BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/GR/HK/2023-24/28645-28656

ORDER UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND SECTION 23–I OF SECURITIES CONTRACT (REGULATION) ACT, 1956 AND RULE 5 OF SECURITIES CONTRACT (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005.

In respect of-

S.No.	Name of Noticees	PAN
1.	Concord Drugs Ltd.	AAACC8171D
2.	Mr. S. Nagi Reddy	AIRPS8676D
3.	Mr. K. Ramachandra Reddy	AFGPK1990L
4.	Mr. T. Narasimha Reddy	AQBPT1842Q
5.	Mr. S. Koni Reddy	APHPR3654R
6.	Mr. P. Venkataram Reddy	BYEPP9569E
7.	Ms. P. Chadrakala	BYEPP9563Q
8.	Shri Eswar Rao	AFIPM0175K
9.	Ms. Sonia Bidlan	ATQPB6253K
10.	Akansha	AWRPA9608B
11.	Ms. Monica Bhuttada	BCUPB1464J
12.	Jyoti Goyal	BTYPG3872L

In the matter of Concord Drugs Limited

(The aforesaid entities are hereinafter individually referred to by their respective names/ Noticee numbers and collectively as “Noticees”, unless the context specifies otherwise)

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) was in receipt of a complaint alleging financial irregularities against Concord Drugs Limited (hereinafter referred to as **'the company' or 'Concord' or 'CDL'**). In order to look into the possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 ("the Act") and various Rules and Regulations made there under if any, SEBI decided to conduct the investigation on the same.

FACTS OF THE CASE

2. As the complaint mainly was on the difference in the trade receivables of the company, in the course of preliminary examination of the aforesaid complaint, details/clarifications were sought from the company and meetings were also held with the company representatives. On analysis of the invoices related to the trades done by the company, SEBI observed the followings:

   a) Manufacturing dates given in the invoices were post-dated, indicating that these invoices were false and fictitious.
   b) Discrepancies and inconsistencies were observed in the names and addresses of the debtors.
   c) Common addresses among various debtors.

3. In view of the above, as the documents submitted by the company were found to be fake and the related transactions were appearing fictitious, it was forwarded to BSE for conducting forensic audit and take further necessary action. BSE conducted the forensic audit for the period starting from the financial year 2015-16 to 2019-20. The main objective of forensic audit was to verification of the transactions and its credentials, the fundamentals of CDL with its customers, vendors and also examining the veracity of its business activities as disclosed by way of announcements made on the Exchange and/or in its annual reports.

4. Thereafter, BSE vide letter dated 28 September 2021 had forwarded the forensic audit report and the case was analysed and converted into a detailed investigation by SEBI on 29 April 2022. The period of the said investigation was from FY 2015-16 to FY 2019-20 (hereinafter referred to as **'investigation period / IP'**).

5. Pursuant to the investigation, both the forensic audit report as well as the documents produced by company before the Investigating Authority was examined, thereafter a detailed Investigation Report (hereinafter referred as **'IR'**) was prepared. Wherein it was observed and alleged that the company and its directors had misrepresented the financial statements and failed to take approval from its audit committee / shareholders for the related party transactions (**'RPT'**). Further, it was also alleged that the compliance officers of the company failed to exercise duty of care by misrepresenting the financials and failed to discharge their fiduciary responsibility. In view of the above, the Noticees were alleged to have violated the various provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as **'SEBI LODR Regulations'**), Listing Agreement, Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred as **'SEBI PFUTP Regulations'**), Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as **'SCRA'**) and Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**) as applicable, as detailed in the subsequent paragraphs.

APPOINTMENT OF ADJUDICATING OFFICER

6. The undersigned has been appointed as Adjudicating Officer (hereinafter referred as **'AO'**) under Section 15-I (1) of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (hereinafter referred to as **'SEBI Adjudication Rules'**) and Rule 3 of Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as **'SCR Adjudication Rules'**) vide order dated October 12, 2022, to enquire into and adjudge upon the alleged violations against the Noticees under Sections 15HA, 15HB and 15A(a) of SEBI Act, 1992 and Section 23A(a), 23H of SCRA, as applicable.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

7. A common Show Cause Notice dated March 21, 2023 (hereinafter referred to as **'SCN'**) was issued separately with different reference number to the Noticees in terms of Section 15-I of the SEBI Act, 1992 read with Rule 4 of the SEBI Adjudication Rules and Rule 4 of SCR Adjudication Rules to show cause as to why an inquiry should not be held against them and why penalty, if any, under Section 15A(a), 15HA, 15HB of the SEBI Act, Section 23A(a) and 23H of SCRA, as applicable, be not imposed upon the Noticees.

