BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/VV/AK/2022-23/16714-16718

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

In the matter of Coral Hub Limited

In respect of

Noticee No.	Name of the Entities	PAN
1	Coral Hub Limited	AAACS7326Q
2	Mr. G.S. Chandrashekar	ACCPG6727C
3	Mr. Dilip C Parekh	AACPP4242P
4	Mr. G.S. Vishwanatham	AAZPV0140R
5	Tutis Technologies Ltd	AAACA7948L

(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee nos. and **Noticee 1 to 4** collectively referred to as **"Noticees"**)

A. Background

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) received a anonymous complaint, *inter alia*, alleging that revenues and profit of Coral Hub Limited (hereinafter referred to as **"CHL"**/**"Company"/Noticee 1**) were fabricated and artificial. Subsequeltly, SEBI conducted an investigation into the present matter for the period from April 1, 2008 to June 30, 2010 (hereinafter referred to as **"Investigation Period" / "IP"**) to ascertain the violations, if any, of the provisions of Securities and Exchange Board of India Act, 1992

(hereinafter referred to as the "**SEBI Act**"), SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulation"**) and Securities Contracts (Regulations) Act, 1956 (hereinafter referred to as "**SCR Act**").

2. Upon investigation in the matter of CHL, it was observed that the Noticees (a) published false, inflated and misleading financial results during the Financial Year (FY) 2008-09 and 2009-10 i.e. false and inflated figures of sales were shown and correspondingly figures of profit carried over in the Balance Sheet were also inflated; (b) failed to disclose the sales made to related parties in the Annual Report for FY 2009-10 under related party transactions; and (c) not conducted the board meetings in accordance with the provisions of the listing agreement. Further, summons were delivered to the Noticee 5 on May 23, 2013. However, the Noticee 5 did not reply to the said summons and thereby hampered the process of investigation.

B. APPOINTMENT OF ADJUDICATING OFFICER

3. Competent Authority, in exercise of the powers under section 19 of the SEBI Act, read with section 15-I of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "SEBI Adjudication Rules") and section 23-I of SCRA read with rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the "SCRA Adjudication Rules") appointed the undersigned to inquire into and adjudge under section 15HA, section 15A(a) of SEBI Act, 1992 and section 23E of the SCRA 1956. The aforesaid appointment has been communicated by the communiqué dated February 11, 2021.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

4. Thereafter, a common show cause notice (hereinafter referred to as 'SCN') dated February 18, 2022 was issued to the Noticees (Noticee 1-4) in the matter of CHL to show cause as to why suitable directions under Sections 15HA, and 23E of the SEBI Act should not be issued against Noticees for the alleged violations of provisions as specified in the SCN. Further, a show cause notice dated February 17, 2022 was issued to the Noticee 5 under section 15A(a), in the matter of CHL to show cause as to why suitable directions under Sections 15A(a) of the SEBI Act, 1992 should not be issued against Noticee 5 for the alleged violations of provisions 11(C)(2), 11(C)(3) and 11(C)(6) of the SEBI Act.

5. The SCN dated February 17, 2022 and SCN dated February 18, 2022 are summarised hereunder:

6.1 <u>Non-Compliance of summon</u>

a. The details of Board of Directors of CHL in the IP are given below:

<u>Table No 1</u>

S.N.	Name	Designation	PAN	Appointment as director on
1	**Mr. G S Chandrashekar**	**Chairman**	ACCPG6727C	01/02/2001
2	**Mr. Dilip C Parekh**	Whole Time Director	AACPP4242P	07/01/2000
3	**G S Vishwanathan**	Whole Time Director	AAZPV0140R	07/01/2000
4	**Mr. D M Shirodkar**	independent Director	ABVPS3771Q	10/01/2008
5	**Mr. Harish Sahu**	Independent Director	ACKPS6919E	01/10/2008
6	**Mr. Ghahshayam Joshi**	Independent Director	ADCPJ1416A	15/01/2008

b. As per the Annual Report 2009-10, the following were the amount of sales and profits of CHL (standalone financials excluding that of its subsidiaries) for 2008-09 (12 months) and 2009-10 (15 months):

<u>Table No 2</u>

Particulars	**2008-2009 (12 months)**	**2009-10 (15 months)**
Sales	Rs. 61,08,57,165	Rs. 88,36,78,263
Net Profit after tax	Rs. 14,65,67,035	Rs. 20,11,46,296

c. The customer wise sales for FY 2008- 09 and 2009-10 was provided by CHL vide its letter dated July 15, 2010.

Table No 3

S.N.	Name of the Party	2008-09	% of the sales to the total sales	2009-10(12 months)**	% of the sales to the total sales
1	Raydox Technologies FZ LLC	22,95,13,924	37.57	21,99,43,816	28.93
2	Avington Solutions Ltd.	0	-	1,72,59,682	2.27
3	Rochelle Associates Ltd.	0		1,61,54,281	2.12
4	Digital Connections Co-coordinator Auckland	0	-	43,91,083	0.58
5	N D S USA LLC	14,25,52,112	23.34	18,73,38,148	24.64
6	Food & Agriculture Organization of UN	10,27,66,020	16.82	29,42,58,799	38.71
7	Times 4 Ltd.	8,83,07,600	14.46	0	-
8	Multitrade Corporation	1,97,49,600	3.23	0	-
9	Royal National Institute of Blind	1,25,94,459	2.06	67,28,459	0.89
10	I- Resources	1,44,47100	2.36	1,11,61,152	1.47
11	Canadian National Institute for Blind	7,12,314	0.12	622,352	0.08
12	Hotcourses Ltd	2,50,237	0.04	385,659	0.05
13	Dolphin Computers Access Ltd.	0	-	19,69,004	0.26
	Total	61,08,93,366	100.00	76,02,12,435	100.00

**** For 2009-10, the amounts of sales reported in table No. 2 are for 15 months and Customer wise breakup is for 12 months.

d. To verify the veracity of sales made to above customers, vide letter September 06, 2010, the details of the amount received from them were sought from the CHL. To which no proper reply received from the CHL. Further, vide e-mail dated February 04, 2013, on a query to the Registrar of the companies (Chennai), replied that CHL was not filling Annual Returns from the FY 2010-11 onwards.

e. Thereafter, in view of the above, the investigation team visited corporate office (unit no. 605,606,607,608, Solaris 1, Universal Industrial Estate, Saki Vihar Road Andheri (East) Mumbai) of the company on March 07, 2013 and found that the corporate office was no longer in existence at the given address. The team also visited registered office of the company (Kingsley Chambers, Block no. 26, Ramaswamy Street, Off Usman Road, T Nagar, Chennai-600017) on March 19, 2013 and found that there was no such office at the given address, the building and office had closed down. During the course of Investigation, it was informed by Punjab National Bank that corporate office of CHL in Mumbai at unit no, 605,606,607,608, Solaris 1, Universal Industrial Estate, Saki Vihar Road Andheri (East) Mumbai under mortgage with them was attached, and sold by the Bank.

f. Accordingly, since, company's registered office and corporate Office were not in existence, summons were sent to the company's promoter (Noticee 5) seeking certain documents/information whose details are given below:

g. Summons dated May 23, 2013 were sent to the Noticee 5, promoter of CHL seeking information pertaining to Financial Statements of CHL, signed copies of agenda and minutes of the Board meetings, signed copies of AGMs/EoGMs and Register of attendance of all such meetings related to CHL since 2008-09. Summons were delivered to the Noticee on May 23, 2013. However, the company did not reply to the said summons and thereby hampered the process of investigation. In these circumstances it has been alleged that the Noticee is in non-compliance with, the provisions of 11C (2), 11C (3) & 11C (6) of SEBI Act, 1992.

