AS 20 while indicating complete EPS details in the financial statements for FY 2018-19 which led to inadequate information to the investors.

12.5.2 The provisions of AS 20 inter-alia states that an Enterprise should disclose the following:

(a) the amounts used as the numerators in calculating basic and diluted earnings per share and a reconciliation of those amounts to the net profit or loss for the period;

(b) the weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other; and

(c) the nominal value of shares along with the earnings per share figures.

<u>Reply of Noticee</u>

12.5.3 In this regard, the company, *inter-alia,* stated that:

i. the disclosure of earning per share had been made in "profit and Loss statement as required to be disclosed.
ii. The Noticee No. 1 has single class of equity shares.

iii. It is denied that Noticee 1 failed to comply with the provisions of AS 20 while indicating complete EPS details in the financial statements for FY 2018-19 which lead to inadequate information to the investors and

iv. there is not even a single investor complaint regarding the same that has been brought on record by SEBI.

Findings

12.5.4 I note on perusal of details disclosed in the company's Profit & Loss account, that only basic earnings per share and diluted earnings per share have been disclosed. No details in respect of numerators and denominators used for calculation of basic earnings/diluted earnings per share have been divulged in line with the requirement of AS 20. Nor have details regarding the nominal value of the shares been disclosed alongside the basic earnings of the shares in Noticee 1's Profit and Loss Accounts for the year 2018-19. Thus, the company has failed to provide full and complete details in respect of earnings per share, without which investors and stakeholders will not be able to accurately estimate the value of their earnings and the prospects of the company's future growth. Thus, the allegation in the SCN that Noticee 1 has failed to comply with the provisions of AS 20 while indicating EPS details in the financial statements for FY 2018-19, stands established.

12.6 **Disclosure on Short term provisions:**

12.6.1 It was observed by SEBI that Noticee 1 made the following short term provisions in respect of taxation, expenses and audit fee payable for FY 2018-19.

Particulars	**For the year ended 2019 31.03.2019**	**For the year ended 2018 31.03.2018**
Short Terms Provisions (in Rs.) :		
Provision for taxation	47,23,234	29,31,129
Provision for Expenses	1,12,085	27,000
Audit Fee Payables	2,45,000	1,80,000

Allegation in the SCN:

12.6.2 The SCN alleged that the company made the short term provision for expenses and audit fees payable, which were not in the nature of provision as defined by AS 29, thus misrepresenting its financial statements for FY 2018-19.

12.6.3 Para 10.1 and 66 of AS 29: Provisions, Contingent Liabilities & Contingent Assets inter-alia states that:

> 10.1 "*A provision is a liability which can be measured only by using a substantial degree of estimation" and further states that*
>
> *Para 66 "For each class of provision, an enterprise should disclose:*
> *(a) the carrying amount at the beginning and end of the period;*
> *(b) additional provisions made in the period, including increases to existing provisions;*
> *(c)amounts used (i.e. incurred and charged against the provision) during the period; and*
> *(d) unused amounts reversed during the period."*
>
> Further, the General Instructions for preparation of Balance Sheet specified in Schedule III to Companies Act, 2013 states that *"A company shall disclose in the Notes to Accounts: G. Other current liabilities… (j) Other payables (specify nature)".*

<u>Reply of Noiticee</u>

12.6.4 Noticee 1 submitted that the provisions were made to disclose financials on accrual basis. The Provision of expense are those provision for which services are received in the month of March but invoicing is done in April. This was done to follow accrual basis of accounting system. Thus, it is denied that Noticee No. 1 made provisions on expenses and audit fee payable which were in nature of expenses and thus it misrepresented its financial statements for FY 2018-19.

<u>Findings</u>

12.6.5 I observe that as per the provisions of AS 29, the provision for expenses and audit fee payable as made by Noticee 1 are not in fact in the nature of provision. The said provision for expense and audit fees should have been disclosed as other current liabilities. Instead, Noticee 1 disclosed the provision for expenses amounting to Rs 1.12 Lacs and audit fees payable amounting to Rs 2.45 Lacs as short term provisions

12.6.6 I note that the objective of this Accounting Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions and contingent liabilities and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. Failure of Noticee 1 to reflect the expenses as "other current liabilities" as required under AS 29 and instead showing it as ~~a~~ provision has thereby resulted in misrepresentation in its financial statements for FY 2018-19, defeating the objective of the said AS.

12.6.7 Thus, the allegation in the SCN that Noticee 1 made the short term provision for expenses and audit fees payable, which were not in the nature of provision as defined by AS 29, thus misrepresenting its financial statements for FY 2018-19 stands established

12.7 **Cash Flow Statement (AS-3)**

Allegation in the SCN

The SCN alleged that Noticee 1 failed to disclose properly the cash receipts and payments from financing activities in accordance with the provisions of AS 3 in its financial statements for FY 2018-19

12.7.1 **Para 21 of AS 3 stipulates "**that "*an enterprise should report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs 22 and 24 are reported on a net basis"*.

Reply of Noticee

12.7.2 The company, *inter-alia*, submitted:

i. Cash flow financing activities dominantly comprises of cash credit facility availed from bank.

ii. The daily activities were undertaken through this facility.

iii. Considering the volume of transaction the Noticee No. 1 reported net figures only.

iv. It is thus submitted that no iota of information has been misrepresented or incorrect. It is denied that Noticee 1 failed to disclose properly the cash receipts and payments from financing activities in accordance with the provisions of AS 3 in its financial statements for FY 2018-19.

Findings

12.7.3 I note that Noticee 1 has indicated the volume of transaction as the reason for reporting net receipts of borrowings which were disclosed under the cash flow from financing activities and that cash flow financing activities dominantly comprise of cash credit facility availed from the bank. In this respect, I note that neither does the volume of transaction or nature of the cash credit facility whether availed from the bank or other sources prevent the Noticee from complying with requirements of AS 3. As per the requirements of AS 3, the same should have been shown separately as gross cash proceeds of borrowing and cash repayments of amounts borrowed.

12.7.4 Accordingly, it is viewed that the allegation of the SCN that the requirement of AS 3 has not been complied with by Noticee 1 stands established.