8. SCN was issued to the Noticee No.11 vide SPAD and for all other Noticees vide e-mail dated March 29, 2023, which are all duly delivered. The proof of service of SCN is on the record. Pursuant to the serving of SCN, the Noticee No.1 & 2 sought additional time for 2 months and similarly the Noticee No. 9, 10, 11 and 12 also sought additional time of 1 month which was granted. In response, the Authorized Representative (AR) of the Noticee No.1,2,3 and 5 vide email dated April 28,2023 sought inspection of documents relied upon by AO in the matter. Accordingly, vide email dated May 19, 2023, the permission was granted to AR for inspection of document on May 23, 2023 and also advise AR to file the reply within 7 days from the date of inspection. However, AR Vide email dated May 20, 2023 sought extension on the same and thereafter, it was rescheduled to May 29, 2023 with advice to file the reply till June 08, 2023. During inspection the certified copies of IR and Forensic Audit Report was provided to Noticee No. 1,2,3 and 5. Further, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, an opportunity of personal hearing was granted through the hearing Notice which was served to the Noticees through email. The details of the date of reply submitted and hearing attended by the Noticees are as under;

Noticee No.	Detail of Reply	Detail of personal hearing
1.	Submitted; dated May 12, 2023 and June 19, 2023	June 12, 2023 (Appeared through AR)
2.	Submitted; dated May 12, 2023 and June 19, 2023	June 12, 2023 (Appeared through AR)
3.	Submitted; dated May 12, 2023 and June 19, 2023	June 12, 2023
4.	No reply submitted	April 28, 2023
5.	Submitted; dated May 12, 2023 and June 19, 2023	June 12, 2023
6.	No reply submitted	April 28, 2023

7.	No reply submitted	April 28, 2023
8.	No reply submitted	April 28, 2023
9.	Submitted; dated April 29, 2023 and May 19, 2023	May 17, 2023 (Appeared through AR)
10.	Submitted; dated April 29, 2023 and May 19, 2023	May 17, 2023 (Appeared through AR)
11.	Submitted; dated April 29, 2023 and May 19, 2023	May 17, 2023 (Appeared through AR)
12.	Submitted; dated April 29, 2023 and May 19, 2023	May 17, 2023 (Appeared through AR)

9. Summary of the replies submitted by Noticee No. 1 is summarized below:

- *On company's verification, only 5-6 invoices were found to be bearing some mistakes or omissions out of the total sample of 100-120 invoices given to the Forensic Auditors.*
- *In hurry and due to lack of time and also due to covid situation employees were working only under rotational basis and the data was submitted by the junior employees due to lack of proper knowledge.*
- *Regarding common address among various debtors, it was submitted that normally in many complexes of various offices/ Godowns more than 40-50 offices will be in one common building. Also it is common that all the chemical traders / pharmaceuticals traders will be in one/two buildings or nearby area mostly.*
- *Regarding other Related Parties not disclosing their RPTs is not a violation by CDL.*
- *The Roorkee Plant was erroneously quoted as Manufacturing and Trading. Similar mistake can be observed in FY 2016-17, later in FY 2017-18 Roorkee Unit was closed hence no reporting was done. So it was just presentation error.*
- *Non-disclosures done by other parties are not violation of company. Regarding independence of independent directors, it was submitted that Mr. Venkatram Reddy and Mrs. P. Chandrakala are not an executive director but independent directors and the company never indulged into any kind of business transactions with independent directors and they remained independent.*

- *Regarding limited review report, it was submitted that subsequent to the observation by Forensic Auditor, the same was uploaded/ shared with BSE.*
- *Regarding personal Guarantee given by Mrs. P. Chandrakala, it was submitted that her networth is mentioned as NIL, which shows there is no violation. For the transactions with Maruthi and Square Enterprises, it was submitted that the same were done in normal course of business and at an arm's length price. Hence director's independency was not affected.*
- *Regarding non-disclosure of related parties' transactions, it was submitted that the financial statements of the company have been prepared as per the regulations and all such transactions were disclosed accordingly.*