6.2 <u>Inflated figures of sales</u>

a. **Food And Agriculture Organisation, UN (FAO UN):**

  i. FAO UN contributed 16.82% (Rs. 10,27,66,020) and 38.71% (Rs. 29,42,58,799) of the total sales for FY 2008-09 and FY 2009-10 respectively. Total sales contributed by FAO UN for FY 2008-09 and FY 2009-10 was approx. Rs. 39.70 crore.

  ii. As per FAO UN email dated October 23, 2013, total amount paid to CHL from July 2001 till December 2009 under the contract was US$ 2,98,301.50. (Taking the conversion ratio @ Rs. 50/dollar), the total amount paid to CHL in Rs. comes up to Rs.1,49,15,075/-.

  iii. Thus, the amount of sales to FAO UN by CHL for FY 2008-09 and FY 200910 were inflated and incorrect to the extent of Rs. 38.22 crore.

b. **NDS USA LLC**

i. NDS USA LLC contributed 23.34% (Rs. 14,25,52,112) and 24.64% (Rs. 18,73,38,148) of the total sales for FY 2008-09 and FY 2009-10 respectively. Total sales contributed by NDS USA LLC for FY 2008-09 and FY 2009-10 was approx. Rs. 32.99 crore.

ii. Vide email dated October 07, 2013, NDS USA LLC stated that it was a client of CHL prior to and until May 2007 where CHL offered them IT enabled services and last payments were made to CHL in the month of June 2007.

iii. Thus, the amount of sales to NDS USA LLC by CHL for FY 2008-09 and FY 2009-10 were inflated and incorrect to the extent of Rs. 32.99 crore.

c. Thus, it is alleged that Noticees had shown inflated figures of sales of Rs. 38.22 Cr (approx.) to FAO UN and Rs. 32.99 Cr (approx.) to NDS USA LLC which contributed a total of Rs. 71.21 Cr (approx.), which is 51.90% of the total sales for the FY 2008-09 and FY 2009 - 10. Correspondingly the figures of profit carried over in the Balance Sheet were also inflated.

d. In view of the above, it is alleged that Noticees had violated the provisions of Sections 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulations 3, (b), (c), (d), 4(1), 4(2)(e), (f), (k) & (r) of PFUTP Regulations.

6.3 <u>Allegation in respect of Related Party Transaction</u>*:*

a. It is observed that three entities viz., Raydox Technologies FZ LLC (hereinafter referred to as "Raydox"), Avington Solutions Ltd. (UK) (hereinafter referred to as "Avington") and Rochelle Associates Ltd. (UK) (hereinafter referred to as "Rochelle") together have contributed to 37.57% and 33.32% of the total sales during 2008-09 and 2009-10 respectively.

b. M/s Tutis Technologies Ltd. (hereinafter referred to as **"TTL" / "Tutis/Noticee 5"**) is promoter entity of CHL. Mr. Anthony Lopes, Manager-Administration with TTL was director in Raydox, Avington and Rochelle.

c. As per Mr. Anthony Lopes written statement dated June 5, 2013 and Mr. Suthesh Nair, Vice President Finance of CHL written statement dated April 23, 2013, Raydox, Avington and Rochelle were companies set up and controlled by the directors of CHL namely G.S. Viswanathan, G.S. Chandrasekhar and Dilip C Parekh. Hence, these companies were related to the Directors of CHL.

d. Thus, it is alleged, being related parties of CHL, the sales made to Raydox, Avington and Rochelle should have been disclosed in the Annual Report (2009-10) under related party transactions, which CHL had failed to do so. Hence, it was alleged that CHL and its directors has violated provisions of clause 32 of the Listing agreement read with Section 21 of the SCRA, 1956.

6.4 <u>Allegation in respect of Mis-statement regarding Board Meeting:</u>

a. In Annual Report of CHL for FY 2009-10, it is mentioned that there were 15 Board meetings held during the FY 2009-10, out of which Mr. D M Shirodkar, Mr Harish Sahu and Mr. Ghanshyam Joshi had attended 5, 12 & 15 board meetings respectively. However, Mr. D M Shirodkar, Mr Harish Sahu & Mr. Ghanshyam Joshi had confirmed to SEBI that they have never attended any board meetings. Dilip C Parekh vide his written statement dated April 12, 2013 confirmed that there used to be no formal board meetings held by CHL since April 2008.

b. Thus, in view of the above observation, it is alleged that there were no Board Meetings held by CHL during the FY 2008-09 and 2009-10. Hence, it is alleged that CHL and its directors have violated the provision of clause 49 of the listing agreement read with Section 21 of the SCRA 1956.

6. The process of present Adjudication Proceeding is mentioned below:

a. <u>Delivery of SCN</u>

Table No. 4

Noticee	Name	SCN delivery
1	Coral Hub Ltd	Issued through SPAD, but got undelivered in the following addresses. 1. C409, Solaris 1, Opp L& T Gate No. 6, Saki Vihar Road, Andheri(E), Mumbai – 400072 2. Kingsley Chamber's, Block No. 26, Ramaswami Street, Off Usman Road Nagar, Chennai-600017 3. Unit No. 605, 606,607,608 Solaris Universal Industrial Estate, Saki Vihar Road, Andheri(E), Mumbai- 400072 Therefore, in terms of the rule 7(3) of SEBI adjudication rules, SCN cum Hearing Notice is served through paper publication.
2	GS Chandrashekar	Issued through SPAD and duly delivered to the Noticee.
3	Dilip C Parekh	Issued through SPAD and duly delivered to the Noticee.
4	GS Viswanathan	Issued through SPAD and duly delivered to the Noticee.
5	Tutis Technologies Ltd	Issued through SPAD but got undelivered in the following addresses: 1. C-409, Solaris 1, opp. L&T gate No. 6, Saki Vihar Road, Andheri(E), Mumbai-400072 Therefore, in terms of the rule 7(3) of SEBI adjudication rules, SCN cum Hearing Notice is served through paper publication.

b. Inspection Opportunity, Cross Examination, Hearing Opportunity

Table No 5

Noticee	Remarks
2	As already stated SCN dated February 18, 2022 has been duly served to the Noticee. However, no reply has been submitted by the Noticee 2. Subsequently, considering the material on the record and interest of natural justice undersigned is of opinion that hearing should be granted to the Noticee 2. Accordingly, hearing is scheduled on March 30, 2022 *vide* Hearing Notice dated March 11, 2022. Thereafter, Noticee 2 submitted the request

	for cross examination and inspection of document vide letter dated March 24, 2022. Accordingly, inspection opportunity has been granted to the Noticee 2 and all the relevant documents has been provided to the Noticee. Thereafter, multiple adjournment of hearing, hearing is finally conducted on May 23, 2022. Subsequently, Noticee 2 filed its post hearing submission vide letter dated May 25, 2022.
3	As already stated SCN dated February 18, 2022 has been duly served to the Noticee 3. However, no reply has been submitted by the Noticee 3. Subsequently, considering the material on the record and interest of natural justice undersigned is of opinion that hearing should be granted to the Noticee 3. Accordingly, hearing is scheduled on March 30, 2022 *vide* Hearing Notice dated March 11, 2022. In response to this, Noticee 3 sent an email on March 29 and requested for adjournment of hearing and additional time to file his reply. The aforesaid request is acceded by me and accordingly, vide email dated April 04, 2022, another hearing opportunity, as requested, given to Noticee 3. The email dated April 04, 2022 clearly mentioned that Noticee can file its reply before the date of hearing. However, Noticee 3 chose to filed its reply on the date of hearing *i.e*. April 13, 2022. Hearing is conducted on April 13, 2022. It is noted that during the hearing Noticee 3 made the request of cross examination of Suthesh Nair and Anthony Lopses. The same request is forwarded as an application vide email dated April 13, 2022. Further, Noticee 3 requested for another hearing opportunity. Vide email dated May 10, 2015, Noticee 3 has given another opportunity of hearing on May 23, 2022. Accordingly, hearing is conducted on April 23, 2022. Further, Noticee 3 filed its post hearing submission on May 31, 2022.
4	As already stated SCN dated February 18, 2022 has been duly served to the Noticee 3. Thereafter, Noticee 3 requested for 2-month time by letter dated March 14, 2022. Subsequent to this a hearing notice has been issued to the said Noticee, and Noticee 3 provided opportunity of hearing on March 30, 2022 in terms of rules 4(3) of SEBI Adjudication Rules/SCRA Adjudication Rules. However, hearing opportunity has not been availed by Noticee 3. It is also pertinent to note that no intimation/request for adjournment has been provided by the Noticee 3.