12.8 **Bifurcation of Trade Payable**

Allegation in the SCN

The SCN alleges the Noticee 1 failed to bifurcate the trade payables for MSME and Non-MSME in the financial statement for FY 2018-19 in accordance with the requirements of the Schedule III to the Companies Act 2013

12.8.1 The Scheduled III to the companies Act 2013 prescribed the following format to represent the trade payables, wherein inter-alia it is categorized the trade payable into two parts as *'total outstanding dues of micro enterprises & small enterprises'* and *'total outstanding dues of creditors other than micro enterprises and small enterprises'*.

Table 5

Particulars	Note No.	For the year ended 2019	For the year ended 2018
4. Current Liabilities			
… (a) Trade Payables (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises	6	xxxx	xxxx

Reply of Noticee

12.8.2 Further, Noticee 1 inter-alia submitted that "the bifurcation of MSME was not required to be given because there was no outstanding payable to the MSME creditors. However, the bifurcation towards trade payable for expenses and goods was given…"

Findings

12.8.3 I note that the company disclosed its Trade payable in its Balance sheet as below:

Table 6

Particulars	Note No.	For the year ended 2019	For the year ended 2018
4. Current Liabilities			
… (b) Trade Payables	6	xxxx	xxxx

Note 6: Trade Payables

Table 7

Particulars	For the year ended 2019 31.03.2019	For the year ended 2018 2018
Trade Payables		
Trade Payables for goods	69,78,641	3,18,530
Trade Payables for expenses	5,76,513	66,07,155

12.8.4 I once again draw attention to Division I of Schedule III to the Companies Act, 2013, wherein there is a prescribed format of the Balance Sheet. The contention of Noticee 1 that bifurcation of MSME was not required to be given as there was no outstanding payable to MSME creditors is not tenable as Noticee 1 should have shown the same to be nil. Without the required segregation as mandated by the format prescribed by Companies Act 2013 as mentioned above, stakeholders and investors will be unable to interpret the accounts with necessary clarity and are thus being denied their right to make informed accurate decisions regarding investment and disinvestment. Noticee 1, as a listed entity was bound to comply with the format of bifurcating their outstanding balances of trade payables into MSME and Non-MSME in order to comply with the requirements of Division I of Schedule III to the Companies Act, 2013. Thus, the allegation in the SCN that Noticee 1 had failed to bifurcate the trade payables for MSME and Non-MSME in the financial statement for FY 2018-19 in accordance with the requirements of the Schedule III to the Companies Act 2013 stands established.

12.9 **Disclosure of Tangible and Intangible assets:**

Allegation in the SCN

12.9.1 The SCN alleges that Noticee 1 failed to represent its assets in the financial statement for FY 2018-19 as per the Schedule III to the Companies Act.

12.9.2 Abstract of the format as prescribed by Division I of Schedule III to the Companies Act 2013 is as under:

Table 8

Particulars	**Note No.**	**For the year ended**	**For the year ended**
II. Assets			
2. Non-current assets			
(a) Property, Plant and Equipment			
(i) Tangible Assets (ii) Intangible Assets			

Further, Para 5 of General Instructions for preparation of Balance Sheet in Schedule III to Companies Act, 2013 inter-alia also states that "*except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts(comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given*".

Reply of Noticee

12.9.3 Noticee 1 has inter-alia submitted that the bifurcation between tangible and intangible asset had been provided in Note – 9 of notes to the accounts. It was aggregated in tangible assets due to an inadvertent error. There was no impact on the financials.

Findings

12.9.4 I note that in the Balance Sheet of Noticee 1 for the year ending March 31, 2019, both Tangible and Intangible assets net block have been clubbed under the head *'Tangible assets'* and the Intangible assets were presented as Nil. Further, the Tangible and Intangible assets, the corresponding amounts (comparative) for the immediately preceding reporting period for the various items have not been presented as per the requirement of the Schedule III to Companies Act, 2013. Further, the nomenclature of "Fixed Asset" was used instead of "Property, Plant and Equipment.

12.9.5 I note that Noticee 1 has admitted that the tangible assets were aggregated due to an error. I am however of the view that the admission of error cannot reduce the significance of the omission on the part of Noticee 1, to adhere to the reporting requirements as mandated by Division 1 of Schedule III to the Companies Act 2013. Accordingly, I find that the allegation of the SCN that the company has failed to represent its assets in the financial statement for FY 2018-19 as per the Schedule III to the Companies Act stands established.

12.10 **Classification of Inventories:**

<u>Allegation in the SCN</u>

12.10.1 The SCN alleges that the inventories for FY 2018-19 have not been disclosed by the company as per the requirement of the General instructions for the preparation of Balance Sheet, of the Schedule III to Companies Act, 2013.

12.10.2 The General Instructions for preparation of Balance Sheet in Schedule III to Companies Act, 2013 inter-alia states that the Inventories shall be classified as:

(a)Raw materials;

(b)Work-in-progress;

(c) Finished goods;

(d) Stock-in-trade (in respect of goods acquired for trading);

(e) Stores and spares;

(f) Loose tools;

(g) Others (specify nature).

<u>Reply of Noticee</u>

12.10.3 Noticee 1 inter-alia submitted that the material that it procures is to consume in providing its services. The Company neither manufactures nor trades in material. Hence, bifurcation of Inventories as required as per general instructions of schedule III as Raw Material, Work in Progress, Finished Goods was not made. The valuation method of inventory mentioned in Point 5 "inventories" of accounting policy is provided under "General Information" in Balance sheet.

<u>Findings</u>

12.10.4 In this regard, I see no merit in the submission of Noticee 1 that since the company does not manufacture or trade in material, bifurcation of Inventories as required by Division I of Schedule III of the Companies Act, 2013, was not made. The submission made by Noticee 1 is also not tenable as inventories were classified including as "Stores and Spares" in terms of the provisions of Schedule III to Companies Act 2013. I note that the Note of Inventories under Point 5 of the Significant Accounting Polices

& Notes on Accounts makes no explanation for this deviation from the prescribed standards either.

12.10.5 I note that Noticee 1 should have reflected the bifurcation of inventories in the Balance Sheet in the prescribed format of the Companies Act, 2013. Thus, the allegation in the SCN that Noticee 1 failed to disclose its inventories in the financial statement for FY 2018-19 as per the Scheduled III to the companies Act 2013 requirements stands established.