10. The common contentions raised in the replies of the Noticee No. 9, 10, 11 and 12 are summarized below:

- *The company had not received any compliant from any investor or any regulator either directly or through SEBI Scores during their tenure.*
- *The Noticees had no knowledge of the alleged irregularities, inconsistencies, lapses reported in the show cause notice relating to the Financial functions and transactions.*
- *There is no ignorance of law but only of the events, facts or developments as pointed out in the notice.*
- *Various allegations made in the show cause notice of SEBI relate to Finance function and a matter of Financial Audit. As far as the role of the Company Secretary and Compliance officer is concerned, I have taken due care and caution to comply with all the applicable provisions of the SEBI and Compliance Act.*
- *Regarding the alleged misrepresentations in the Invoices and Financial Statements, it was submitted that the Noticees had no knowledge of any of such discrepancies.*

These are more of Financial Function relating to Managing Director, Chief Financial Officer and Statutory Auditors and beyond the scope of work of the Company Secretary.

- *The Paid-up Capital and Networth of the Company was less than Rs. 10 Crores and Rs. 25 Crores respectively during the tenure of Noticees and therefore the provisions relating to the Corporate Governance as specified in regulations 17, 17 A, 18, 19, 20, 21,22, 23, 24, 24A, 25, 26, 27 and clauses (b) to (i) and (t) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V were not applicable to the Company.*
- *The events regarding providing personal guarantee by independent director P. Chandrakala was never discussed with the Noticees nor brought to their notice at all by the management and they were totally unaware of the same.*
- *Regarding the non-reporting of the RPT and failure to obtain the necessary approvals, these transactions were not brought to their knowledge either for seeking the approval of the Committee or for reporting the same.*
- *Mr. S. Nagi Reddy (Managing Director) and Mr. S. Koni Reddy (CFO), were Promoter Directors and in charge of the day-to-day activities of the company.*

Further in the common reply submitted by the said Noticees following contentions were raised-

- *Regulation 52 (2) (a) is not applicable to Concord Drugs Limited since it does not have any non-convertible securities listed on the stock Exchange(s).*
- *The authentication of audited financial statements by the company secretary by signing the same is a statutory requirement and the company secretary, under Section 134(1) of Companies Act, 2013, is not responsible for the accuracy or correctness of the numbers. once the Balance sheet or profit & Loss account is*

approved by Board of directors, the role of company secretary of signing them is merely ministerial in nature as decided in by the Hon'ble Securities Appellate Tribunal ('SAT') in V. Shankar vs SEBI.

- *The compliance officer has relied upon the certification by the Managing Director and CFO who were only responsible for the financial irregularities, inconsistencies and misrepresentations.*
- *The compliance officer was not in charge of and was not responsible for the conduct of the business of the company and therefore be cannot be deemed to guilty of the contraventions including various alleged financial misrepresentations as mentioned in the show cause Notice.*

11. Noticee No. 1, 9-12 appeared for the personal hearing and reiterated the written submissions made by them. During the personal hearing, Noticee No. 9-12 sought two days' time to submit additional reply and Noticee No.2 sought 1 weeks' time to submit written reply which were accordingly provided. However, Noticee No. 3 and 5 did not appear for personal hearing. Further, Noticee No.4,6,7 and 8 neither submitted the reply to the SCN nor appeared for the personal hearing, despite SCN and hearing Notice being duly served to the said Noticees. In this regard, it is pertinent to refer Rule 4 (7) of SEBI Adjudication Rules and SCR Adjudication Rules which states, '*if any person fails, neglects or refuses to appear as required by sub-rule (3) before the Board or the adjudicating officer, the Board or the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons for doing so*.'

12. In this regard, the Hon'ble Securities Appellate Tribunal (SAT) in the matter of ***Classic Credit Ltd. vs. SEBI*** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, held 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".*

13. Taking into account the aforesaid facts, I am of the view that principle of natural justice has been followed in the matter by granting the Noticees an ample opportunities for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record and replies submitted by the Noticees.

