BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BM/DS/2023-24/25832-25836]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, AND RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of

Agri-Tech (India) Limited (ATIL) PAN: AAECA3539K	**Sweta Kagliwal** (Managing Director) PAN: AGAPG7869D
Satish Kagliwal (Chairman & Executive Director) PAN: AHKPK9953B	**Rajendra Sharma** (CFO) PAN: AERPS6678B
Ms Reshma Talbani (Compliance Officer / Company Secretary) PAN: AOWPT7215E	

In the matter of
Agri-Tech (India) Limited
(PAN: AAECA3539K)

BACKGROUND:

1. Securities and Exchange Board of India (hereinafter being referred to as "**SEBI**") conducted investigation in the matter of Agri-Tech (India) Limited (hereinafter referred to as "**the Company**"/ "**ATIL**" / "**Noticee 1**"), for the alleged violation of provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**") during the period beginning April 01, 2018 to March 31, 2021 (hereinafter referred to as "**Investigation period**" or "**IP**"). Pursuant to investigation, it was alleged that there were violations of provisions of LODR Regulations with respect to incorrect

disclosures and non-disclosures of various information in their financial statements.

2. In view of the above, SEBI initiated adjudication proceedings under the provisions of Section 15HB of the SEBI Act, 1992 against the following entities for the alleged violations.
   a. Agri-Tech (India) Limited (Noticee 1)
   b. Ms Sweta Lagliwal (Managing Director) (hereinafter referred to as "**Noticee** 2")
   c. Mr Satish Kagliwal (hereinafter referred to as "**Noticee 3**")
   d. Mr Rajendra Sharma (CFO) (hereinafter referred to as "**Noticee 4**")
   e. Ms Reshma Talbani (Compliance Officer / Company Secretary) (hereinafter referred to as "**Noticee 5**")

<u>APPOINTMENT OF ADJUDICATING OFFICER</u>

3. Vide Order dated February 28, 2023, the undersigned was appointed as the Adjudicating Officer (**"AO"**) under Section 19 and Section 15-I of the SEBI Act, and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to enquire into and adjudge under the provisions of Section 15HB of the SEBI Act, 1992, the alleged violations of provisions of regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(2)(b), 4(2)(e), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7), 6(2) and 17(8), 30(2), 33(1)(c), 34(3) and 48 of LODR Regulations by the Noticees.

<u>SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING</u>

4. Show Cause Notice no. EAD/BM/DS/9382/1/2023 dated March 03, 2023 (hereinafter referred to as "**SCN**") was issued by the undersigned to the Noticees via Speed Post Acknowledgement Due (SPAD) and digitally signed e-mail under the provisions of Rule 4(1) of the Adjudication Rules and section 15-I of the SEBI Act, calling upon the Noticees to show cause as to why an inquiry should not be

held against them for the aforesaid alleged violations of provisions of 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(2)(b), 4(2)(e), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7), 6(2) and 17(8), 30(2), 33(1)(c), 34(3) and 48 of LODR Regulations, and why penalty, if any, should not be imposed on it under Section 15HB of the SEBI Act, 1992.

5. The allegations levelled against the Noticees are as under:
   a. During the investigation, various instances of incorrect disclosures and non-disclosures were observed in the financial statements and disclosures made by Noticee 1. Details are provided in forthcoming paragraphs.
   b. Non-disclosure of Related Party Transactions (RPTs): ATIL had sold land worth ₹ 20.21 crore to its related entity - Nath Bio-Genes (India) Ltd ("NBIL") during FY 2018-19. It was observed that NBIL being listed entity had shown the transactions under "Related Party Disclosures" in its Annual Financial Statements for FY 2018-19. However, no such selling of land worth of ₹ 20.21 crore to NBIL, was shown by ATIL under "Related Party Disclosures". The same was allegedly found to be in contravention of the provisions of Ind AS 24–Related Party Disclosures which inter alia requires that an entity should disclose its transactions with its related parties. Hence, it was alleged that Noticee 1 has violated provisions of Regulation 4(1)(a), 4(1)(b), 33(1)(c), 34(3) and 48 of LODR Regulations.
   c. Incorrect disclosure of shareholdings in related entities: It was observed that ATIL, in its Annual Reports for FYs 2018-19 and 2019-20, declared as Nil shareholding in NBIL. However, on perusal of shareholding details of NBIL on the BSE's website, it was observed that ATIL was shown to be a shareholder owning 7.87% in NBIL for FYs 2018-19 and 2019-20.
   d. Further, with regard to ATIL's shareholding in another company, Paithan Mega Food Park Pvt. Ltd. ("PMFPPL"), it was also shown as Nil on page no. 23 of the Annual Report for FY 2019-20, whereas it was shown as 49.2% on page

no. 98 of the Annual Report for FY 2019-20. The same anomaly/ misstatement was also observed in the Annual Report for FY 2020-21 (Reference pages 30 and 110). As per Regulations 4(1)(c) and 4(2)(e) of LODR Regulations, a listed entity shall ensure that the information provided to recognised stock exchange(s) and investors is not misleading. Hence, it was alleged that Noticee 1 has violated the provisions of Regulations 4(1)(c) and 4(2)(e) of LODR Regulations.