12.11 **Disclosure of details related to Secured term loans and long-term borrowings:**

Allegation in the SCN

12.11.1 The SCN alleges that Noticee 1 failed to comply with the requirements of Schedule III to the Companies Act, 2013 while making disclosure of details related to its Secured term loans and long-term borrowings in the financial statements for FY 2018-19

12.11.2 The General Instructions for preparation of Balance Sheet as per the abstract of Para 6(C) of Schedule III to Companies Act, 2013 reads as follows:

> *"6. A company shall disclose the following in the Notes to Accounts: (C) Long Term Borrowing*
>
> *Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.*
>
> *(vi) Terms of repayment of term loans and other loans shall be stated."*

Reply of Noticee

12.11.3 In this regard, Noticee 1 submitted that it had secured loan from Bank of Maharashtra only. The Cash credit and Working capital term loan had been availed. The nature of security has been disclosed in note-5 “Short Term borrowing” of Notes to the accounts. The Primary as well as collateral security offered was the same for cash credit as well as term loans.

Findings

12.11.4 I note that Noticee 1 has made a submission that the nature of security has been disclosed in Note – 5 to the Notes of Accounts for FY 2018-19, pertains to Short Term Borrowing and reads as follows:

Table 9

Particulars	As at 31-March 2019		As at 31-March-2018	
	Rs	Rs	Rs	Rs
Note '5'				
SHORT TERM BORROWINGS				
Secured				
From Bank (secured by way of Hypothecation of Book Debts, Stock and machinery having limit of Rs, 3 Cr.)		2,31,92,063		1,63,12,043
Term Loans				
From Bank of Maharashtra – Current Portion of Long Term Debt		8,80,983		12,42,792
Unsecured				
Term Loans				
From Kotak Mahindra Bank – Current Portion of Long Term debt		8,73,651		-
TOTAL		**2,49,46,696**		**1,75,54,835**

12.11.5 Noticee 1 has not provided any explanation for failing to comply with the requirements of Schedule III to the Companies Act, 2013 while making disclosure of details related to its Secured term loans and long-term borrowings in the financial statements for FY 2018-19.

12.11.6 I further note that though Noticee 1 secured terms loans and long term borrowings, the nature of security and terms of repayment of the term loan has not been disclosed in line with the with the above mentioned requirement of the General Instructions for preparation of Balance Sheet in the Division I of Schedule III to Companies Act, 2013.

12.11.7 Hence, the allegation in the SCN that Noticee 1 failed to comply with the requirements of Scheduled III to the Companies Act 2013 while making disclosures of details related to its Secured term loans and long-term borrowings in the financial statements for FY 2018-19 stands established.

12.12 **Disclosure of details related to short-term borrowing:**

<u>Allegations in the SCN</u>

12.12.1 The SCN alleged that Noticee 1 failed to disclose the nature of the security against its short-term borrowing; further, terms of repayment were not mentioned and current portion of long-term debt were not grouped under Other Current Liabilities and thus Noticee 1 failed to comply with the provisions of Para 6F of Schedule III to the Companies Act, 2013.

12.12.2 The General Instructions for preparation of Balance Sheet in Schedule III to Companies Act, 2013 inter-alia states that *a company shall disclose its Short-term borrowings in its notes to accounts. Further, the Short-term borrowings shall be classified as:*

(a) Loans repayable on demand -from banks & from other parties

(b) Loans and advances from related parties

(c) Deposits.

(d) Other loans and advances (specify nature).

Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

…

Period and amount of default as on the Balance Sheet date in repayment of loans and interest, shall be specified separately in each case."

Other current liabilities: *The amounts shall be classified as: Current maturities of long-term debt;"*

Reply of Noticee

12.12.3 In this regard, that Noticee 1 submitted that in Note no. 5 to Balance Sheet, "Short Term borrowing", it was disclosed as "secured by way of Hypothecation of book debts, stock and machinery having limit of Rs.3 cr." The current portion of long-term liability is in nature of borrowing only hence it was grouped under short-term borrowing and not under current liabilities. However, the specification had been made to indicate that they were current maturities of long-term debt.

Findings

12.12.4 I note that while Note no. 5 to the Balance Sheet of Noticee 1 for FY 2018-19 for Short Term Borrowings disclosed it as "secured by way of Hypothecation of book debts, stock and machinery having limit of Rs.3 cr.", the nature of security against short term borrowing and terms of repayment in line with the above mentioned requirement, has not been stated by Noticee 1 Further, the current portion of long term debt should have been grouped under Other Current Liabilities in line with the reporting requirements of the Companies Act, 2013. Thus, the allegation in the SCN that Noticee 1 failed to disclose the nature of the security against its short-term borrowing, that the terms of repayment were not mentioned and current portion of long-term debt were not grouped under Other Current Liabilities, and thereby failed to comply with the provisions of Para 6F of Schedule III to the Companies Act, 2013 stands established.

12.13 **Classification of trade receivables and cash and bank balances:**

Allegation in the SCN

12.13.1 The SCN alleges that as per Note 12 & 13 of Balance Sheet for the FY 2018-19, Noticee 1 failed to classify the trade receivables as secured or unsecured and cash & bank balances as per the requirement of the Division I of Schedule III to Companies Act 2013.

12.13.2 It may be noted that the Paragraph 6 (P) of the General Instructions for preparation of Balance Sheet in Division I of Schedule III to the Companies Act, 2013 mandates that Trade Receivables shall be sub-classified as:

> "(a) Secured, considered good;
> (b) Unsecured considered good

12.13.3 The abstract of para 6 (Q) of the General Instructions for preparation of Balance Sheet in the Division I of Schedule II to the Companies Act, reads as follows:

> "6. A company shall disclose the following in the Notes to Accounts:
>
> Q. Cash and cash equivalents.
>
> (i) Cash and cash equivalents shall be classified as:
>
> (a) Balances with banks;
>
> (b) Cheques, drafts on hand;
>
> (c) Cash on hand;
>
> (d) Others (specify nature)."
>
> (i) Bank deposits with more than 12 months maturity shall be disclosed separately.