7. Submissions made by Noticee 2 and Noticee 3 are summarised below:

7.1 Noticee 2 [G.S. Chandrashekar (GSC)] vide letters dated May 20, 2012 and May 25, 2022 submitted his reply in the matter, which in brief are as under:

(a) *The said Show Cause Notice has been issued 14 years after the alleged irregularities i.e. inflation of the sales figures in the financial statements of Coral Hub Limited ("the Company') and nearly 10 years after the Noticee resigned as a Non-Executive Director of the Company. Thus, prejudiced the Noticee in adequately defending himself against the allegations as mentioned in the SCN.*

(b) *Mr. Dilip C Parekh, Mr. Anthony Lopes and Mr. Suthesh Nair to make adverse allegations against the Noticee; however, he has not been granted an opportunity to cross examine the said persons. Without the same, SEBI cannot rely upon the statements of the said persons to make adverse findings against the Noticee.*

(c) *SEBI has relied on the ipse dixit of the Food and Agriculture Office of the United Nations ("FAO") and NDS LLC USA ("NDS") to come to the conclusion that the sales figures in respect of sales to FAO and NDS were inflated by the Company for the Financial Years 2008-09 and 2009-10; however, the figures relating to purchase of services as provided by FAO and NDS are not substantiated by any document and record and therefore, cannot be relied upon by SEBI without providing the Noticee with a chance to cross examine the concerned officials of FAO and NDS.*

(d) *Noticee has not been provided with copies of all the relevant documents and records; the Noticee has only been provided with a redacted copy of the Investigation Report, which omits crucial and relevant details.*

(e) *Noticee was a non-executive Director of the Company during the relevant period and he was not involved in the sales or preparation or finalization of accounts; therefore, in respect of the alleged inflation of sales figures, he cannot be considered as an officer in default.*

(f) *I had submitted copies of minutes of a few board meetings available with me to SEBI along with my email dated April 12, 2013, the said email has been considered by the Ld. Whole Time Member of SEBI in the order passed by him on September 3, 2021(paragraph 50) and the WTM has considered the same as being evidence of board meetings of the Company having been held at the relevant time.*

(g) *Noticee submitted that SCN WTM in parallel proceedings despite observing that apart from written statement of Mr. Anthony and Mr.*

Suresh, no other information have been relied upon, concluded that in absence of lack of submission of documentary evidence by him, Raydox was a related party to CHL during 2008-09.

7.2 Noticee 3 [Dilip C Parekh (DCP) vide letters dated April 13, 2022 and dated May 31, 2022 submitted his reply in the matter, which in brief are as under:

a. *Noticee was not qualified enough to overlook the IT operations of CHL, Noticee had no role to play in the company and the Noticee was only brought on the Board to complete the legally required number of directors as required by the Companies Act, 1956.*

b. *detailed perusal of SCN, it can be noted that your goodself has relied on the statements of Mr. Suthesh Nair and Mr, Anthony Lopses. Upon perusal of the same, we would like to request the cross-examination of Mr. Anthony Lopses (Manager — Administration with Tutis Technologies limited) and Mr. Suthesh Nair, Vice-President of CEIL, whose statements relied on by SEBI form a significant part of the allegation against the Noticee. For this purpose, Noticee placed reliance on Hon'ble SAT order in the matter of Bharat Jayantilal Patel vs Securities and Exchange Board of India (Appeal No. 126 of 2010) and Hon'ble Supreme Court order in the matter of SEBI vs Price Waterhouse Civil (Appeal No. 6003-6004/12). In case your goodself wishes to not provide us the cross-examination of Mr. Anthony Lopses and Mr. Suthesh Nair, it iS humbly requested that your goodself ought to be precluded from relying upon the same.*

c. *in the interest of principles of natural justice the Noticee also would like to request your goodself to provide us with the copies of the documents viz copy of Investigation Report, Copy of the documents of the requisite authority relied upon to conclude that the Noticee was a Director Of Raydox Technologies FZ LLC in Dubai, Copy of document showing Noticee's connection with counter parties' with whom related party transactions have been executed, Any Other documents/ material relied upon while issuing the SCN for the alleged violation in the captioned matter, Any documentary proof to substantiate that the Noticee had any role to play In the business affairs of Avington Solutions in the UK, Copy of the documents that prove conclusively that the Noticee was the one who dealt with the companies Food and Agriculture Organisation, UN and*

d. *NDS USA LLC. For this purpose reliance has been placed on Hon'ble Supreme Court order in the case of T. Takano v. Securities and Exchange Board of India, Civil Appeal No. 487488 of 2022 and Kanwar Natwar Singh vs Directorate Of Enforcement &Anr., (MANU/SC/0795/2010). it is submitted that it would not be possible for the Noticee to present a comprehensive reply as demanded by vour goodself, without the aforesaid information, The same is a gross violation of Natural Justice.*

e. *Rule 4(3) of the Rules was to allow an opportunity for the delinquent person to provide his response to the show cause notice issued to him and if the Adjudicating Officer after his cause, is still of the view that an inquiry should be held then he can call upon the delinquent for hearing in the matter. In the case in hand, your goodself has provided a hearing before even taking the Noticee's reply on record and IS thus in violation of Rule 4(3) of the Rules. For this purpose reliance has been placed on Hon'ble SAT order in the matter of Shingar Limited vs. Adjudicating Officer, Securities and Exchange Board of India (Appeal No. 122 of 2008 decided on July, 14, 2009)*

f. *The Noticee submitted that there is a long unexplained delay in initiation of proceedings against him. The Noticee would also like to draw your attention to the facts that the Investigation period In the Instant case is 2008-2009, more than Il years back from the date of issuance of SCN i.e., February 18, 2022. An important facet of principles of natural justice is that the action must be commenced within a reasonable period of time and Inordinate delay of many years in initiation of proceedings is a violation of principles of natural justice as it leads to difficulties for the alleged delinquent in properly defending the case. For this purpose Noticee placed reliance on Hon'ble SAT order in the matter of Libord Finance Ltd. v. SEBI, 2008 86 SCL 72 SAT , HB Stockholdings Limited v. Securities and Exchange Board of India [Appeal No. 114 of 2012] , Ashlesh Gunvantbhai Shah vs SEBI on January 31, 2020 (Appeal no. 169 of 2019), Mr. Rakesh Kathotia & Ors. v. SEBI (Appeal No. 7 of 2016) decided by this Tribunal on May 27, 2019.*

g. *Noticee was the Whole Time Director of CHL, it was Noticee 02 who took all the functional and financial decisions of the Company, he dealt with the financiers, overseas bankers and parties. The Noticee was never Informed much less consulted with on any of the business related decisions of the company. To substatialte this argument Noticee submitted various email communication between the Noticee 2 and Amita Desai and Suthesh Nair.*

h. *When the Noticee refused to sign papers even after being pressurised to do, his remuneration was stopped and he had to take the decision to resign as the director of the Company. He was a paid Director and the Company has not paid him any remuneration from July 2010 to July 4, 2012. The Noticee submitted his resignation vide letter dated June 28, 2012 which was not accepted by the Board that was controlled by Noticee 02. Therefore, he finally gave a paper advertisement of his resignation from CHL on 5th September, 2012.*

i. *it is submitted that no formal board meetings were held by the Company srnce April 2008. Therefore, the Noticee had no way to get information about the state of affairs of the company or the business decisions being taken. The Noticee was not even a part of the Audit or any other such Committee and he had no say whatsoever in the business decisions taken.*

j. All the email communications have been between me and the close associates of Noticee 02 namely Mr. Suthesh Nair, Ms. Amita Desai, Mr. Anthony Lopses and others. There have also been emails written by Noticee 02 to Suthesh, Amita Desai etc. But no emails were written by Noticee 02 directly to the Noticee, as he was not Involved in the Company matters.

k. The Noticee has already admitted in his statements made to SEBI that he has signed the papers and documents, Nonetheless, the Noticee submits that he had no active involvement in any of the decisions taken by Noticee 02 In the Company. His position and say in the matters of the Company in actuality, was even less than that of a nonexecutive or Independent director, it was observed in the case of Soumen Chatterjee vs SEBI, 2021 SCC OnLine SAT 620.

*l. Noticee further submits that no document has been provided by or relied upon in the present case which can successfully and conclusively indicate towards the knowledge or participation of the Noticee in any alleged scheme by Which inflated sales were shown and misleading financial statements were published and hence no knowledge, information or participation of the Noticee in any such alleged diversion can be even alleged let alone the possibility of any such allegation be proved/ established. For this purpose Noticee placed reliance on Hon'ble Hon'ble SAT order in the matter on **Adesh Jain vs. Securities and Exchange Board of India** (Appeal No 217 of 2020).*

m. no formal board meetings conducted by CHL and the same were only arranged on paper by Noticee 2 and Ms. Amita Desai. Further, it is submitted that the Noticee 2 destroyed all the records and E-mail communications vide which the Noticee could have easily shown the real scenario. However, some of the emails E-mails attached with reply has been extracted by the Noticee through the server and same were left and could not be destroyed by Noticee 2.

n. serious allegations of fraud have been raised against the Noticee. These allegations require a high level of proof and establishment of mens rea. No proof agamst the Noticee has been provided for any wrongdoing. For this purpose Noticee placed reliance on Hon'ble SAT order in Parsoli Corporation vs. SEBI (Appeal No 146/2011 order dated 12th August 2011) Sterlite Industries vs. SEBI (Appeal No. 20/2001 dated October 22, 2001).

o. Serious allegation of violation of PFUTP Regulations cannot be alleged on the basis of mere surmises and conjectures and based on the erroneous interpretation of data, as has been done in the instant case. For this purpose, Noticee submitted various orders of apex courts viz Union of India vs. H.C. Geol, LD Jaisinghani vs, Naraindas N Punjabi

(1976) 1 SCC 354, Razikram vs. J.S. Chauhan - AIR 1975 SC 667, Ambalal vs. Union of India, AIR 1961 SC 264, Seth Gulabchand vs. Seth Kudilal (AIR 1966 SC 1734).