CONSIDERATION OF ISSUES AND FINDINGS

14. I have carefully perused the submissions made by the Noticees and documents available on record, and the issues that arise for consideration in the present case are:

(a) Whether Noticees have violated the provisions of Section 11(2)(ia), Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f) (k) and (r) of the SEBI PFUTP Regulations; Regulations 4(1)(a),(b),(c)(d),(e),(g),(h),(i),(j), 4(2)(f)(i)(1),(2) 4(2)(f)(ii)(6) (7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14), 6(1), 16 (1)(b), 18(1) (b), (c), (d), 18 (2) (b), 18 (3) read with Part C of Schedule II , 19, 20, 21, 23 (1) (2) (4), (9), 24 A, 33(2)(a), 48, 52(2)(a) and 53(f) of the SEBI LODR Regulations, as applicable?

(b) Does the violation, if any, on the part of the Noticees attract penalty under Section 15A(a),15HA, 15HB of SEBI Act, Section 23A(a) and 23H of SCRA, as applicable?

(c) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act and Section 23J of SCRA?

15. Before I proceed further with the matter, it is pertinent to mention the relevant provisions of the SEBI Act, SEBI PFUTP Regulations and SEBI LODR Regulations alleged to have been violated by the Noticees. The same are reproduced below:

SEBI Act, 1992

11. Functions of Board

…

(2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for—

…

ia) calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;

12A. Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

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 recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

SEBI PFUTP Regulations

3. Prohibition of certain dealings in securities

(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.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves any of the following:

…

(f) knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

…

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities.

…

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

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

4. Principles governing disclosures and obligations.

(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 there under, are adequate, accurate, explicit, timely and presented in a simple language.

(f) …

(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.

6. Compliance Officer and his Obligations.

(1) A listed entity shall appoint a qualified company secretary as the compliance officer.

(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.

(d)monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors.

16. Definitions.

(1) For the purpose of this chapter, unless the context otherwise requires –

(a) …

(b) "independent director" means a non-executive director, other than a nominee director of the listed entity:

…

(iv)who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

…

(vi) who, neither himself, nor whose relative(s) —

(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed:

(B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(1) a firm of auditors or company secretaries in practice or cost

auditors of the listed entity or its holding, subsidiary or associate

company; or

(2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(C) holds together with his relatives two per cent or more of the total

voting power of the listed entity; or

(D) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;

(E) is a material supplier, service provider or customer or a lessor or lessee

of the listed entity;

18. Audit Committee.

(1) Every listed entity shall constitute a qualified and independent audit committee in accordance with the terms of reference, subject to the following:

(b) Two-thirds of the members of audit committee shall be independent directors.

(c) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation (1). - For the purpose of this regulation, "financially literate" shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (2). - For the purpose of this regulation, a member shall be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

(d) The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.

…

(2) The listed entity shall conduct the meetings of the audit committee in the following manner:

…

(b) The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.

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

SCHEDULE II: CORPORATE GOVERNANCE

PART C: ROLE OF THE AUDIT COMMITTEE AND REVIEW OF INFORMATION BY AUDIT COMMITTEE

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

(1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

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

(3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;

(4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

(a) matters required to be included in the director's responsibility statement to

be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;

(b) changes, if any, in accounting policies and practices and reasons for the same;

(c) major accounting entries involving estimates based on the exercise of judgment by management;

(d) significant adjustments made in the financial statements arising out of audit findings;

(e) compliance with listing and other legal requirements relating to financial statements;

(f) disclosure of any related party transactions;

(g) modified opinion(s) in the draft audit report;

(5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;

(6) reviewing, with the management, the statement of uses / application of funds

raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;

(7) reviewing and monitoring the auditor's independence and performance, and

effectiveness of audit process;

(8) approval or any subsequent modification of transactions of the listed entity with related parties;

(9) scrutiny of inter-corporate loans and investments;

(10) valuation of undertakings or assets of the listed entity, wherever it is necessary;

(11) evaluation of internal financial controls and risk management systems;

(12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

(14) discussion with internal auditors of any significant findings and follow up there on;

(15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

(16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

(17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

(18) to review the functioning of the whistle blower mechanism;

(19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

(20) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

(21) reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.

B. The audit committee shall mandatorily review the following information:

(1) management discussion and analysis of financial condition and results of operations;

(2) statement of significant related party transactions (as defined by the audit committee), submitted by management.

(3) management letters / letters of internal control weaknesses issued by the statutory auditors;

(4) internal audit reports relating to internal control weaknesses; and

(5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

(6) statement of deviations:

(a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

(b)annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

19. Nomination and remuneration committee.

(1) The board of directors shall constitute the nomination and remuneration committee as follows:

(a) the committee shall comprise of at least three directors;

(b)all directors of the committee shall be non-executive directors; and

(c) at least fifty percent of the directors shall be independent directors and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors.