Abstract of Para 8.8.4 of the Guidance Note on Schedule III is as under:

> "Other bank balances" would comprise of items such as balances with bank to the extent held as margin money or security against borrowings etc., and bank deposits with more than three months maturity. Bank deposits with more than twelve months maturity will also be separately disclosed under the sub-head "Other bank balances.

Reply of Noticee

12.13.4 Noticee No. 1 submitted that it does enter in to an agreement with its clients at the inception of the services. Accordingly, receivable has been secured by way of agreement. The client doesn't offer any security which is marketable in case of default by them. In the industry in which the Noticee No. 1 operates, clients do not even prefer to provide deposit. However, classification of Ageing and good and doubtful receivable had been made.

12.13.5 Noticee 1 further submitted that these are the deposits that the Noticee No. 1 have kept with bank to earn interest. All the deposits get automatically auto renewed upon maturity and they had maturities up to 6 months. There was no specific term attached to it that required to be disclosed. They were created as per general market terms and at arm's length rate. Accordingly, further information had not been provided.

Findings

12.13.6 I draw attention to Note 12 to the Annual Accounts of Noticee 1 for FY 2018-19 which is reproduced as under:

Table No.10

Particulars	As at 31-March 2019		As at 31-March-2018	
	Rs	Rs	Rs	Rs
Note '12'				
TRADE RECEIVABLES				
Over Six Months				
Good		38,14,142		46,14,142
Doubtful				
Below Six Months				
Good		5,38,24,792		3,31,74,970
Doubtful				
Less:				
Provision for Doubtful Debts (Debts Due by				

Directors and Other Related Parties to be disclosed				
TOTAL		**5,76,38,934**		**3,77,89,112**

12.13.7 Abstract of Note 13 Cash and Bank Balances as given on page 68 of the Annual Report of Noticee 1 reads as under:

Note 13: Cash and Bank Balances:

Table 11

Particulars	For the year ended 31.03 .2019	For the year ended 31.03.2018
-Cash and Cash Equivalents		
Cash balance	xxxx	xxxx
Bank balance	xxxx	xxxx
Fixed Deposits with Bank	xxxx	xxxx
Recurring Deposit with Bank	xxxx	-

12.13.8 I have observed from the above, that Noticee 1 has simply disclosed the *"Fixed Deposits with Bank"* and *"Recurring Deposit Bank"*. No information was given, if such Fixed Deposits or Recurring deposits are maturing within 12 months or more and if they were to be classified under *"Other Bank Balance.* I also note that Noticee 1 has failed to classify the trade receivables as secured or unsecured. It is evident from Note 12 and 13 the notations in the Annual Accounts of Noticee 1 for FY 2018-19 in respect of Trade Receivables and Cash and Bank Balances have not been presented in the proper manner to comply with the requirement of Division I of Schedule III to Companies Act, 2013.

12.13.9 I find no merit in the submission of Noticee 1 regarding its reasons for not complying with the classifications mandated by Schedule III of the Companies Act, 2013, in respect of Trade Receivables and Cash and Bank Balances in his Annual Accounts for FY 2018-19 as mentioned in Paragraph 13.13.2 above

12.13.10 I hereby draw attention to the purpose of the classification of trade receivables- to reflect their security, their creditworthiness, and associated risk. While on the one hand it guides the company and influences decision-making in respect of liquidity, collection strategies and solvency, it simultaneously informs the investors and stakeholders regarding the short-term and long-term financial health of the company. Similarly, the purpose of classifying cash and cash equivalents as mandated by Division 1 of Schedule III of the Companies Act, 2013 is to provide investors and stakeholders insights into the company's financial health and assess its ability to manage its short and long-term obligations effectively.

12.13.11 Thus, the allegations that as per Note 12 & 13 of Balance Sheet for the FY 2018-19, Noticee 1 failed to classify the trade receivables as secured or unsecured and cash & bank balances as per the requirement of the Division I of Schedule III to Companies Act 2013 made in the SCN, stand established.

12.14 **Disclosures on Revenue from operations:**

<u>Allegation in the SCN</u>

12.14.1 The SCN alleges that the Revenue from operations was not presented in the statement of Profit and Loss as per the requirement of the Schedule III to Companies Act, 2013.

12.14.2 Para 2(A) of the General Instruction for preparation of Statement of Profit and Loss in the Division I of Schedule III to Companies Act, 2013, para 9.1.6 of its Guidance Note and Para 24 of AS 1, reads as under:

2 (A) of the said schedules inter-alia states that:

"I*n respect of a company other than finance company revenue from operations shall disclose separately in the notes revenue from:*

(a) sale of products

(b) sale of services

(c) other operating revenues

Less (d) Excise duty."

The Guidance Note, in Paragraph 9.1.6 further, states that *"On the introduction of Goods & Services Tax from 1 July 2017 onwards, the collection of GST by an entity would not be an inflow on the entity's own account but it shall be made on* *behalf of the government authorities. Accordingly, the revenue should be presented net of GST collected."*

Reply of Noticee

12.14.3 Noticee No. 1 inter-alia submitted that it disclosed the gross turnover and tax component in that gross turnover to arrive at net revenue which was reported in Profit and loss statement. The Profit and loss statement has only net revenue and the Noticee gave bifurcation in notes no. 15. The Noticee No. 1 submit that there is no misrepresentation in reporting of revenue. If only excise duty is required to be deducted then, the Noticee No. 1 would have reported only net revenue in Note 15 which serves no purpose.

12.14.4 Abstract of Note 15 on Revenue from operations as given on page 68 of the Annual Report is as under:

Table 12

Particulars	**As at 31.03.2019**		**As at 31.03.2018**	
Sale of Products				
Gross Sales			xxxx	
Less: GST				
				xxxx
Service				
Gross Services				
Integrated Facilities Management	xxxx		xxxx	
Project Work Services	xxxx		xxxx	
Consulting Services	xxxx		xxxx	
	xxxx		xxxx	
Less: Credit notes	xxxx		xxxx	
Less: GST	xxxx	xxxx	xxxx	xxxx
Net Service Provided				
TOTAL		xxxx		xxxx

Findings

12.14.5 I note from Note 15, Revenue from Operation presents that the Goods & Services Tax is deducted from the Gross sales and the revenue net of taxes has been presented. I also note from the above-mentioned Guidance Note quoted that the revenue should be presented net of GST collected. Thus I am inclined to accept the submissions of the Noticee 1 that it has complied with the provisions of Division I of Schedule III of the Companies Act, 2013, read with Guidance Note.