8. I note that in the present proceedings before me Noticee 1, Noticee 4 and Noticee 5 have not filled any reply to the specific allegation as specified in the SCN. In this regard I note that it is the settle position of law that in absence of any response from the said Noticee to the SCN, I presume that that they have admitted the charges levelled against them. In this regard, it is pertinent to note that the Hon'ble SAT in the matter of **Classic Credit Ltd. vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, observed that, "......*the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". Further, the Hon'ble SAT in the matter of **Sanjay Kumar Tayal & Others vs SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, and observed that: "...appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices...". Further, the same position is reiterated by the Hon'ble SAT in the matter of **Dave Harihar Kirtibhai vs SEBI** (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT observed as under:"...*further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, evenworse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal..*."

9. In the absence of any response from the Noticee 1 Noticee 4 and Noticee 5, to the SCN, the matter can be proceeded ex-parte on the basis of the material available on record, in terms of Rule 4(7) of the SEBI Adjudication Rules and Rule 4(7) of SCRA Adjudication Rules. Further, in view of the aforesaid observations made by the Hon'ble SAT, I find no reason to take a different view and therefore, I deem it appropriate to proceed against them ex-parte, based on the material available on record.

D. RELEVANT PROVISION OF LAW

10. ***SEBI Act, 1992***

*"**Section 12A**. No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

Penalty for failure to furnish information, return, etc.

***15A.** If any person, who is required under this Act or any rules or regulations made thereunder, —*

(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

Penalty for fraudulent and unfair trade practices

Section 15 HA

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Section 11C

2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3)The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

11. ***PFUTP Regulations***

Regulation 3. Prohibition of certain dealings in securities

"No person shall directly or indirectly

a) *……….*
b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

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

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(e) any act or omission amounting to manipulation of the price of a security

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;

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

12. **SCR Act, 1956:**

Conditions for listing.

Section 21. Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.

Section 23E

If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty not exceeding twenty-five crore rupees.".

13. **Listing Agreement:**

Clause 32: *"……The Company will make disclosures in compliance with the Accounting Standard on "Related Party Disclosures" in its Annual Report……"*

Clause 49 (C) (i): *The board shall meet at least four times a year, with a maximum time gap of four months between any two meetings.*

E. Finding and Consideration

14. I have perused the SCN, replies, written submissions and other materials available on record. On perusal of the same, the following issues arise for consideration. Each issue is dealt with separately under different headings.

    I. Whether CHL had published false, inflated sales and misleading financial results during the FY 2008-09 and 2009-10 and thereby violated the provision of Section 12 A (a), (b) and (c) of SEBI Act, 1992, Regulation 3 (b), (c) and (d) and 4(1) and 4 (2) (e), (f), (k) and (r) of PFUTP Regulations?

II. Whether CHL had failed to disclose related party transaction in its Annual Report FY 2009-10 and thereby violated the provision of Clause 32 of the Listing agreement read with Section 21 of the SCRA, 1956?

III. Whether CHL had not conducted any Board Meetings during the FY 200809 and 2009-10 and thereby violated the provision of Clause 49(C)(i) of the listing agreement read with Section 21 of the SCRA 1956?

IV. If answer to the above question yes, *then whether the Noticees are responsible for these violations*?

V. Whether Noticee 5 is liable for the violation of section 11C (2), 11C (3) & 11C (6) of SEBI Act, 1992.

VI. *If answer to issue No. IV and issue no V is determined in the affirmative, whether* monetary penalty under Section 15A(a), 15HA of SEBI Act and 23E of the SCRA Act can be imposed. If so, what quantum of monetary penalty should be imposed on the Noticee?

15. I note that Noticee 2 and Noticee 3 have raised the preliminary issue with regard to inordinate delay in issue of SCN after a gap of almost 12 years from investigation period. I note that the investigation generally is a detailed process involving analysis of various data, gathering of evidences, etc. that shall stand the test of legal scrutiny at various judicial fora. This, generally, consumes considerable time and efforts depending on the number of entities involved, the complexity of the transactions, correspondences with the entities involved etc. As already stated, during the investigation in the matter of Coral Hub Limited, information was requisitioned from various entities including but not limited to the stock exchanges, the Company, the directors of the Company, banks, registrar and promoter to the Company. I note that the investigation team visited corporate office of CIL and found that the corporate office was no longer in existence at the given address. Summons were also issued to concerned persons to avail the information related to CIL. Thereafter, the investigation *entailed* recorded statements of various persons, getting information from entities based outside India, replies of the entities to summons. I also highlight that the investigation also

required coordination with various regional offices of SEBI in order to send summons.

16. Investigation has been completed and accordingly, the investigation report was approved and accordingly, proceedings under sections 11(1), 11(4) and 11(B) of the SEBI Act were approved along with adjudication proceedings under sections 15A(a) and 15HA of the SEBI Act and section 23E of the SCRA Act. As already stated above t*he appointment of undersigned has been communicated to him by communiqué dated February* 11, 2021. Pursuant to this, a common SCN dated February 18, 2022 was issued informing the Noticees the charges levelled against them. Further, SCN dated February 17, 2022 issued informing the Noticee 5 the charges levelled against them.

17. In the view of the above, facts and circumstances, I am of the view that that investigation is an exhaustive and time consuming process, which requires detailed analysis of facts and law especially considering that there are multiple stakeholders involved in the present matter apart from the Noticees. I also note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the investigation done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings. Moreover, in this case the SCN makes a serious allegation of fraud under the PFUTP Regulations on ground of showing inflated figures of sale and correspondingly, the figures of profit carried over in the Balance Sheet were also inflated. I am also of a view that, Hon'ble SAT in past has held that the reasonable period would depend on the facts and circumstances of each case and that no hard and fast rule can be laid down in this regard. I am of the view that present proceedings do not suffer from any infirmity on the ground of delay. I, therefore, hold that there is no protracted delay as contended and hence, the contention of the Noticees in this regard is rejected.

18. In this regard, I also find it relevant to rely on certain orders passed by the Hon'ble SAT:

(i) In ***Hemant Sheth and Ors. vs. SEBI***, Appeal No. 521 of 2021, decided on January 07, 2022, it was argued by the appellants that the adjudicating officer was appointed on July 04, 2013 but the show cause notice was issued in 2016 and therefore there was an inordinate delay of 30 months for which no plausible explanation was given. The Hon'ble SAT while dismissing the aforesaid contention of the appellants held that:

"9. Insofar as the delay is concerned we find that after the observation made by the WTM in its order of May 10, 2013 SEBI took action and appointed the AO dated July 4, 2013. No doubt the show cause notice was issued in January 2016 but the delay in the issuance of the show cause notice in the instant case will not vitiate the proceedings initiated against the appellants in the peculiar facts and circumstances of the case. Consequently, we are not inclined to quash the proceedings only on the ground of inordinate delay as asserted by the learned counsel for the appellant."

(ii) In ***M/s. Adamina Traders Private Limited vs. SEBI*** (Appeal No. 331 and 366 of 2020) dated December 15, 2021, the trades concerned in the appeal took place in 2013, and the show cause notice was issued by the adjudicating officer in 2018. The appellants raised an argument of inordinate delay in issuance of the show cause notice. Dismissing the aforesaid contention, the Hon'ble SAT held the following:

'We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. <u>Further, nothing has been shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside</u>." (emphasis supplied)

(iii) In ***Rajendra Aggarwal vs. SEBI*** (Misc. Application No. 426 of 2020 and Appeal No. 552 of 2019), dated September 17, 2021, an appeal was filed against an order of the adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants contended that due to the inordinate delay, the aforesaid order should be quashed since the trades took place in the year 2009, the notice was issued in 2013, the hearing took place in 2018, and 18 months after the hearing, an adjudication order was passed. In this regard, the Hon'ble SAT held:

"13. On issue of delay, we find that the show cause notice was issued in the year 2013 and the trades were executed in 2009. The investigation was against a large number of entities which apparently took time and ultimately notices were issued to 35 entities. Consequently, we do not find any inordinate delay in the issuance of the show cause notice nor do we find any merit in the contention that there was an inordinate delay in the delivery of the impugned order after the last date of hearing by the AO. We are of the opinion that after the conclusion of the arguments the data of 35 entities was required to be analysed and collated which took time and, therefore, we do not see any reason to vitiate the judgment only on the ground of delay in delivering the order. In any case, such delay in the delivery of the judgment does not cause any prejudice to the appellants."