(2) The Chairperson of the nomination and remuneration committee shall be an independent director:

Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

(2A) The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including atleast one independent director in attendance.

(3) The board of directors shall decide other members of this committee.

(3A) The nomination and remuneration committee shall meet at least once in a year.

(4) The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.

20. Stakeholders Relationship Committee.

(1) The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.

(2) The chairperson of this committee shall be a non-executive director.

(2A) At least three directors, with at least one being an independent director, shall be members of the Committee.

(3) The board of directors shall decide other members of this committee.

(3A) The stakeholders relationship committee shall meet at least once in a year.

(4) The role of the Stakeholders Relationship Committee shall be as specified as in Part D of the Schedule II.

***21. Risk Management Committee**.*

(1) The board of directors shall constitute a Risk Management Committee.

(2) The majority of members of Risk Management Committee shall consist of members of the board of directors and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise of independent directors

(3) The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

(3A) The risk management committee shall meet at least in a year.

(4) The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security:

(5) The provisions of this regulation shall be applicable to top [1000] listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

23.Related party transactions.

(1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly:

Explanation. - A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

(2) All related party transactions shall require prior approval of the audit committee:

…

(4) All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

…

9) The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year.

24A. Secretarial Audit

(1) Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019.

33. Financial results.

(1) …

(2) The approval and authentication of the financial results shall be done by listed entity in the following manner:

(a) The quarterly financial results submitted shall be approved by the board of directors:

Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

48. Accounting Standards.

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

52. Financial Results.

(1) …

(2) The listed entity shall comply with following requirements with respect to preparation, approval, authentication and publication of annual and half-yearly financial results:

(a) Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practising Chartered Accountant, in the format as specified by the Board:

Provided that if the listed entity intimates in advance to the stock exchange(s) that it shall submit to the stock exchange(s) its annual audited results within sixty days from the end of the financial year, un-audited financial results for the last half year accompanied by limited review report by the auditors need not be submitted to stock exchange(s).

53. Annual Report.

(1) The annual report of the listed entity shall contain disclosures as specified in Companies Act, 2013 along with the following:

…

(f) related party disclosures as specified in Para A of Schedule V.

Preliminary Issue

Before proceeding with the merits of the matter, it would be appropriate to first deal with the certain preliminary contentions raised by Noticee No.9,10,11 and 12. At the outset, the aforesaid Noticees have contended that the Provisions relating to Corporate Governance i.e., Regulation 17 to 27 of SEBI LODR Regulations were not applicable to the CDL during IP since CDL's paid up capital and Net worth were less than INR10 crores (Cr.) and INR25 crores respectively.

16. In this regard, I note from the IR that during the IP, the paid up capital of CDL for the FY 2015-16 to 2019-20 was INR7.24 Cr., 7.24 Cr., 7.86 Cr., 7.86 Cr. and 8.74 Cr. respectively. And also, the Net worth for the FY 2015-16 to 2019-20 was, INR15 Cr., 15 Cr., 19 Cr., 23 Cr. and 23 Cr. respectively. Further, I note that the relevant provision as per Regulation 15(2) of SEBI LODR Regulations states as under:

Applicability

(2) The compliance with the corporate governance provisions as specified in regulations 17,17A,18,19,20,21,22,23,24,24A,25,26,27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V shall not apply, in respect of –

(a) a listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty-five crore, as on the last day of the previous financial year.

17. From the above, I note that during the IP the paid up capital of the company was less than Rs.10 Crores and the Net worth was also less than Rs.25 Crores from the prescribed limit of the said Regulation. It is therefore, as the objection on the applicability of the relevant provisions of the Regulation 15(2) of SEBI LODR Regulations by the aforesaid Noticees is in line with the aforesaid Regulation, the alleged violation of Regulations 18(1) (b), (c), (d), 18 (2) (b), 18 (3) read with Part C of Schedule II, 19, 20, 21, 23 (1) (2) (4), (9), 24 A of SEBI LODR Regulations against the Noticees is hereby dropped.

18. Having dealt with the preliminary issue, I shall now proceed to deal with the key issues, which now stands amended, in view of the above observation.