e. Incorrect disclosures regarding Associate Companies: It was observed that ATIL mentioned 4 companies namely NBIL, Nath Bio-Technologies Ltd, Tech India Nirman Ltd and PMFPPL as its Associate Companies in its Annual Reports for FYs 2018-19 and 2019-20. However, the company, vide letter dated August 12, 2022 stated that NBIL, Nath Bio-Technologies Ltd and Tech India Nirman Ltd were related parties and not its associate companies and they were erroneously shown as associate companies in its Annual Reports for FYs 2018-19 and 2019-20. Hence, it was alleged that Noticee 1 has violated the provisions of Regulations 4(1)(c) and 4(2)(e) of LODR Regulations.

f. Non-disclosure of Charges on immovable properties: It was observed that ATIL had the following charges on its immovable properties for availing loans/ borrowing from various lenders, which were not disclosed by the company in financial years 2018-19, 2019-20 and 2020-21.

Date of Charge	Amount (Rs.)	Details
15/09/2018 (modified on 18/11/2020)	7 Crore	The charge was created on the immovable property of ATIL for the loan sanctioned to PMFPPL.
07/06/2018	4 Crore	The charge was created on the immovable property of ATIL for Cash Credit Limits of Rs. 4 crore given by a bank to Tapovan International Trading Pvt. Ltd-a sister concern of ATIL.
12/01/2018	30 Crore	Collateral Security by way of offering land owned by the company was given to IDBI Bank Limited for term loan of Rs. 30 crores to PMFPPL.
Total	**41 Crore**	

g. As per Ind AS 107 on Financial Instruments and Ind AS 16 on Property, Plant and Equipment, relevant disclosures in this regard are required to be made by a listed entity. Hence, it was alleged that Noticee 1 has violated the provisions of Regulation 4(1) (a), 4(1)(b), 33(1)(c) and 48 of LODR Regulations.

h. Non-disclosure regarding resignation of ATIL's Directors: It was observed that

   i. Mr Shrirang Agrawal resigned as Independent Director from ATIL with effect from February 15, 2022. However, the same was not disclosed to BSE and was disclosed to NSE with a delay of more than 5 months.

   ii. Mr Kashinath Ganapathy Iyer resigned as Independent Director of the company with effect from October 30, 2020. ATIL had made the disclosure to both the exchanges. However, the reason of resignation was not specified by ATIL in its disclosures.

   iii. Mr Akash Kagliwal resigned as Managing Director of the company with effect from March 25, 2019. However, the disclosures were made with a delay of more than 15 days.

i. Hence, it was alleged that ATIL has violated provisions of violated Regulation 4(1)(d) and 4(2)(b) of LODR Regulations.

j. Role of Noticees 2, 3, 4 and 5: Noticee 2, being managing director of ATIL and Noticee 3, being chairman and executive director of ATIL, were Key Managerial Personnel ("KMP") of the company as per the Companies Act 2013. They attended all the board meetings (total 14) conducted FY 2018-19 to 2020-21. Thus, they were actively involved in the company's day to day affairs. Hence, it was alleged that Noticees 2 and 3 have violated corporate governance provisions provided in Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8) and 4(2)(f)(iii)(7) of LODR Regulations

k. Noticees 2 and 4 have provided compliance certificate to the board of directors as specified in Part B of Schedule II, for the purpose of Regulation 17(8) of LODR Regulations, which states that the company's annual accounts and financial statements present a true and fair view of the company's affairs in compliance with existing accounting standards, applicable laws and regulations, for the financial years 2019-20 and 2020-21. Also, Noticees 3 and 4 have provided the compliance certificate for financial year 2018-19. Hence, Noticees 2, 3 and 4 were alleged to have violated the provisions of Regulation 17(8) of LODR Regulations.

l. Noticee 5, being the compliance officer of Noticee 1, as per Regulation 6(2) of LODR Regulations, is responsible for ensuring conformity with applicable regulatory provisions, and ensuring correct procedures are followed to report correct, authentic and comprehensive information, statements and reports filed by the listed entity to stock exchanges. Hence, it was alleged that Noticee 5 has violated provisions of Regulation 6(2) of LODR Regulations.