12.15 **Disclosure of share capital and reserve & surplus:**

12.15.1 The General Instructions for preparation of Balance Sheet in the Division I of Schedule III to Companies Act, 2013, inter-alia states that a company shall disclose the following in the Notes to Accounts:

A. Share Capital

For each class of share capital (different classes of preference shares to be treated separately):

….

(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;

(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.

…..

(i) For the period of five years immediately preceding the date as a t which the Balance Sheet is prepared:

- *Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.*
- ***Aggregate number and class of shares allotted as fully paid up by way of bonus shares. (emphasis supplied)***
- *Aggregate number and class of shares bought back."*

B. Reserves and Surplus-

(i) Reserves and Surplus shall be classified as:

……

(c) ***Securities Premium (emphasis supplied)***

(Additions and deductions since last Balance Sheet to be shown under each of the specified heads) (emphasis supplied).

Allegation in the SCN

12.15.2 It was observed that Noticee 1 failed to present its financial statements in respect of the following:

(i) The number of equity shares for Authorised Capital should be 50,00,000 for the previous year instead of 1,50,000 equity shares.

(ii) The rights, preferences and restrictions attaching to each class of shares should have been mentioned.

(iii) As the bonus shares have been issued in the immediately previous financial year, the aggregate number and class of shares allotted as fully paid up by way of bonus shares' during the last 5 years should have been disclosed.

(iv) The term Securities Premium should have been used instead of Share Premium and term Surplus should have been used instead of General Reserve.

12.15.3 The SCN therefore alleged that the disclosure on the company's Share Capital and Reserve & Surplus were not found to be in compliance with the General Instructions for preparation of Balance Sheet as provided in Division I of Schedule III to Companies Act, 2013.

Reply of Noticee

12.15.4 Noticee No. 1 submitted that it has only one class of equity having equal voting rights. Since, the Noticee No. 1 do not have multiple class of equity shares and varying voting rights, the classification was not made in notes. The previous year figure in Authorized share capital was remained unchanged from earlier year figures. The nomenclature used in financials for "Security premium" is "Share premium" and for "surplus" is "General Reserves". The said denote the same nature of reserves and purpose. Further, the same does not affect the presentation of financials materially. Thus, it is denied that Noticee No. 1 failed to comply with Division I of Schedule III to Companies Act 2013 while presenting information and details on the company's share capital and reserve and surplus in the financial statements for FY 2018-19.

Findings

12.15.5 In this regard, I draw attention to Note 1, Share Capital and Note 2, Reserves and Surplus as given on page 64-65 of the Annual Report is as follows:

Table 13

Particulars	As at 31-03-2019		As at 31-03-2018	
	Rs.	Rs.	Rs.	Rs.
NOTE 1				
SHARE CAPITAL				
Authorised				
50,00,000 Equity Shares of Rs. 10/0 each		5,00,00,000		5,00,00,000
[Previous Year: 150000 Equity Shares of Rs. 10/- each]				
Issued, Subscribed and paid-up				
46,75,129 Equity Shares of Rs. 10/0 each fully paid-up				
[Previous Year: 46,75,129 Equity Shares of Rs. 10/- each]				
TOTAL		**4,67,51,290**		**4,67,51,290**
Reconciliation of Shares	**Nos**	**Amt (Rs)**		
Opening Share Capital		4,67,51,290		10,74,410
Add: Shares issued during the Reporting Period		-		2,54,19,040
Add: Rights/Bonus Shares Issued		-		2,02,57,840
Total		**4,67,51,290**		**4,67,51,290**
List of Shareholders having 5% or more Shares (In Nos)				
Name of Shareholders	In Nos	In %	In Nos	In %
Vineet Pandey	12,95,815	27.72	12,95,815	27.72

Vishal Panchal	12,95,815	27.72	12,95,815	27.72

Table 14

Particulars	**As at 31-03-2019**		**As at 31-03-2018**	
	Rs.	**Rs.**	**Rs.**	**Rs.**
NOTE 2				
RESERVES AND SURPLUS				
Share Premium				
Opening Balance		3,80,25,042		81,45,588
Add: Received on Issue of Shares		-		5,52,47,120
Less: Utilised for Bonus Issue		-		(1,14,73,088)
Less : Utilisation		-		(1,38,94,578)
Closing Balance	(A)	3,80,25,042		3,80,25,042
General Reserve				
As per Balance Sheet		1,04,68,214		1,07,92,743
Add: Profit During the Year		1,20,06,737		80,50,623
Add/(Less): Appropriations/ Adjustments		61,466		14,49,600
Less: Bonus Issue		-		(98,24,752)
Closing Balance	(B)	2,25,36,417		1,04,68,214
TOTAL	(A+B)	6,05,61,459		4,84,93,256

12.15.6 From the above, and documents available on record and I note that:

(i) The number of equity shares for authorised capital should be 50,00,000 for the previous year instead of 1,50,000 equity shares.

(ii) The rights, preferences and restrictions attaching to each class of shares should have been mentioned, even if there were one class of equity shares.

(iii) As the bonus shares have been issued in the immediately previous financial year, the aggregate number and class of shares allotted as fully paid up by way of bonus shares' during the last 5 years should have been disclosed.

(iv) The term Securities Premium should have been used instead of Share Premium and term Surplus should have been used instead of General Reserve. The contention of Noticee 1 that the nomenclature used in financials for "Securities Premium" is "Share Premium" and for "Surplus" is General Reserves" in not accepted as Noticee 1 should follow the provisions as stipulated in General Instructions for preparation of Balance Sheet in the Division I of Schedule III to Companies Act, 2013.

12.15.7 Therefore, the allegations that the disclosure on the company's Share Capital and Reserve & Surplus were not found to be in compliance with the General Instructions for preparation of Balance Sheet as provided in Division I of Schedule III to Companies Act, 2013 therefore stand established.