Issue (a): Whether Noticees have violated the provisions of Section 11(2)(ia), Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f) (k) and (r) of the SEBI PFUTP Regulations, Regulations 4(1)(a),(b),(c),(d),(e),(g),(h),(i),(j), 4(2)(f)(i)(1),(2) 4(2)(f)(ii)(6) (7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14), 6(1), 16 (1)(b), 33(2)(a), 48, 52(2)(a) and 53(f) of the SEBI LODR Regulations, as applicable?

19. CDL was incorporated in 1995 with Registrar of Companies, Hyderabad and is currently listed on BSE.CDL carries on the business of manufacturing, buying, selling, importing, exporting and generally deal in all kinds, varieties, of chemical and pharmaceuticals materials and packing material for Pharmaceuticals formulations tablets, capsules, injectable etc.

Management of the Company

20. Board of directors during the period of investigation:

Name of the Board Member	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**20-21**
Mr. S. Nagi Reddy	Chairman		Chairman & WTD			
Mr. T. Narsimha Reddy	Managing Director					
Mr. S Koni Reddy	Executive Director cum Chief Financial Officer					
Mr. K. Ramachandra Reddy	Non-Executive Director		**Resigned w.e.f. 29.09.2017**	Additional Director	Independent Director	
Mr. M Eswar Rao	Independent Director					
Mr. P. Venkatram Reddy	Independent Director			Additional Director	Independent Director	
Ms. P. Chandra Kala	Independent Director					

Shareholding

21. List of shareholding of promoters of CDL is as follows: (quarter ending december 2021)

Name Of The Promoter / Promoter Group Company	**No. Of Fully Paid Up Equity Shares Held**	**% Of Holding to total shares**
Mr. S Nagi Reddy	22,84,399	26.13
Mr. S Koni Reddy	10,00,000	11.44
Mr. S. Manoj Kumar Reddy	10,00,000	11.44
Mr. Vundela Ramasubba Reddy	0	0.00
	42,84,399	**49.00**

Financials

22. The abridged financial statements of CDL for the period from April 01, 2015 to March 31, 2019 is as below:

Balance Sheet (Amount in Rs. Lakhs)

Sr. No	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
	Assets					
	Non-Current Asset					
(a)	Property, plant and equipment	1438.90	1284.92	1272.38	1106.32	973.86
(b)	Capital Work-in Progress	-	-	-	28.89	99.77
(c)	Investment property	78.60	78.60	78.60	78.60	78.60
(d)	Financial Asset	61.10	87.18	5032.08	50.02	53.62
	Other Non-current Asset	-	-	38.48	39.26	39.29
	Total Non-Current Asset	**1578.65**	**1450.70**	**6421.54**	**1303.09**	**1245.14**
	Current Asset					
1	Inventories	814.85	1102.70	1861.94	1864.15	1643.13
2	Financial Assets					
	(a) Investments	-	-	-	-	-
	(b) Trade receivables	2547.91	4573.15	2135.17	4843.47	2544.60
	(c) Cash and cash equivalents	3.57	17.14	4.08	15.89	1.21
	(d) Bank balances other than (c) above	-	-	1.49	2.59	2.59
	(e) Other Current Financial Assets	149.74	90.71	12.71	4.13	4.13
3	Other Current Asset	136.49	240.83	204.47	243.53	360.75
	Total Current Asset	**3652.56**	**6,024.53**	**4,219.86**	**6,973.76**	**4,556.41**
	Total Assets	**5,231.21**	**7,475.24**	**10,641.40**	**8,276.85**	**5,801.55**

Profit and Loss Account (Amount in Rs. Lakhs)

Particulars	2019-20	2018-19	2017-18	2016-17	2015-16
Total Revenue	5,145.90	4,816.31	5,193.30	5,757.54	5,088.60
Total Expenses	5,100.25	4,772.34	5,129.43	5,692.79	4,792.26
Gross Profit	525.43	595.36	652.51	857.81	1,012.55
Profit/(Loss) before tax	45.65	43.97	63.87	64.75	296.34
Profit/(Loss) after tax	32.83	40.69	32.42	15.95	174.85
Gross Profit/ loss %	10.23%	12.38%	12.60%	14.92%	19.98%
Net Profit/ loss %	0.64%	0.84%	0.62%	0.28%	3.44%