6. Vide letter dated March 17, 2023, Noticee submitted its reply to the SCN. The main contentions are summarized below.

   a. *<u>Non-Disclosure of Related Party Transactions (RPTs)</u> - During FY 2018-19 Noticee 1 had sold 75.76 Hectares land to Nath Bio-Genes India Limited (NBIL). The same was properly accounted for in the books of accounts of both the companies and audited as such. This transaction was shown as a RPT in the Annual Report of NBIL under Note 43. The same was also disclosed as a foot note to Note no 3 to the Annual Report of ATIL as a RPT. However, it was erroneously missed out to be mentioned as Related Party Disclosure in Note 32 of the Annual Report of ATIL. The error was totally unintentional and an oversight.*

   b. *<u>Incorrect disclosure of shareholding in related entities</u> - ATIL was holding 1495131 shares of NBIL (Related Party) during FY 2018-19 and 2019-20. The said investment was shown in Note 4 to the Financial Statements. In MGT-9 of the Annual Report for the FYs 2018-19 and 2019-20, the ATIL had shown Nath Bio-Genes India Limited as an Associate Company. However, ATIL held only 7.87 % of the share capital of NBIL and hence was not an associate* *company of ATIL, being less than 20% of the Share capital of NBIL. In the wrong depiction of NBIL as an Associate company of ATIL, the shareholding of ATL in NBIL was also shown as NIL.*

c. *ATL was holding 12300000 shares of PMFPL (Related Party) during FY 2018-19 and 2019-20. The said investment was shown in Note 4 to the Financial Statements. In MGT-9 of the Annual Report for the FYs 2018-19 and 2019-20, the ATIL had correctly shown Paithan Mega Food Park Private Limited as an Associate Company. However, erroneously, the shareholding % was shown as nil. Since, ATIL had shown the investment in Note 4 to the Financial Statement but not shown the same in MGT 9, the omission of the shareholding of 49.2% may not be considered as misrepresentation or misleading information under Regulation 4(1)(c) of LODR Regulations, because the fact has been declared in the Financial Statement but missed out in MGT 9, being part of Directors Report.*

d. *Incorrect disclosure regarding Associate Companies: In MGT-9 of the Annual Report (Attachment A) for the FYs 2018-19 and 2019-20, ATIL had shown Nath Bio-Genes India Limited, Nath Bio Technologies Limited, Techindia Nimran Limited and Paithan Mega Food Park Private Limited as Associate Companies. ATIL held only 7.87 % of the share capital of NBIL and hence NBIL was not an associate company of ATIL, being less than 20% of the Share capital of NBIL. Further, ATIL had nil shareholding in NBT and TIN, and as such these two were also not Associate Companies of ATIL. Although, these companies were not Associate Companies but Related Parties and hence all RPTs with these companies had been duly disclosed in the Financial Statements of ATIL. Since, ATIL had shown the RPTs of NBIL, NBT and TIN in the Financial Statement and had erroneously mentioned these as associate companies (actually not being so) the mention as associate companies in attachment of MGT 9 of the Directors Report may not be considered as* *misrepresentation or misleading information under Regulation 4(1)(c) of LODR Regulations.*

e. *<u>Non-Disclosure of Charges on immovable properties</u>: As per Ind AS 16, the Financial Statement shall disclose existence and restriction for pledged security for liability. Since ATL had not incurred any liability and not created a pledge, non-compliance under Ind AS 16 may not be applicable. The company had disclosed the Financial Assets in Note 24 of the Financial Statement of FY 2018-19, Note 23 of the Financial Statement of 2019-20 and Note 24 of the Financial Statement of 2020-21. There is no pledge on these financial assets as collateral or otherwise. There is also no risk to these assets. Accordingly, non-compliance under Ind AS 107 may also not be applicable.*

f. *<u>Non-Disclosure regarding resignation of ATIL's Directors</u>: Mr. Shrirang Agrawal, an Independent Director of the Company, had attained the age of 75 years on Feb 15, 2022. Accordingly, he resigned as director of the company. However, inadvertently, the intimation to the exchange was not made. However, in the Corporate Governance Report, for the Quarter Ended Mar 2022, submitted to the Stock Exchange, the resignation date of Mr. Shrirang Agrawal was duly reflected. On realisation of non-intimation, the intimation was uploaded on the Exchange on 19th July 2022.*

g. *Mr. Kashinath Ganapathy Iyer, an Independent Director of the Company, resigned as director of the company on Oct 30, 2020. The resignation intimation was provided to the exchanges in time on Oct 30, 2020. The reason for resignation was also provided to the Stock Exchange on 03 Nov 2020. Although the company had provided timely information under Rule 4(1)(d), adequacy of the information, due to the delay in providing reason of resignation can be considered as inadequacy.*

h. *Mr. Akash Kagliwal, Managing Director of the Company, resigned with effect from March 25, 2019. The intimation was provided to the exchanges on April 11, 2019. The reason for the delay of 16 days was due to the staff being* *occupied with year-end operations. Although the company had provided requisite information under Rule 4(1)(d), it was delayed, due to year-end operations and can be considered as a delayed intimation.*

i. *Violation under Rule 4(2)(b) may not be applicable in this case, as the information required to be furnished under 4(2)(b)(i) to 4(2)(b)(iii) is not applicable to the current case.*

j. *It was also submitted that*

   i. *The errors or mistakes, in various issues, as above, were totally unintentional and without any intention to mis inform or mislead the statutory authorities or the investing community at large.*

   ii. *Further, the disclosures or intimations have been made at some point in the Annual Report or otherwise, thereby confirming the fact that the company had bonafide intention to intimate/declare.*

   iii. *The omissions are basically technical in nature.*

   iv. *Irrespective of the mistakes or omissions, no investor of the company has been put to loss or his interest jeopardized.*

   v. *The company itself has also not accrued any gain from these omissions.*

   vi. *Also, the promoters have not made any gain or mis used such omissions to their advantage.*

   vii. *No inappropriate movement in the share price of the company has occurred due to these omissions.*

   viii. *The Adjudicating Officer was requested to consider the omissions as an unintentional but avoidable omission and condone the same, and ensured to take better care in future.*