(iv) In ***Girraj Kumar Gupta HUF vs. SEBI*** (Misc. Application No. 516 of 2019 and Appeal No. 424 of 2019), dated August 11, 2021, an appeal was filed against an order passed by an adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants *inter alia* challenged the order on the ground that there was a delay in the issuance of the show cause notice. In this regard, the Hon'ble SAT held the following:

"13. The contention of the appellants that there was inordinate delay in the initiation of the proceedings is erroneous. We find that the investigation started in the year 2015 which involved examining several entities in the order logs, trade logs, off market transactions and gathering evidence from the Stock Exchange. The show cause notice was issued in the October, 2017 and accordingly we find that there is no inordinate delay in the initiation of the proceedings. The contention raised is, thus, erroneous and cannot be accepted."

19. Noticee 2 and Noticee 3 submitted that they have not provided with all the document relevant to the SCN. Said Noticee placed reliance on Hon'ble Supreme Court judgment in the matter of T. takano vs SEBI (Civil Appeal Nos. 487-488 of 2022). In this regard, I note that all the documents relevant to the Noticee has already been provided to the said Noticee. I also note that in the aforesaid judgment Hon'ble Supreme Court also held that "*the requirement of compliance with the principles of natural justice cannot therefore be read to encompass the right to a roving disclosure on matters unconnected or as regards the dealings of third parties. The investigating authority may acquire information of sensitive nature bearing upon the orderly functioning of the securities market. The right of the noticee to disclosure must be balanced with a need to preserve any other third party rights that may be affected*."

20. In the view of the above I note that right to disclosure with reference to all the documents is not absolute. Also, Noticee failed to show what prejudice has been cause to him by giving him only redacted version of Investigation report. I note that all the relied upon and relevant documents has been given to the Noticee. Therefore, I of the view that Noticee 2 contention that they have provided with redacted version of IR and therefore, it has hampered his right is of bereft of merits.

21. Further, I note that Noticee 3 contended that they have not provided with the investigation report and other material relevant to Noticee 3, in this regard I note that Noticee has given all the relied upon documents with the

SCN dated 18 February 2022 in the form of annexures to the said SCN. Further, I also highlight that Noticee 3 in his best of knowledge choose to make his request for document on the date of hearing itself when he already requested for adjournment of hearing scheduled on March 30, 2022. Therefore, in these circumstances I note that all the relevant and relied upon has given to the Noticee 3.

22. Noticee 2 and Noticee 3 submitted that, in consonance with the principles natural justice and in facts and circumstances of the present case, the statement of Mr. Anthony Lopes and Santosh Mr. Suthesh cannot be relied upon with reference to the present proceedings. In this regard, I note from the relevant records that no cross examination has been afforded to the Noticee 2 and Noticee 3 as requested by them. Therefore, I find that statement of Mr. Anthony Lopes and Santosh Mr. Suthesh cannot be relied upon for the purpose of present proceedings.

23. Further, with regard to the cross examination of the documents submitted by the Food and Agriculture Organisation, UN (FAO UN) and NDS USA LLC, I note that factual information provided in the aforementioned entities by the email. I note that Noticee failed to show anything on record that there is anything suspicious with reference to the aforesaid mail. I note that if the practice of giving cross examination of all the email without any proof to contrary has been started, it would put huge strain on the functioning of quasi adjudication process. Therefore, I am of the view that cross examination of people involved in the aforementioned email is not warranted considering the above facts.

24. Noticee contended that SCN is mere based on mere surmises and conjecture. In this regard I note that SCN made the specific allegation with respect to the Noticees based upon the material available on the record which is categorically mentioned on the SCN issued on February 18, 2022.

Issue I ***Whether CHL had published false, inflated sales and misleading financial results during the FY 2008-09 and 2009-10 and thereby violated the provision of Section 12 A (a), (b) and (c) of SEBI Act, 1992, Regulation 3 (b), (c) and (d) and 4(1) and 4 (2) (e), (f), (k) and (r) of PFUTP Regulations?***

25. It is alleged in the SCN that CHL had shown inflated figures of sales of Rs. 38.22 Cr (approx.) to FAO UN and Rs. 32.99 Cr (approx.) to NDS USA LLC which contributed a total of Rs. 71.21 Cr (approx.), which is 51.90% of the total sales for the FY 2008-09 and FY 2009 - 10. Correspondingly the figures of profit carried over in the Balance Sheet were also inflated.

26. Upon perusal of documents available on record, I find that as per the annual Report of CHL for FY 2009-10, the amount of sales and profits of CHL (standalone) for 2008-09 (12 months) and 2009-10 (15 months) were mentioned in the Table No. 2 of the order. Further, CHL vide letter dated July 15, 2010 provided the Customer wise sales for FY 2008-09 and 2009-10 as mentioned in the table No. 3 of the order. In order to verify the veracity of sales made by CHL to above customers, the details of amounts received from them by CHL were sought from CHL. However, no reply received from the CHL.

27. As information was not received from the CHL and its directors, confirmation from clients and statement of certain entities were relied upon to verify sales reported by CHL of the clients who have contributed to more than 20% to sales during FY 2008-09 and 2009-10.

28. With regard to the customer Raydox, it is noted that Raydox was alleged as related party and sales made to Raydox was not disclosed under related party transaction. The finding in this regard has been mentioned in detail below in Issue no. 2.

29. With regard to the customer Food and Agriculture Organisation, UN (FAO), it is noted that FAO is shown to have contributed 16.82% (Rs. 10,27,66,020) and 38.71% (Rs. 29,42,58,799) of the total sales for FY 2008-09 and FY 2009-10 respectively. Total sale shown to have been contributed by FAO for FY 2008-09 and FY 2009-10 was approx. Rs. 39.70 crore. However, vide

email dated October 23, 2013, FAO stated that total amount paid to CHL from July 2001 till December 2009 under the contract was US$ 2,98,301.50. (Taking the conversion ratio @ Rs. 50/dollar at relevant time), the total amount paid to CHL comes up to Rs.1,49,15,075/-.

30. With regard the customer NDS USA LLC (NDS), it is noted that NDS is shown to have contributed 23.34% (Rs. 14,25,52,112) and 24.64% (Rs. 18,73,38,148) of the total sales for FY 2008-09 and FY 2009-10 respectively. Total sale shown to have been contributed by NDS for FY 2008-09 and FY 2009-10 was approx. Rs. 32.99 crore. However, vide email dated October 07, 2013, NDS stated that it was a client of CHL prior to and until May 2007 and last payments were made to CHL in the month of June 2007. Thus, it is noted that no payment was made by NDS to CHL during FY 2008-09 and FY 2009-10.

31. From the submission of the Noticees, I also note that that none of the Noticees have submited any proof regarding the receipt of payment of (a) approx Rs. 38.22 crore for sales made to FAO by CHL for FY 2008-09 and FY 2009-10 and (b) approx. Rs. 32.99 crore for sales made to NDS by CHL for FY 2008-09 and FY 2009-10. From the submission of Noticees, it is also noted that they have neither denied nor submitted any documentary evidence to negate the email confirmation of clients FAO and NDS. Thus, in the absence of any proof of receipt of payment from FAO and NDS, coupled with the evidence of email confirmation regarding payment made by FAO to CHL during July 2001 till December 2009 was Rs.1.49 Cr and no payments were made by NDS to CHL post June 2007, I find that the amount of sales made to FAO and NDS by CHL in the FY 2008-09 and FY 2009-10 were inflated to the extent of Rs. 71.21 Cr (approx.).