13. Violations committed by Noticee 1:

13.1 I note that in terms of Section 129(1) of the Companies Act, 2013, every company is under an obligation to ensure that its financial statements give a true and fair view of the state of affairs of the company and it complies with the accounting standards notified in Section 133 of the Companies Act, 2013. Regulation 4(1) (a), (b) and Regulation 48 of the LODR Regulations, 2015 provide that a listed company has to comply with all applicable and notified Accounting Standards in letter and spirit.

13.2 Noticee 1 being a listed company has to comply with the applicable LODR Regulations. The relevant applicable provisions of the SEBI (LODR) Regulations, 2015 and SEBI Act, 1992 have already been are mentioned in paragraph 11. Noticee 1 has presented/prepared its financial statement for the FY 2018-19 in contravention of the applicable accounting standards, prescribed financial disclosures and the provisions of the Companies Act, 2013 as has been established in detail in the paragraphs 13.1 to 13.15. Hence, the Noticee 1 failed to present various information/ details in the prescribed manner which led to misrepresentation in its financial statements for FY 2018-19. Therefore, the allegations raised in the SCN that Noticee 1 violated Regulations 4(1) (a) (b) and (c), 4(2)(e), 33(1)(a) and (c), 34(3), 48, 53(1) and 71(3) of the SEBI LODR Regulations, 2015 stand established.

14. Violations allegedly committed by Noticee 2, 3 and 4.

14.1 SCN alleges that Noticee 2 and 3 by virtue of holding such directorship were responsible for the acts, omissions and conduct of Noticee 1. It was observed that Noticee 2 was the promoter, Chairperson cum Managing Director (CMD) and Noticee 3 was the Promoter and Joint Managing Director(JMD) of Noticee 1. It was also observed that Noticee 2 and Noticee 3 had attended all the Board Meetings (8) held during the FY 2018-19. Further, it was observed that Noticees 2 and 3 were the signatories of the Noticee 1's financial statement for FY 2018-19.

14.2 Noticee 2 being the CMD was also on the Noticee 1's Board of Directors and member of Stakeholder Relationship Committee. Noticee 3 being a JMD was also on the Noticee 1's Board of Directors and member of Audit Committee as well. Thus, Noticees 2 and 3 were KMPs of Noticee 1 as per the Companies Act 2013.

14.3 Noticee 3 in his statement recorded before SEBI, *inter-alia,* admitted that Noticee 4 had not signed the Noticee 1 Balance Sheet and Profit and Loss Statement. Noticee 4 had also admitted that Cash Flow Statement of Noticee 1 was also not signed by the Auditor and the Board of Directors of Noticee 1. Noticee 3 being the JMD of Noticee 1, had signed the compliance certificate under Regulation 17(8) of LODR Regulations, which *inter-alia states that "These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations".*

14.4 Noticee 2 and Noticee 3 being CMD and JMD of Noticee 1, handled / were involved in the day-to-day affairs of Noticee 1 in one capacity or other, making them liable for their respective roles, for the lapses on part of Noticee 1. Noticee 2 and 3 had the responsibility to ensure that Noticee 1's financial statements present True and Fair view of Noticee 1's state of financial affairs. The Directors on the Board/KMPs of the company were expected to discharge their functions independently and take their individual assessment of the situation and take decisions accordingly. Noticees 2 and 3 were not expected to fulfil their duties solely on the basis of trust imposed upon others and were liable to be held independently responsible for the acts and omissions by Noticee 1.

14.5 However, it was observed by SEBI that Noticees 2 and 3 failed to perform their duties and obligations which resulted in publication of misrepresented/ misstated financial statements of Noticee 1. Accordingly, Noticee 2 and 3 by virtue of holding such directorship were responsible for the acts, omissions and conduct of Noticee 1. Accordingly, it is alleged that Noticee 2 and Noticee 3 have violated the provisions of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7), 4(2)(f)(iii)(7) of LODR Regulations. It is also alleged that Noticee 2 and Noticee 3 have violated Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act. Further, by virtue of signing the compliance certificate under Regulation 17(8) of LODR Regulations, Noticee 3 has violated Regulation 17 (8) of LODR Regulations.

14.6 Noticee 4 was the CFO of Noticee 1 and as such was a KMP in terms of the Companies Act 2013. CFO as a person heading and discharging the finance function of a listed entity was expected to exercise the powers in bona fide manner and in the interest of all stakeholders of the company. CFO is expected to exercise due care and diligence in ensuring that the transactions were genuine in nature and that they were in the best interests of the company, including the minority shareholders of the company. However, it was observed by SEBI that in the present matter books of accounts was not maintained as per applicable Accounting Standard.

14.7 Noticee 4, being CFO, was a part of the senior management of Noticee 1 as provided under Regulation 16 of the LODR Regulations. In terms of regulation 17(8) of the LODR Regulations, the CFO is required to provide the compliance certificate to the Board of directors, *inter- alia*, certifying that the financial statements do not contain any misleading statement, present a true and fair view of the company's affairs as well as were in compliance with existing accounting standards, applicable laws and regulations as specified under LODR Regulations. Accordingly, it has been alleged that by furnishing false certificate to the Board of Directors stating that financial statement present “True and Fair” view Noticee 4 has violated Regulation 17(8) of LODR Regulations.

14.8 While placing the financial results before the Board of Directors, CFO of the listed entity has to certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading. In this regard, it was observed that Noticee 4 signed the Compliance certificate as required under Regulation 17(8) of SEBI (LODR) Regulations. Vide the said certificate he certified that “These statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations”.

14.9 As alleged earlier, Noticee 1 misrepresented its financial statements for FY 2018-19 and failed to present the “True and Fair” picture of its financial statements. It was observed that Noticee 4, being at the helm of the financial decisions of Noticee 1, it was his responsibility to prevent the accounting irregularities in the company and to present a “True and Fair” picture of the affairs of company and therefore Noticee 4 failed in the discharging his duties and thus, is also responsible for the violations committed by Noticee 1. In view of the same, it has been alleged that Noticee 4 has violated Regulation 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of LODR Regulations r/w Section 27 of SEBI Act, 1992

Reply of Noticees:

14.10 In response to the allegations in the SCN the Noticees have inter-alia submitted that:

14.11 the allegation to penalize all the directors is wholly unwarranted. Merely because the Noticees No 2 and 3 are directors does not make them liable. There must be a specific finding that all the Directors were responsible for the alleged violation and were in charge of the affairs of the Company. In the instant case, there is no shred of evidence to show that the alleged act was committed by any of the Directors from which a reasonable inference could be drawn that the said Directors could also be vicariously liable. Vicarious liability can be inferred against a Company and its Directors only if the requisite assertions / allegations are averred in the Show Cause Notice so as to make the Company and its Directors vicariously liable for the violation of the provisions of the Act and its Regulations. The assertions / allegations should also include that the Director / Directors were in charge of and responsible for the business of the Company and by virtue of their position they are liable for penalty. In the instant case, no such allegations has been made in the SCN. Thus, Noticee Nos. 2 and 3 have not violated the LODR Regulations and thus Section 27 of the SEBI Act cannot be imposed in the present case.