7. *Vide letters dated March 21, 2023 by Noticees 2 and 3 and letters dated March 23, 2023 by Noticees 4 and 5, similar worded submissions were received. The main contentions are summarized below.*

a. *Noticees 2 and 3 submitted that Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations cannot be considered to have been violated by them as they have always exercised due diligence in their performance of duties. Technical or unintentional omission should not be considered as violation of the aforesaid regulations.*

b. *Noticee 4 submitted that 17(8) of LODR Regulations cannot be considered to have been violated by him, as the compliance certificate was furnished to the Board of Directors and also made part of the Annual Report. Technical or unintentional omission should not be considered as violation of the aforesaid regulations.*

c. *Noticee 5 submitted that Regulation 6(2) of LODR Regulations, if violated, was either technical or unintentional omission, which should not be considered as intentional lapse of regulations.*

d. *Noticees 2, 3, 4 and 5 also submitted that*

i. *The errors or mistakes, in various issues, as above, were totally unintentional and without any intention to mis inform or mislead the statutory authorities or the investing community at large.*

ii. *Further, the disclosures or intimations have been made at some point in the Annual Report or otherwise, thereby confirming the fact that the company had bonafide intention to intimate/declare.*

iii. *The omissions are basically technical in nature.*

iv. *Irrespective of the mistakes or omissions, no investor of the company has been put to loss or his interest jeopardized.*

v. *The company itself has also not accrued any gain from these omissions.*

vi. *Also, the promoters have not made any gain or mis used such omissions to their advantage.*

vii. *No inappropriate movement in the share price of the company has occurred due to these omissions.*

viii. *The Adjudicating Officer was requested to consider the omissions as an unintentional but avoidable omission and condone the same, and ensured to take better care in future.*

8. In the interest of natural justice, the Noticees were provided an opportunity of hearing in the present matter. Vide notice dated March 16, 2023, the Noticees were advised to appear before the undersigned on April 11, 2023. The Noticees, represented by their Authorised Representative (hereinafter being referred to as "**AR**") appeared on the scheduled date and time and reiterated the submissions already made vide letters dated March 17, 2023, March 21, 2023 and March 23, 2023.

ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS

9. After perusal of the material available on record, I have the following issues for consideration.

   ISSUE I: Whether Noticee 1 has violated provisions of regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(2)(b), 4(2)(e), 30(2), 33(1)(c), 34(3) and 48 of LODR Regulations?

   ISSUE II: Whether Noticees 2 and 3 have violated the provisions of regulations *4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations: Whether Noticees 4 and 5 have violated the provisions of regulations 17(8) and 6(2) respectively?*

   ISSUE III: Does the violation, if any, on part of the Noticees attract penalty under Section 15HB of the SEBI Act?

   ISSUE IV: If so, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

10. Before moving forward it is pertinent to refer to the relevant provisions of NCRPS Regulations which read as under:

<u>SEBI LODR Regulations, 2015</u>

Principles governing disclosures and obligations.

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

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

(b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

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

(e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

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

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

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

Regulation 4 (2) *The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.*
…
(b) Timely information: The listed entity shall provide adequate and timely information to shareholders, including but not limited to the following:
(i) sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
(ii) Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.
(iii) rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares.

(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.

Regulation 4. (2) (f) Responsibilities of the Board of Directors:
Disclosure of information:
4(2)(f)(i) (1)…..
4(2)(f)(i)(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making."

Key functions of the board of directors:
4(2)(f)(ii)(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed."
4(2)(f)(ii)(7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards."
4(2)(f)(ii)(8) Overseeing the process of disclosure and communications.

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

Regulation 6: Compliance Officer and his/her Obligations.
6. (1) ………
(2) The compliance officer of the listed entity shall be responsible for-

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

(b) co-ordination with and reporting to the Board, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.

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

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.

Disclosure of events or information.

***30.** (1)……….*

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

Financial results.

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

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

(b)……

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

Annual Report.

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

(a)…

(b) consolidated financial statements audited by its statutory auditors;

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.

Accounting Standards.

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

<u>FINDINGS</u>

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

ISSUE I. Whether Noticee 1 has violated provisions of regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(2)(b), 4(2)(e), 30(2), 33(1)(c), 34(3) and 48 of LODR Regulations?

12. From the SCN, I note that Noticee 1 has been alleged for violation of LODR Regulations, upon observation of instances of incorrect disclosures and non disclosures in its financial statements. The alleged violations and corresponding regulatory provisions are given in the table below.