32. When a company makes sales to customers, the company has to reflect correct figures in its books of account. In the absence of the correct figures of sales, the shareholders of the company and investors placing reliance on the financial statement of the company, will not come to know the exact earnings / income / revenue and profits made by the company and the same

would tantamount to manipulation of financial statement of the company. The adoption of such a practice will distort the true and fair picture of the financial health of the company. In light of the above, I note that if correct sales figures were shown, the sales and thereby earnings / income / revenue and profit of CHL would have decreased in the FY 2008-09 and FY 2009-10. Thus, I note that the books of account of CHL were inflated by 51.9% with respect to total sales made to FAO and NDS for the FY 2008-09 and FY 2009 – 10 and correspondingly the figures of profit carried over in the Balance Sheet were also inflated. The details regarding inflated sales are shown in the following table:

Table No. 6

	Name of the entity	**Sales shown in Annual Report 2009-10. (Rs. in Crore)**	**Actual Sales (on the basis of replies from Entities) (Rs. in Crore)**	**Difference between Actual Sales and sales shown (Rs. in crores)**
a)	FAO UN	2008-09 ----- 10.28 2009-10 ----- 29.43 **Total ----- 39.71**	**1.49**	38.22
b)	NDS USA LLC	2008-09 ----- 14.25 2009-10 ----- 18.73 **Total ----- 32.98**	**0**	32.98
c)	**Total**	**----- 72.69**		**71.21**
d)	**Total Sales reported (Rs. in crore)**	2008-09 ----- 61.09 2009-10 ----- 76.02 **Total ----- 137.11**		
e)	**% of Inflation of Sales to the Total Sales reported**			**51.9%**

33. Hence, in view of the above, the books of account of the company did not reflect the correct figures for the sales and profits made by the company. Thus, it is held that CHL had published false, inflated sales and misleading financial results during the FY 2008-09 and 2009-10 and thereby CHL has misrepresented its financial statement to its shareholders and to the public in general.

34. I note that primary objective of PFUTP regulation is to ensure that the market information is accurate and dissemination of such information is not prejudicial to investors. In this regard I placed reliance in the order of Hon'ble Supreme Court of India in the matter of **N Narayanan vs Adjudicating Officer, Sebi** decided on April 26, 2013 while dealing with the concept of market abuse in securities market has held that: *"Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality'. The same can be achieved by inflating the company's revenue, profits, security deposits and receivables, resulting in price rice of scrip of the company. Investors are then lured to make their "investment decisions" on those manipulated inflated results, using the above devices which will amount to market abuse."*

35. Further, fraud has been defined under Section 2 (1) (c) of PFUTP Regulations which reads as under: -

"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include--

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;

36. The Hon'ble SAT in the matter of **V. Natarajan vs SEBI**, *Appeal No. 104 of 2011* decided on June 29, 2011, wherein it held - *"... We are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated. These regulations, among others ... prohibit persons from engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities…"*

37. I also note that Bombay High Court order dated March 03, 2004 in the matter of Securities and Exchange Board of vs Cabot International Capital held that The SEBI Act and Regulations have been set up to promote, develop and regulate the securities market and to protect the interest of investors. Breach of any provisions in question does not require mens rea. Further, I note that adjudication proceedings initiated under 15 I of SEBI Act are civil in nature. Therefore, as soon as breach of any provision of the SEBI act or any regulation pertinent to established, Noticee can be liable for the penalty without going into the question of mens rea of the Noticee.

38. In the view of the above I am of the view that it is well settled that financial results form the basis for the investing public to take informed decisions. Any false information or false accounts depicting a distorted picture of financial health of the company is indeed a very serious wrong and has a direct impact on the securities market and the investors. A basic premise on which the foundation of securities market is laid, is that the persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities.

39. In the present case, it has been clearly found that CHL has employed deceptive devices by inflating sales during FY 2008-09 and 2009-10 and thereby hiding the actual figures sales and had adopted dubious practices in drawing up accounts for manipulating the financial results of CHL to present a distorted picture to its shareholders and to the public at large. Thus, upon considering all facts and circumstances in totality, I find that such acts and omissions were fraudulent on the part of the company. When the picture is looked at in totality, what is unfolding is a fraud perpetuated on the market / investors. Such acts of serious irregularities threaten the market integrity and orderly development of the market and calls for regulatory intervention to protect the interest of investors.

40. Further, I also note that Noticees have neither specifically denied nor defended that sales were overstated / inflated and correspondingly the figures of profit carried over in the Balance Sheet were also inflated. They have also not submitted any documentary evidence that sales were not overstated / inflated. Thus, in view of the foregoing, I am of the view that the allegation of violation of provisions of Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (b), (c), (d) and Regulations 4(1) and 4(2), (e), (f), (k), and (r) of PFUTP Regulations against CHL stands established.

<u>ISSUE No. 2:</u> Whether CHL had failed to disclose related party transaction in its Annual Report FY 2009-10 and thereby violated the provision of Clause 32 of the Listing agreement read with Section 21 of the SCRA, 1956?

41. As per Clause 32 of Listing Agreement the Company is required to make Related Party Disclosures in its Annual Report. It is alleged in the SCN that Raydox, Avington and Rochelle were related parties of CHL and it had failed to disclose the sales made to them in the Annual Report (2009-10) under related party transactions.

42. Upon perusal of documents available on record, I find the following:

    a. From Table No. 3 above, it is observed that three entities viz., Raydox, Avington and Rochelle together have contributed to 37.57% and 33.32% of the total sales during FY 2008-09 and 2009-10 respectively.
    b. It is noted that Raydox was the company based in Dubai.
    c. With regard to the Avington and Rochelle, Financial Conduct Authority (FCA UK) vide e-mail dated September 23, 2013 informed SEBI that they were not finding any existence of Avington Solutions Ltd and Rochelle Associates Ltd. As no information / documents regarding the existence and control of Avington and Rochelle has been available with FCA UK, therefore, in the present proceeding, for the existence and control of Avington and Rochelle, reliance has been placed only on the statement of Mr. Anthony Lopes, Manager-Administration with TTL and Mr. Suthesh Nair, Vice President Finance of CHL and admission of Noticee No. 2 on the existence of these companies.
    d. Further, with regard to Raydox, it is also noted that in the present proceeding, apart from the written statement of Mr. Anthony Lopes and Mr. Suthesh Nair, no other information / documents has been relied upon in the SCN regarding existence and control of Raydox.
    e. TTL is promoter entity of CHL. Mr. Anthony Lopes, Manager-Administration with TTL was director in Raydox, Avington and Rochelle.
    f. Mr. Anthony Lopes vide written statement dated June 5, 2013 stated as under:

i. He had set up office of Avington in UK and all the decisions of the company have been taken by G.S. Chandrasekhar (Noticee No. 2) and Dilip C Parekh (Noticee No. 3).

ii. He was made Director of Raydox in Dubai. Raydox was set up by G.S. Chandrasekhar and G.S. Viswanathan (Noticee No. 4). From 2008 to June 30, 2012 the day to day business was handled by Dilip C Parekh.

iii. Information of Rochelle will be given by G.S. Chandrasekhar as he is whole and sole of this company.

g. Mr. Suthesh Nair, Vice President Finance of CHL vide written statement dated April 23, 2013 had confirmed the above facts.

43. With regard to Avington, it is alleged in the SCN that Mr. Anthony Lopes stated that he had set up office of Avington in UK and all the decisions of Avington have been taken by Noticee 2 and Noticee 3. Further, with regard to Rochelle Mr. Anthony Lopes stated that GSC is whole & sole of Rochelle. In this regard, I note that, Noticee 2 and Noticee 3 was not given an opportunity to cross examine Mr. Anthony Lopes statement. Therefore, in consonance with the principles natural justice and in facts and circumstances of the present case, the statement of Mr. Anthony Lopes to the extent of Noticee 2 and Noticee 3 involvement in Avington and allegation of Noticee 2 involvement in Rochelle cannot be relied upon in the present proceedings.

44. With regard to Raydox, I note that Noticee 2 vehemently denied that he had any connection with the redox during the investigation period. In this regard, I note that in the SCN dated February 18, 2022, allegation related to related party transaction wholly based on the statement given by the Anthony Lopes and Suthesh Nair. As it has already been noted that Noticees was not given an opportunity to cross examine Mr. Anthony Lopes statement. Therefore, in consonance with the principles natural justice and in facts and circumstances of the present case, the statement of Mr. Anthony Lopes and Suthesh Nair cannot be relied. Further, no other

documentary evidence has been brought on record before me regarding the existence of any connection of Noticee 2 to the Raydox during the investigation period.

45. With regard to Raydox, Avington and Rochelle being related parties to CHL, from the documents available on record, I note that in the present proceedings, apart from the statement of Mr. Anthony Lopes, no other documentary evidence has been brought on record before me regarding the existence and control of Raydox, Avington and Rochelle and their connection with CHL or any of its directors. Hence, in view of fair proceedings and in the absence of any documentary evidence regarding control of Raydox, Avington and Rochelle by CHL or any of its director, I am of the view that it is difficult to reasonably conclude that Raydox, Avington and Rochelle were related parties to CHL during FY 2008-09 and FY 2009-10.