14.12 On a bare perusal of Regulation 17(8), it is submitted that the CFO and CEO have to provide the certificate **only** to the Board of Directors. The certificate issued by the Noticee Nos. 2 and 3 as a CEO and CFO of Notice No. 1 was issued to the best of their knowledge and belief that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

14.13 Noticee submitted that certification required to be issued by the CEO and CFO under the LODR Regulations is issued "to the best of our knowledge and belief". Thus, it is stated that the certificate issued by the Noticee Nos. 3 and 4 as CEO and CFO of Noticee No. 1 was to the best of their knowledge and belief which was based on information available to them. Thus, it is denied that the Noticees Nos. 2 and 3 have violated Regulation 17(8) of the LODR Regulations.

14.14 factors contemplated under Section 15J are required to be taken into consideration before imposing a penalty. If it is found that a party has not acted deliberately, then the authority has a discretion, to be exercised judicially, whether in a given case, after taking into consideration of all the relevant circumstances, as to whether a penalty should be imposed or not. Penalty should not be imposed when there is a technical or venial breach of the provisions of the Act. The above was precisely held by the Supreme Court in *M/s. Hindustan Steel Ltd. vs. State of Orissa*, 1969(2) SCC 627. In the present case, it is submitted that no iota of evidence has been produced by SEBI to show that the Noticees Nos. 2 and 3 have acted deliberately. Noticee 1 has also relied upon the observation of The Hon'ble SAT in the case of *DSE Financial Services Ltd v. SEBI* (Appeal No. 153 of 2012) that punitive action was not justified for violations committed that are mostly technical in nature; some of them are solitary instances and for others the appellant has mostly taken/ initiated corrective measures.

14.15 it is a fit case where no penalty could be imposed and the question of imposing the maximum penalty in the given facts and circumstance does not arise. Even if there is a finding of fault or a violation, Noticee submitted that there is no compulsion to impose penalty if the breach is not found to be a material one. Noticees referred to Adjudication Orders in respect to Utsav Pathak in the matter of Insider trading in the scrip of CRISIL Ltd dated 30 August 2019; Order in the matter of Astrazeneca Pharma

India Ltd. dated 5 June 2020. Further, it was submitted that the Company has achieved substantial compliance and in this regard has obtained and submitted a certificate from their auditors that these are historic issues and for most of the allegations, there have been no issue in FY 22-23.

Findings:

14.16 The company/Noticee 1 being a legal entity acts through the human mind represented by the Board of Directors who are responsible for all the acts of omission and commission by the Company/Noticee1. The directors are expected to take utmost care in dealing with the affairs of the Company and to ensure that all applicable laws are being complied with. In terms of Regulation 4(2)(f)(i)(2), Regulation 4(2)(f)(ii)(6) and (7) of LODR Regulations, 2015 , the Board of Directors are required to conduct themselves as to meet the expectations of operational transparency to stakeholders, managing potential conflict of interest in related party transactions and to ensure the integrity of the listed company's accounting and financial systems. As per Regulation 4(2)(f)(ii)(2) and 4(2)(f)(iii)(7) of LODR Regulations, 2015 ,the Board of Directors are required to monitor the effectiveness of the listed entity's governance practices and make changes as needed and exercise objective independent judgement on corporate affairs. In terms of Regulations 17 (8) of LODR Regulations, 2015, the Chief Executive Officer and the Chief Financial Officer shall provide compliance certificate to the board of directors as specified in Part B of Schedule II, thereby certifying that the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading. Further, the statements together present a true and fair view of the listed entity's affairs and are in compliance.

14.17 I do not agree with the contention of the Noticees that the SCN has not alleged or brought out the role played by the Directors on which account vicarious liability is being cast on them. As brought out in paragraphs 15.1 to 15.9 the SCN has dealt at great length to roles and responsibilities of the Noticees 2 and 3 and the grounds for allegations of violations alleged to be committed by them as also the SCN has mentioned the provisions which have been violated by the Noticees 2 and 3.

14.18 In this respect, I note that the Hon'ble Supreme Court, in the matter of N Narayanan v. Adjudicating Officer, SEBI (Civil Appeals No. 4112-4113 of 2013) has observed as under:

"33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provided against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially."

14.19 Thus, in view of the above observations made by the Hon'ble Supreme Court, and the various violations that have been established in the above paragraphs of the Order I find that the Directors of Noticee. 1 (viz. Noticee. 2 to 3) and the Chief Financial Officer (Noticee No. 4) are responsible for non-compliance with the applicable accounting standards which resulted into violations of the SEBI LODR Regulations, 2015. Thus, it is held that the Noticee No. 2, 3 and 4 have violated the provisions as under:

Table 15

Noticee	Violations
Noticee 2	4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.
Noticee 3	Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 Regulation 17(8) of SEBI (LODR) Regulations 2015 Regulations 4(1)(a), (b) & (c), 4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

Noticee 4	Regulation 17(8) of SEBI (LODR) Regulations 2015 Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 r/w Section 27 of SEBI Act, 1992.

Issue No. II If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HB of the SEBI Act, 1992?

15 In view of the abovementioned observations and findings and having considered all the facts and circumstances of the case, the material available on record including the submissions of the Noticees, I hold that the Noticees have violated Regulations as mentioned below:-

a. Noticee 1 :
   - Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015.

b. Noticee 2 :
   - Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015
   - Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

c. Noticee 3 :
   - Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015
   - Regulation 17(8) of SEBI (LODR) Regulations 2015
   - Regulations 4(1)(a), (b) & (c), 4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.

d. Noticee 4 :
   - Regulation 17(8) of SEBI (LODR) Regulations 2015
   - Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 r/w Section 27 of SEBI Act, 1992.