Sr. No.	Alleged Violations	Regulatory Provisions
1	Non-disclosure of related party transactions (RPTs)	Regulation 4(1)(a), 4(1)(b), 33(1)(c), 34(3) and 48 of LODR Regulations
2	Incorrect disclosures of shareholdings in related parties	Regulations 4(1)(c) and 4(2)(e) of LODR Regulations

3	Incorrect disclosures regarding Associate Companies	Regulations 4(1)(c) and 4(2)(e) of LODR Regulations
4	Non-disclosure of Charges on immovable properties	Regulation 4(1) (a), 4(1)(b), 33(1)(c) and 48 of LODR Regulations
5	Non-disclosures/ delayed disclosures regarding resignation of Noticee 1's directors	Regulation 4(1)(d) and 4(2)(b) of LODR Regulations

13. I will now proceed with my findings in each of the alleged violations against Noticee 1.

<u>Non-disclosure of related party transactions (RPTs)</u>

14. It has been alleged that Noticee 1 has violated provisions of Regulation 4(1)(a), 4(1)(b), 33(1)(c), 34(3) and 48 of LODR Regulations by not disclosing its related party transaction with NBIL in its financial statements for FY 2018-19.

15. I note that Noticee 1 had sold land worth ₹20.21 crore to one of its related party, Nath Bio-Genes (India) Limited (**NBIL**) in FY 2018-19. It was observed that Noticee 1 had not shown this transaction in its Related Party Disclosures in the Annual Financial Statements for FY 2018-19.

16. As per Ind-AS 24 – Related Party Disclosures, an entity should disclose its transactions with related parties. As per Regulation 4(1)(a), 4(1)(b), 33(1)(c), 34(3) and 48 of LODR Regulations, a listed entity shall make all disclosures of information in accordance with notified and applicable accounting standards, Companies Act, 2013 and as per generally accepted accounting principles in India, along with other requirements as specified in Schedule V of LODR Regulations.

17. Noticee 1 has submitted that it had sold 75.76 hectares of land to NBIL in FY 2018-19, which was properly accounted in its books of accounts and also audited. The transaction was also disclosed in the footnote to Note 3 Property, plant and Equipment in its Notes to Financial Statements. However, it was erroneously missed out to be mentioned in Note 32 as Related Party Disclosures. The error was unintentional and an oversight.

18. I note that the transaction with related party, i.e. NBIL, with respect to sale of 75.76 hectares of land to NBIL, was not disclosed by Noticee 1 as prescribed in Ind-AS 24 – Related Party Disclosures. Admittedly, Noticee 1 had failed to make proper disclosures regarding the same.

19. In view of the foregoing paragraphs, I find that Noticee has violated provisions of Regulation 4(1)(a), 4(1)(b), 33(1)(c), 34(3) and 48 of LODR Regulations by not disclosing its related party transaction with NBIL in its financial statements for FY 2018-19.

<u>Incorrect disclosures of shareholdings in related parties</u>

20. It has been alleged that Noticee 1 has violated the provisions of Regulations 4(1)(c) and 4(2)(e) of LODR Regulations by not providing accurate information regarding its shareholding in NBIL and PMFPPL in Form MGT-9, which was part of its annual report for FY 2018-19 and FY 2019-20.

21. As per Regulations 4(1)(c) and 4(2)(e) of LODR Regulations, a listed entity shall ensure timely and accurate disclosure on all material matters, and shall also ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

22. It was observed that Noticee 1, in its financial statements for FY 2018-19 and FY 2019-20, disclosed its shareholding in NBIL as NIL in Form MGT-9, which is the extract of annual return, annexed with Directors' Report. However, it was observed from the BSE website that Noticee 1 was holding 7.87% in NBIL as on March 31, 2019 and March 31, 2020.

23. It was also observed that Noticee 1, in its financial statements for FY 2019-20, disclosed its shareholding in Paithan Mega Food Park Pvt. Ltd. (**PMFPPL**) as NIL in Form MGT-9, which is the extract of annual return, annexed with Directors' Report. Further, it was observed from Note 4 – Non Current Investments, to the Financial Statements that Noticee 1 held 49.2% of shares in PMFPPL.

24. From the annual reports for FY 2018-19 and 2019-20 and submissions made by Noticee 1, I note that Noticee 1 was holding 7.87% of shares in NBIL in FY 2018-19 and 2019-20 and it was also holding 49.2% of shares in PMFPPL in FY 2019-20. However, it reported its shareholding in both these companies as NIL in Form MGT-9.

25. Noticee 1 has also accepted that these disclosures were erroneously made in Form MGT-9. Thus, admittedly Noticee 1 failed to make accurate disclosures.

26. In view of the above, I conclude that Noticee 1 is in violation of provisions of Regulations 4(1)(c) and 4(2)(e) of LODR Regulations.

<u>Incorrect disclosures regarding Associate Companies</u>

27. It has been alleged that Noticee 1 made incorrect disclosures regarding its associate companies in the Annual Report for FYs 2018-19 and 2019-20, thus violating the provisions of Regulations 4(1)(c) and 4(2)(e) of SEBI (LODR) Regulations.