<u>ISSUE No. 3:</u> Whether CHL had not conducted any Board Meetings during the FY 200809 and 2009-10 and thereby violated the provision of Clause 49(C)(i) of the listing agreement read with Section 21 of the SCRA 1956?

46. As per clause 49 (C) (i) of Listing Agreement, the board shall meet at least four times a year, with a maximum time gap of four months between any two meetings. It is alleged in the SCN that there were no Board Meetings held by CHL during the FY 2008-09 and 2009-10.

47. From the Annual Report of CHL for FY 2009-10, I note that it was claimed that there were 15 Board meetings held during the FY 2009-10 till June 30, 2010. The details regarding the attendance in board meetings by Noticee 2 to 4 are as under:

Table No. 7

Noticee No.	Name of the Entities	Designation	No. of Board Meeting attended
2	Mr. G.S. Chandrashekar	Chairman and Director	9
3	Mr. Dilip C Parekh	Whole Time Director	14
4	Mr. G.S. Vishwanatham	Whole Time Director	15

48. I further note that during the course of investigation, Noticee 2 has submitted copy of signed and unsigned minutes of some board meeting held since 2008 as well as copy of board resolutions. Further, from BSE and NSE website, I also note that during FY 2008-09 and FY 200910, CHL made various announcement for conducting board meetings. Further, with regard to unsigned board meetings minutes, I note that CHL made announcement of outcome of board meetings on stock exchanges website which corresponds with some of the unsigned board meeting minutes. Hence, there is evidence to the fact of conduct of board meetings as corroborated by the disclosures made to the stock exchange.

49. Upon perusal of copy of minutes of board meeting submitted by Noticee 2 and from stock exchanges website, I find that since April 01, 2008 till June 30, 2010, CHL had conducted 32 board meetings, out of which 22 signed board meeting minutes, 9 unsigned board meetings are on record and 1 board meeting minutes are not available. Further, out of 32 board meeting minutes, 17 board meeting were held during FY 200809 and 15 board meeting was held during FY 2009-10 till June 30, 2010. I also note that out of 22 signed board meeting minutes available on record, 12 board meeting minutes were signed by DCP and 10 board meeting minutes were signed by GSC. Further, as per the signed and unsigned minutes of board meeting available on record, the details of attendance of board meeting by Noticee No. 2 to 4 during FY 2009-10 till June 30, 2010 is approximately same as mentioned in table no. 7 above (1 board meeting minutes dated June 11, 2010 is not submitted by Noticee No.2). Furthermore, the dates of board meeting of CHL mentioned in the Annual report 2010 matches with dates of board meeting minutes (signed and unsigned) submitted by Noticee No. 2 except the minutes of board

meeting dated June 11, 2010 which through not submitted but outcome of said board meeting is disclosed on BSE website.

50. Thus, in view of the above, coupled with various corporate announcement made by CHL regarding conducting board meeting during FY 2008-09 and 2009-10, I am of the view that the submission of Noticee No. 3 that he has never attended any board meeting of CHL and no board meetings were held by CHL since April 2008, is not reliable and does not hold any merit.

51. Further, from the copy of board meeting minutes available on record and from the disclosure on the stock exchange website, I note that during FY 2008-09 and FY 2009-10 till June 30, 2010, CHL had conducted 17 & 15 board meeting respectively and gap between two consecutive board meeting does not exceed 4 months. Thus, in view of the foregoing, I am of the view that allegation that no Board Meetings were held by CHL during the FY 2008-09 and 2009-10 does not stand established. Hence, the allegation of violation of provision of Clause 49(C)(i) of the Listing agreement read with Section 21 of the SCRA, 1956 against CHL does not stand established.

Issue 4 If all or any, issue No. 1, 2, and 3 is answered in affirmative, then whether the Noticee/s are responsible for these violations?

52. I note that from the Table No Noticee 2 being chairman and director of CHL and Noticee 3 & Noticee 4 being whole time director of CHL who are involved in day to day conduct of business / affairs / activities of CHL are also responsible of the acts and omissions of CHL.

53. In this regard, Noticee 2 (GSC) submitted that although he was a Director on the board of CHL but day to day working of CHL including marketing, finance, administration and company law matters were handled / controlled by Noticee 3 (DCP). Similarly, Noticee 3 (DCP) also submitted that though he was a Director on the board of CHL but he had no role to play in the affairs of CHL, GSC was taking functional decisions and

financial decisions of CHL and he had blindly placed faith and trust GSC and his signature was taken only for the purpose of fulfilling legal requirements and compliances.

54. From the submission of these Noticees, I note that regarding functioning of CHL, GSC put liability / responsibility on DCP; and DCP put liability / responsibility on GSC. In this regard, DCP had submitted some/selective email communication regarding functioning of CHL by GSC; and GSC submitted copy of board meetings of CHL during FY 2008-09 and FY 2009-10 which reflect the involvement of DCP in functioning of CHL. Further, I note that GSC, DCP did not submit any documentary evidence which negate the disclosures made by CHL in its Annual Report 2009-10.

55. I note from the perusal of records available before me I note that 12 board meeting minutes were signed by DCP and 10 board meeting minutes were signed by GSC. Further, from the Annual report for FY 2009-10, I find that GSV and DCP both have signed various documents of CHL like Directors Report, certification in terms of clause 49(v) of Listing agreement, consolidated balance sheet and profit and loss account as at June 30, 2010, Accounting policies of CHL, consolidated cash flow statement etc. From the Annual report for FY 2009-10, I note that out of 15 Board Meetings held during that during the FY 2009-10 till June 30, 2010, GSC, DCP and GSV attended 9, 14 and 15 respectively. Thus, the Noticee No. 2, 3, & 4 were regularly attending the Board Meetings. I also note that GSC was director of CHL since 2001 and DCP & GSV were directors of CHL since 2000. Hence, all this collectively reflects that GSC, DCP and GSV together were running and controlling the functioning and business of CHL. Therefore, I do not find any merit in the submission that (a) GSC and GSV are not involved in day to day functioning of CHL and DCP is only controlling CHL; and (b) DCP not involved in day to day functioning of CHL and GSC is only controlling CHL.

56. With regard to the submission of Noticee 3 that CHL was run by GSC as proprietary concern. Further, Noticee 3 just signing the document as per

the instruction from the Noticee 2. I note that no normal person would sign a documemt without confirming its authoencity. Also, almost all the disclosure has been made by the CHL in the exchange and Financial Report and no objection has been raised by the Noticee 3. Further, I note from the Annual Report for FY 2009-10, Noticee 2 was director of CHL since 2001 and Noticee No. 3 & 4 were directors of CHL since 2000. As per Annual Report, Noticee No. 2 was chairman & director of CHL and Noticee No. 3 & 4 were whole time directors and were board members. As per the board meeting minutes, most of the board meetings of CHL were chaired by Noticee No. 2 & 3 and few by Noticee No. 4. Thus, in view of the foregoing, the submission of the Noticee 3 that that the company was driven as proprietary concern by GSC is not correct as the Noticee 2 , Noticee 3 and Noticee 4 were part of board member and continuously participating in board meeting, indicating that all the aforesaid Noticees had a role in running and controlling the affairs / workings of the company.