16 The violations established above, make the Noticees liable for monetary penalty under the provisions of Section 15HB of the SEBI Act. In this regard, reliance is placed upon the judgment of Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) which inter-alia has held that - "In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant...".*

The relevant provisions of the aforementioned Section 15HB of the SEBI Act reads as under:

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.

Issue No. III If yes, what would be the quantum of monetary penalty that should be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

17. While determining the quantum of penalty under Section 15HB of SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act which reads as under:

15J – Factors to be taken into account by the adjudicating officer

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 investor/s as a result of the default;
c. the repetitive nature of the default

18. In view of the charges established and the facts and circumstances of the case, the quantum of penalty would depend on the factors referred in Section 15-J of the SEBI Act stated as above and the guiding principles laid down by the Hon'ble Supreme Court in the matter of SEBI v/s. Bhavesh Pabari (CIVIL Appeal No.11311 of 2013), I note that though the material available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the non-compliance committed by the Noticees, however, the act and conduct of the Noticees, being a listed company, being the CMD, JMD and CFO of Noticee 1 (listed company) and being KMP, respectively, cannot be overlooked in this case. As regards the repetitive nature of the default, I do not find on record any regulatory action taken by SEBI in the past against the Noticees for same violations as observed in the present matter.

19. I note that Noticee placed reliance on the judgement of Hon'ble Supreme Court in the matter of *Hindustan Steel Ltd. v. State of Orissa,* (1972 83 ITR 26 (SC)), wherein it has been held that even if minimum penalty is prescribed, the authority competent will be justified in refusing to impose the penalty, when there is technical or venial breach of the provision of act. Further, reliance was also placed reliance on Hon'ble SAT in the case of *DSE Financial Services Ltd v. SEBI* (Appeal No. 153 of 2012) while dealing with the allegations of certain deficiencies with regard to manipulation of certain records maintained by the stock broker. However, I note that the scrip of Company is listed on BSE since October 2017 and by virtue of being a listed company, is required to mandatorily comply with all the applicable and notified Accounting Standards from time to time, as well as abide by the provisions of the Companies Act, 2023. Further, Noticee 1 has submitted that they had made multiple inadvertent errors while reflecting the same in their annual report. The purpose of the annual report is to provide all stakeholders, including shareholders and potential shareholders with a fair, true, clear and concise overview of the company's operations and financial performance. Noticee 1 failed to prepare and publish its financial statements as per the applicable accounting standards

and provisions of the Companies Act, 2023 thereby leading to misrepresentation / misstatement in its financial statements for financial year 2018-19. The stakeholders were therefore, provided with an unfair, unclear summary of the company’s operations and financial performance. Therefore, these violations cannot be considered as venial/technical but is in violation of the mandatorily prescribed Accounting Standards by a listed Company. Further, Noticee 2 and 3 (CMD and Jt. MD) and KMPs of the company were responsible for the day-to-day affairs of the company during the relevant time. It was their responsibility to ensure that the company’s financial statements present true and fair picture of the company’s state of financial affairs. However, they failed to perform their duties and obligations which resulted in publication of misrepresented/misstated financial statements of Noticee 1. Also Noticee 3 had wrongly signed the compliance certificate which inter-alia had stated that these statements together presented a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations. Noticee 4, CFO and KMP of Noticee 1, provided a Compliance Certificate certifying that the financial statements of Noticee 1 do not contain any misleading statement and present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations specified under LODR Regulations thereby failing to perform his duties and obligation resulting in wrong publication of the financial statements of Noticee 1. The allegations established against Noticees are not trivial in nature considering the degree of responsibility cast upon them by the statute and applicable regulations. Considering the role and responsibilities of Noticees in these regards and important obligations cast upon them, in my view, the default by Noticees cannot be ignored. Noticees failed to adhere to the Rules and Regulations as observed in this case and hence, should be dealt with by imposing monetary penalty.

20. I have also considered the submission of Noticee 1 that it has achieved substantial compliance and in this regard has obtained a certificate from their auditors that these are historic issues and for most of the allegations, there have been no issue in FY 22-23.

ORDER

21. Having considered all the facts and circumstances of the case, the material available on record, the submissions of the Noticees, the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI

Act read with Rule 5 of the Adjudication Rules 1995, I hereby impose a monetary penalty on the Noticees as given in the table below:

Table 16

Sl. No.	Noticee	Violations under Section	Penalty under Section	Penalty Amount (INR)
1	Kaarya Facilities and Services Limited	Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015	15HB of SEBI Act, 1992	INR 6,00,000/- (Rupees Six Lakhs only) Noticees are jointly and severally liable to pay the amount of penalty.
	Vishal Panchal, [Promoter, CMD	Regulations 4(1)(a), (b) & (c),4(2)(e), 33(1) (a) & (c), 34(3),48, 53(1) and 71(3) of SEBI (LODR) Regulations, 2015 read with Section 27 of SEBI Act, 1992.		
	Vineet Pandey, [Promoter and Joint Managing Director]			
	Jitendra Adhyaru (Chief Financial Officer)			
2	Vishal Panchal, [Promoter, CMD	Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015	15HB of SEBI Act, 1992	INR 1,00,000/- (Rupees One Lakhs only)
3	Vineet Pandey, [Promoter and Joint Managing Director]	Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7),4(2)(f)(iii)(7) of SEBI (LODR) Regulations, 2015 Regulation 17(8) of SEBI (LODR) Regulations 2015	15HB of SEBI Act, 1992	INR 2,00,000/- (Rupees Two Lakhs only)
4	Jitendra Adhyaru (Chief Financial Officer)	Regulation 17(8) of SEBI (LODR) Regulations 2015.	15HB of SEBI Act, 1992	INR 1,00,000/- (Rupees One Lakhs only)

22. I am of the view that the said penalty is commensurate with the violations on the part of the Noticees.

23. The Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

24. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

Date: March 28, 2024 **SHASHI KUMAR VALSAKUMAR**

Place: Mumbai **ADJUDICATING OFFICER**