28. It was observed that Noticee 1, in its financial statements for FY 2018-19 and FY 2019-20, had disclosed the particulars of four companies, namely NBIL, Nath Bio-Technologies Ltd, Tech India Nirman Ltd and PMFPPL as its Associate Companies in Form MGT-09, which is the extract of annual return, annexed with Directors' Report. However, it was observed from its letter dated August 12, 2022 that NBIL, Nath Bio-Technologies Ltd, Tech India Nirman Ltd were related parties and not its associate companies.

29. From the annual reports for FY 2018-19 and 2019-20 and submissions made by Noticee 1, I note that NBIL, Nath Bio-Technologies Ltd, Tech India Nirman Ltd were related parties and not its associate companies. However, Noticee 1 reported these companies as associate companies in FY 2019-19 and 2019-20.

30. Noticee 1 has also accepted that the NBIL, Nath Bio-Technologies Ltd, Tech India Nirman Ltd were erroneously and unintentionally shown as Associate Companies in Form MGT-09. Thus, admittedly Noticee 1 did not make correct disclosures in its Form MGT-09 pertaining to FYs 2018-19 and 2019-20.

31. In view of the above, I conclude that Noticee 1 is in violation of provisions of Regulations 4(1)(c) and 4(2)(e) of LODR Regulations.

<u>Non-disclosure of Charges on immovable properties</u>

32. It was alleged that ATIL did not comply with the Ind AS 107 and 16 with regard to disclosure of charges against immovable properties in its financial statements and thus, violated the provisions of Regulation 4(1) (a), 4(1)(b), 33(1)(c) and 48 of LODR Regulations.

33. As per Ind AS 107 on Financial Instruments, an entity is required to disclose the details of financial instruments in their financial statements so as to enable users to evaluate the nature and extent of risks arising from such instruments. As per Ind AS 16 on Property, Plant and Equipment, the financial statements shall disclose the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities. As per Regulation 4(1) (a), 4(1)(b), 33(1)(c) and 48 of LODR Regulations, a listed entity shall make all disclosures of information in accordance with notified and applicable accounting standards, and as per generally accepted accounting principles in India.

34. Noticee 1 submitted that there were charges over its immovable property during FY 2018-19, 2019-20 and 2020-21. These charges were created as collateral security against loans availed by its associate company, PMFPPL. The charges are duly registered with ROC. However, Noticee 1 had not availed any loan/ borrowings from any financial institution. Hence, non-compliance under Ind AS 16 and 107 are not applicable as Noticee 1 has not incurred any liability, or created pledge on its financial assets as collateral or otherwise, and there is no risk to its assets. Hence, it cannot be alleged to have violated provisions of Regulation 4(1) (a), 4(1)(b), 33(1)(c) and 48 of LODR Regulations.

35. From the annual reports for FY 2018-19, 2019-20 and 2020-21 and submissions made by Noticee 1, I note that Noticee 1 had the following charges on its immovable properties for availing loans/ borrowing from various lenders, which were not disclosed by the company in financial years 2018-19, 2019-20 and 2020-21.

Date of Charge	Amount (Rs.)	Details
15/09/2018 (modified on 18/11/2020)	7 Crore	The charge was created on the immovable property of ATIL for the loan sanctioned to PMFPPL.
07/06/2018	4 Crore	The charge was created on the immovable property of ATIL for Cash Credit Limits of Rs. 4 crore given by a bank to Tapovan International Trading Pvt. Ltd-a sister concern of ATIL.

12/01/2018	30 Crore	Collateral Security by way of offering land owned by the company was given to IDBI Bank Limited for term loan of Rs. 30 crores to PMFPPL.
Total	**41 Crore**	

36. I note that paragraph 74 of Ind AS 16, Property, Plant and Equipment prescribes that the financial statements shall disclose the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities. Hence, Noticee 1 was required to disclose the information regarding charges created on its immovable properties in FY 2018-19, 2019-20 and 2020-21. Noticee 1 has contended that as the charges were not created for the liabilities incurred by Noticee 1, it was not applicable. However, it is understood from the reading of paragraph 74 of Ind AS 16 that the disclosures are made about *the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities*. For clear understanding of restrictions on its non-current assets, an entity should disclose all the charges created during the reporting period, whether the same were created against liabilities of the entity or any other entities. However, Noticee 1 did not make disclosures of charges created on its immovable property, as required under Ind AS 16 and hence, failed to comply with all the requirements of Ind AS 16.

37. It was also alleged that Noticee 1 has not complied with requirements of disclosures under Ind AS 107. I note that paragraph 14 of Ind AS 107, Financial Instruments: Disclosures, prescribes disclosure of details regarding pledging of financial assets as collateral. A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another entity. However, the immovable property, i.e. land and / or building cannot be considered as financial assets. Hence, Ind AS 107 will not be applicable.

38. In view of the aforesaid, I find that Noticee 1 has violated provisions of Regulation 4(1) (a), 4(1)(b), 33(1)(c) and 48 of LODR Regulations by not complying with Ind AS 16 regarding disclosures in financial statements about creation of charge against its immovable properties.