57. With regard to the duty and responsibility of directors of a company, reliance are placed on following judgments:

    a. The Hon'ble Supreme Court while describing what is the duty of a director of a company, in ***Official Liquidator v. P. A. Tendolkar*** *(1973) 1 SCC 602* held 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 provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially*…."

    b. Hon'ble SAT in the matter of ***Mr. N. Narayanan* Vs. *The Adjudicating Officer*** dated October 05, 2012 held that: *"… It is the responsibility of a director to identify deficiencies wherever possible by employing verification and scrutiny expected of a prudent man. Meetings of Board of Directors are not rituals where documents are signed at the behest of the chairman or managing director. A director cannot take a stand that he has approved the documents totally depending on the integrity and* *expertise of the managing director. We are not observing that the director of a company should be a know all, but the duty expected of a prudent person cannot be abdicated by him…"*

c. Hon'ble Supreme Court of India in the matter of *N Narayanan* Vs. *Adjudicating Officer, SEBI* decided on April 26, 2013, held that; "*32. Responsibility is cast on the Directors to prepare the annual records and reports and those accounts should reflect 'a true and fair view'. The overriding obligation of the Directors is to approve the accounts only if they are satisfied that they give true and fair view of the profits or loss for the relevant period and the correct financial position of the company......Directors of the companies, especially of the listed companies, have access to inside knowledge, such as, financial position of the company, dividend rates, annual accounts etc. Directors are expected to exercise the powers for the purposes for which they are conferred. Sometimes they may misuse their powers for their personal gain and makes false representations to the public for unlawful gain…*"

58. In view of aforesaid decision of the Hon'ble Supreme Court and Hon'ble SAT, it is held that Noticee No. 2 and 3 being Directors and signatories to the financial statements should have satisfied themselves, individually, to the veracity of the figures mentioned in financial statement and, they, now cannot be allowed to take a plea that the same was done in good faith and on account of trust reposed on each other. I note that with the rapidly changing scenario in the corporate world vis-a-vis corporate responsibility, the Director of the company cannot confine himself to lending his name to the company instead of responsibilities for the functions of the Board. He cannot shy away from the responsibility by simply placing his blind faith in the Chairman and other Director

59. The facts and circumstances of the present case clearly reveal that the Noticee No. 2 -4 had failed in their duty to exercise due care and diligence and allowed the company to fabricate the figures and make false disclosures. A Company though a legal entity cannot act by itself, it can act only through its directors. Therefore, directors are expected to

exercise their power on behalf of the company with utmost care, skill and diligence. Thus, I find that the directors of CHL, namely, Noticee No. 2-4, cannot escape from the obligation of CHL with regard to their fiduciary duties towards CHL and its shareholders.

60. I note that in the present matter, violation as held above in Issue No. 1 & 2 against CHL were regarding financial reporting and manipulation in financial statements of CHL i.e. publication of false, inflated sales and misleading financial results during the FY 2008-09 and 2009-10 Therefore, in view of the aforesaid findings, it is held that that Noticee 2-4 are liable / responsible for the violation by CHL as established above.

61. Hence, in view of the foregoing, I am of the view that the allegation of violation of provisions of Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (b), (c), (d) and Regulations 4(1) and 4(2), (e), (f), (k), and (r) of PFUTP Regulations against Noticee 1 and Noticee 2-4 stand established.

Issue V Whether Noticee 5 is liable for the violation of section 11C (2), 11C (3) & 11C (6) of SEBI Act, 1992?

62. I note from records that summons dated May 23, 2013 were sent to the Noticee 5, (promoter of CHL) for seeking information pertaining to Financial Statements of CHL, signed copies of agenda and minutes of the Board meetings, signed copies of AGMs/EoGMs and Register of attendance of all such meetings related to CHL since 2008-09. As per the aforementioned summon Noticee 5 was required to furnish the information by on/before May 31, 2013. Further, *vide* the aforementioned summons, Noticee 5 was informed that if they fail to furnish the documents as required, they would be held liable for monetary penalty under section 15A of the SEBI Act and also that criminal prosecution may be initiated against them under section 11C(6) of the SEBI Act.

63. I find that the aforesaid summons issued to the Noticee 5 clearly stated that if the said Noticee fails to comply with the summons, criminal prosecution may be launched against them under section 11C(6) of the SEBI Act which provides for a punishment with imprisonment for a term which may extend to one year or with fine which may extend to one crore rupees, or with both and also with a further fine which may extend to 5 lakh rupees for each day after the first, during which the failure or refusal continues. It was also stated that if they omit to produce the books of accounts and/or documents as required, SEBI will initiate adjudication proceedings against them under section 15 A of the SEBI Act.

64. At this stage, I find it is necessary to refer to the order of Hon'ble SAT in the matter of ***Rich Capital & Financial Services Limited and Mr. Shashwat Agarwal vs. SEBI*** (Appeal No. 51 of 2013) dated October 22, 2013, wherein it held that: *"We note that requisite information and relevant records are pre-requites for a meaningful investigation. In the absence of cooperation by the concerned company, the SEBI cannot move an inch. Therefore, every company is obliged to reasonably respond to any letters or summons to be issued by the regulator by furnishing the required information and/or documents for a smooth investigation, unless such a request/demand by the regulator is shown to be the outcome of ill-will, or is tainted with malice and/ or is otherwise arbitrary in the fact situation of a given case. If companies are allowed to take the statutory summons, letters or other statutory commands of the Regulator lightly, every investigation will be thwarted even before it begins."*

65. I would like to also refer to the order of Hon'ble SAT in the matter of ***Asian Films Production and Distribution Ltd. vs. SEBI (earlier known as K.C. Bokadia Films)*** (Appeal No.203 of 2010) dated January 19, 2011, wherein it has held that: *"Non-compliance with the summons is, indeed, a serious matter and cannot be viewed lightly. The respondent Board is the market regulator and has to regulate the securities market and the law provides that every person associated with the market in any manner should cooperate in the matter of carrying out investigations. In the year 2002, the provisions* *of the Act were amended and penalty for non-compliance with summons was enhanced considerably to make it more deterrent. Market players who do not cooperate with the regulator in the matter of investigations commit a serious wrong which can have serious repercussions in the market."*

66. Therefore, in the view of the above facts and circumstances, I note that Noticee 5 has hampered the investigation by not submitting the information as required by SEBI and thereby violated section 11(C)(2) read with section 11(C)(3) of SEBI Act.

67. Further, I also note that section 11C(6) of SEBI act is outside the purview of present adjudication proceedings. As stated above section 11C(6) of SEBI act provides that a criminal prosecution initiated against the Noticee 5. Further I note that, present proceeding initiated under section 15I of SEBI act and they are civil in nature. Therefore, I note that present adjudication proceedings under section 11C(6) of SEBI act would be dropped due to lack of jurisdiction over the matter.

Issue VI: *If answer to issue No. IV and issue no V is determined in the affirmative, whether* monetary penalty under Section 15A(a), 15HA of SEBI Act and 23E of the SCRA Act can be imposed. If so, what quantum of monetary penalty should be imposed on the Noticee?

68. In the present issue, it is pertinent to refer to the decision of the Apex Court in the matter of ***SEBI vs Shri Ram Mutual Fund*** (Appeal Civil 9523-9524 of 2003) dated May 23, 2006, wherein it 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*". Thus, as it has already been established that Noticees are liable for showing inflated figures of sale and correspondingly, the figures of profit carried over in the Balance Sheet were also inflated. Further, it has also been established that Noticee 5 is liable for violation of the noncompliance of summon issue to him.

69. Further, I note that having regard to the factors listed in section 15J of SEBI Act read with Rule 5(2) of the SEBI Adjudication Rules and section 23J of SCRA read with 5(2) SCRA adjudication Rules, which provides that while adjudging quantum of penalty, and in the light of Supreme Court's judgment in the matter of **SEBI vs Bhavesh Pabari** (2019) 18 SCC 246 it is noted that from the material available on record, any quantifiable gain or unfair advantage accrued to Noticee or the extent of loss suffered by the investors as a result of the default in this case cannot be computed.

70. I am aware of the fact that the default in question pertains to the year 2008-10, and from then considerable amount of time has passed. Further, the Hon'ble SAT in ***P.G Electroplast Ltd. vs. SEBI*** (Appeal No. 281 of 2017), dated August 02, 2019, has held that an order passed in corresponding proceedings before the whole time member should be factored in while fixing the quantum of penalty. In this regard, I note that, I am also taking a separate and parallel proceeding was initiated against the Noticees under the provisions of sections 11(1), 11(4), and 11B of the SEBI Act under the same facts pursuant to which the vide order dated September 03, 2021 was passed.

F. Order

71. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under section 15-I of the SEBI Act and section 23-I of SCRA read with rule 5 of the SEBI Adjudication Rules and SCRA Adjudication Rules, I hereby impose penalty on the Noticees and Noticee 5 are as follows:

Noticee	Noticee Name	Penalty(Indian Rupees)
1	Coral Hub Limited	10,00,000/- under section 15 HA
2	Mr. G.S. Chandrashekar	5,00,000/- under section 15 HA
3	Mr. Dilip C Parekh	5,00,000/- under section 15 HA
4	Mr. G.S. Vishwanatham	5,00,000/- under section 15 HA
5	Tutis Technologies Ltd	3,00,000/- under section 15 A(a)

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

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

73. The Noticees shall forward the said demand draft or the details/ confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-II, SEBI, in the format given in table below:

Case name	
Name of payee	
Date of payment	
Amount paid	
Transaction no	
Bank details in which payment is made	
Payment is made for	Penalty

74. In terms of rule 6 of the SEBI Adjudication Rules and SCRA Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: May 31, 2022 **VIJAYANT KUMAR VERMA**

Place: Mumbai **ADJUDICATING OFFICER**