Non-disclosure regarding resignation of ATIL's Directors

39. It was observed that Noticee 1 made delayed disclosures regarding resignation of Mr Shrirang Agrawal, Independent Director of Noticee 1 and Mr Akash Kagliwal, Managing Director of Noticee 1. It was also observed that reason of resignation of Mr Kashinath Ganapathy Iyer, Independent Director of Noticee 1, was not disclosed to the exchanges. Hence, it was alleged that Noticee 1 had violated provisions of Regulation 4(1)(d) and 4(2)(b) of LODR Regulations.

40. As per Regulation 4(1)(d) and 4(2)(b) of LODR Regulations, a listed entity shall make applicable financial disclosures and comply with the corporate governance provisions as specified in chapter IV of LODR Regulations, with an objective to provide timely information to shareholders.

41. Details regarding date of resignation, date of disclosures and delay in making disclosures are provided in the table below.

Sr. No.	**Director**	**Resignation Date**	**Disclosure to be made by**	**Date of disclosures made by Noticee 1**	**Delay in making disclosures**
1	Shrirang Agrawal, Independent Director	15/02/2022	Within 7 days	19/07/2022	~ 5 months
2	Akash Kagliwal, Managing Director	25/03/2019	Within 24 hours	11/04/2019	~16 days
3	Kashinath Ganapathy Iyer,	30/10/2022	Within 7 days	30/10/2022	Read Note 1 below.

	Independent Director				

Note 1: No disclosures were made regarding reasons of resignation of Mr Kashinath Ganapathy Iyer. When clarification was sought by NSE regarding reasons of resignation, the same was provided by Noticee 1 on November 03, 2020. However, no intimation was made to BSE.

42. Noticee 1 has submitted that there was inadvertent delay in making disclosures regarding resignation of Mr Shrirang Agrawal, Independent Director of Noticee 1 and Mr Akash Kagliwal, Managing Director of Noticee 1. Mr Shrirang Agrawal resigned on February 15, 2022 and the intimation was made to the Exchanges on July 19, 2022. However, the Corporate Governance Report for the quarter ended March 31, 2022 submitted to the Exchanges was clearly reflecting the resignation of Mr Shrirang Agrawal. Mr Kashinath Ganapathy Iyer resigned on October 30, 2020, and it was disclosed to the Exchanges on the same date. The reason of his resignation was also informed to the Exchanges on November 03, 2020.

43. From the disclosures made by Noticee 1 to the Exchanges and submissions made by Noticee 1, I note that there was delay in intimation to the Exchanges regarding resignation of Mr Shrirang Agrawal of around 5 months, and regarding resignation of Mr Akash Kagliwal by more than 15 days. I also note that Noticee 1 had intimated to the Exchanges regarding the resignation of Mr Kashinath Ganapathy on the date of his resignation. However, the reason of resignation was not intimated by Noticee 1 to the Exchanges. Noticee 1 has submitted that it had intimated the reason of resignation on November 03, 2020. I observe that clarification was sought from Noticee 1 in this regard by the NSE and the same was provided to the NSE on November 03, 2020. However, no such intimation was made by Noticee 1 on BSE website. Admittedly, Noticee 1 failed to make timely disclosures required to be made regarding resignation of directors.

44. In view of the aforesaid, I find that Noticee 1 has violated provisions of Regulation 4(1)(d) and 4(2)(b) of LODR Regulations by not complying with the corporate governance provisions with an objective to provide timely information to the shareholders.

45. Based on the above findings, I conclude that the allegations against Noticee 1 of the violation of provision of regulations 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(2)(b), 4(2)(e), 30(2), 33(1)(c), 34(3) and 48 of LODR Regulations stand established.

ISSUE II: Whether Noticees 2 and 3 have violated the provisions of regulations *4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations? Whether Noticees 4 and 5 have violated the provisions of regulations 17(8) and 6(2) respectively?*

47. It was alleged that

   a. Noticees 2 and 3 have violated provisions of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations ;
   b. Noticee 4 has violated provisions of Regulation 17(8) of LODR Regulations ;
   c. Noticee 5 has violated provisions of Regulation 6(2) of LODR Regulations

47. As per Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8) and 4(2)(f)(iii)(7) of LODR Regulations, the board of directors shall conduct themselves so as to meet the expectations of operational transparency, monitoring the effectiveness of the listed entity's governance practices, ensuring the integrity of the listed entity's accounting and financial reporting systems, compliance with the law and relevant standards, overseeing the process of disclosure and communications and exercise objective independent judgement on corporate affairs.

48. Noticee 2, being managing director of ATIL and Noticee 3, being chairman and executive director of ATIL, were Key Managerial Personnel ("KMP") of the company as per the Companies Act 2013 and were actively involved in the day to day affairs of the company. Hence, considering the violations of Noticee 1 by non-disclosure of related party transactions, incorrect disclosures regarding associate companies and shareholding in them, and in related parties, delayed disclosures regarding resignation of directors and non-disclosures regarding charges created against company's immovable property, I find that Noticees 2 and 3 have not conducted themselves as per Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8) and 4(2)(f)(iii)(7) of LODR Regulations.

49. As per Regulation 17(8) of LODR Regulations, the CEO and CFO shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II, which states that the company's annual accounts that financial statements present a true and fair view of the company's affairs in compliance with existing accounting standards, applicable laws and regulations. As per Regulation 6(2) of LODR Regulations, the compliance officer of a listed entity is responsible for ensuring conformity with applicable regulatory provisions, and ensuring correct procedures are followed to report correct, authentic and comprehensive information, statements and reports filed by the listed entity to stock exchanges.

50. I find that

a. Noticees 2, 3, 4 and 5 were were the signatories of financial statements of ATIL on behalf its Board of Directors for FY 2018-19, 2019-20 and 2020-21.

b. Noticees 3 and 4 certified the company's annual accounts for FY 2018-19 and Noticees 2 and 4 certified the same for FY 2019-20 and 2020-21 in terms of Regulation 17(8) of the SEBI (LODR) Regulations

c. Noticee 5, being compliance officer was responsible for ensuring conformity to provisions of LODR Regulations.

51. Noticees 2, 3, 4 and 5 have submitted that the errors and mistakes were unintentional, and no investors have been or were meant to be harmed by them. They have not accrued any gains and no inappropriate movement in share price has occurred due to the errors/ mistakes.

52. Here, I would like to refer section 27 of the Securities and Exchange Board of India Act, 1992 which provides for the offences by companies and reads in relevant part as under:

Offences by companies.

(1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this subsection shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

53. In view of the non-compliance of LODR Regulations against Noticee 1, by non-disclosure of related party transactions, incorrect disclosures regarding associate companies and shareholding in them, and in related parties, delayed disclosures regarding resignation of directors and non-disclosures regarding charges created against company's immovable property, I conclude that Noticee 2 being the managing director, Noticee 3 being the chairman and executive director, Noticee 4 being the CFO and Noticee 5 being the CS and Compliance Officer of Noticee 1, were responsible and liable for the acts of Noticee 1 and hence the below mentioned violations alleged against them stand established.

a. Noticees 2 and 3 have violated provisions of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations
b. Noticee 4 has violated provisions of Regulation 17(8) of LODR Regulations
c. Noticee 5 has violated provisions of Regulation 6(2) of LODR Regulations

ISSUE III: Does the violation, if any, on part of the Noticees attract penalty under Section 15HB of the SEBI Act?

54. The provisions of Section 15HB of the SEBI Act read as under:

<u>SEBI Act, 1992</u>

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 may extend to one crore rupees.*

55. I further note that, the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361} 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..............."

I am therefore of the view that it is a fit case for imposition of penalty.

ISSUE IV: If so, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

56. While determining the quantum of penalty under Section 15HB of the SEBI Act, it is important to consider the factors relevantly as 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.

57. I am of the view that the disclosures requirements under the respective regulations serve very important purposes. The stock exchange is informed via disclosures so that the investing public can take informed decision regarding the company. Further, timely and accurate disclosures are also the pillars of good corporate governance. Further, Hon'ble Securities Appellate Tribunal ('SAT') in the matter of Coimbatore Flavors & Fragrances Ltd. vs SEBI(Appeal No. 209 of 2014 order dated August 11, 2014), has also held that "*Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same*."

58. Further, Hon'ble SAT in its judgement dated October 14, 2014 in the matter of Virendrakumar Jayantilal Patel vs. SEBI(Appeal No. 299 of 2014), has held that *".......... obligation to make disclosures within the stipulated time is a*

mandatory obligation and penalty is imposed for not complying with the mandatory obligation."

59. I note that the material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticees and the loss, if any, and suffered by the investors as a result of the Noticees failure. I also note that no prior default of the Noticees is available on record.

ORDER

60. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticees, the mitigating factors as stated above and also the factors mentioned in Section 15J of the SEBI Act, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act and Rule 5 of the Adjudication Rules, hereby impose following penalty on the Noticees.

Sr. No.	Name of Noticee	Violation provisions	Penalty
1	Agri-Tech (India) Limited (ATIL) PAN: AAECA3539K	Regulation 4(1)(a), 4(1)(b), 4(1)(c), 4(1)(d), 4(2)(b), 4(2)(e), 30(2), 33(1)(c), 34(3) and 48 of LODR Regulations	₹ 7,00,000/- (Rupees Seven Lakh only) to be payable jointly and severally by Noticees 1 to 5
2	Sweta Kagliwal PAN: AGAPG7869D	Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(ii)(8), 4(2)(f)(iii)(7) and 17(8) of LODR Regulations	
3	Satish Kagliwal PAN: AHKPK9953B		
4	Rajendra Sharma PAN: AERPS6678B	Regulation 17(8) of LODR Regulations	
5	Ms Reshma Talbani PAN: AOWPT7215E	Regulation 6(2) of LODR Regulations	

61. Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT → Orders → Orders of AO → PAY NOW. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in .

62. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

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

Place: Mumbai **BARNALI MUKHERJEE**
Date: April 19, 2023 **ADJUDICATING OFFICER**