23. The observation of the IR, based on the forensic auditor report, the documents produced by company before the Investigating Authority and other materials available on records, I note that it was observed and alleged mainly on the misrepresentation of the financial statement and non-compliance of SEBI LODR Regulations with reference to disclosure of related party transactions. Accordingly, the following irregularities were observed and alleged against the Noticees,

i. During investigation it was observed that the transactions with various entities like Proton, Cortex Laboratories, Austrazen, Maruti Enterprises and Square Enterprises not shown as related party transactions and also not disclosed them as related parties in compliance with SEBI LODR Regulations and the clauses of Listing Agreement. Further the genuineness of the transactions undertaken with connected / related / related but not shown as related like the afore said entities and also with struck off entities which appeared doubtful in view of non-availability of documents, non-disclosure of such entities as related parties, difference in figures including, sales, purchases, receivables etc., and various other observations alleging that they were sham transactions and the financial statements based on these figures seem to be unreliable and misrepresented.

ii. Further, with regard to the working provided by the Company in relation to the trading / sales transactions during the F.Y. 2015-16, the company has shown an amount of Rs.62,85,695 on which a profit of Rs.2,48,252 was accounted. However, the annual report of the Company specifies the trading sales to be Rs.3369.50 Lakhs and profit was Rs.534.82 Lakhs. The reasons for such discrepancies could not be given by the company.

iii. Besides above, investigation further observed that there were deficiencies in internal control system, balance confirmations and ledger copies sought from the major parties which were not made available neither to the forensic auditor nor to the internal auditor of the company. Further, the debtors- creditors netting off, issues relating to inventory management, costing and reporting including difference in stock on perusal of tax audit report indicates that the genuineness

of financial transactions/ statement including various disclosures cannot be relied upon. Hence, it is alleged that CDL has misrepresented the financials from 2015-16 to 2020-21.

Findings and Consideration:

24. The allegations made in the SCN against each of the Noticees, submissions made by the Noticees qua the allegations made against them and my findings thereon are dealt in the following parts of the order:

I. **Allegations w.r.t. non-disclosure of Related Parties/Related Parties Transaction**
II. **Allegations w.r.t. transaction with Struck Off entity**
III. **Allegation w.r.t. non-filing of limited review report**
IV. **Allegations w.r.t. deficiencies in Internal Control System**
V. **Allegations w.r.t. non-reliance on trade receivables and internal audit**
VI. **Allegations w.r.t. Debtors-Creditors netting off**
VII. **Allegation w.r.t. sham transaction**
VIII. **Allegation w.r.t. appointment of ineligible independent directors**

I. Allegations w.r.t. non-disclosure of Related Parties/Related Parties Transaction(RPT)

25. Regarding the allegations of non-disclosure of Related Parties/RPT, I note that the following observations were made in the IR:

i. The Company has not shown transactions with various entities like Proton, Cortex Laboratories, Austrazen, Maruti Enterprises and Square Enterprises as related party transactions nor disclosed them as related parties. The charge is substantiated here under:

a) Disclosures made for the related party transactions during the IP are as follows:

Table - A

Year	Proton Remedies Private Limited	Austrazen Bio Pharmaceutic Private Limited	Cortex Laboratories Private Limited

	In CDL Annual Report	In Proton Annual Report	Whether a related Party of CDL	In CDL Annual Report	In Austrazen Annual Report	Whether a related Party of CDL	In CDL Annual Report	In Cortex Annual Report	Whether a related Party of CDL
2015-16	No	No	Yes, According to Paragraph 12 of AS 18. Mr. Nagi Reddy holds more than 20% of Voting Power till March, 2018.	No	No	Yes, as Saranya Reddy Seelam (daughter of Mr. Lakshmi Reddy who is brother of Mr. Nagi Reddy) holds more than 20% of Voting Power. Further, Mr. Nagi Reddy was director in Proton from 28th May, 2010 to 09th February, 2018.	Yes	No	Yes, According to Paragraph 12 of AS 18. Mr. Nagi Reddy holds more than 20% of Voting Power.
2016-17	No	No		No	No		Yes	No	
2017-18	No	No		No	No		Yes	No	
2018-19	Yes	No		Yes	No		Yes	No	
2019-20	Yes	No		Yes	No		Yes	No	

b) From the above, I note that, Proton, Austrazen and Cortex are the related parties of CDL since the beginning of IP. CDL has also executed various sales and purchase transaction with the above mentioned related parties. The summary of the same is as follows:

Year	Proton Remedies Private Limited		Austrazen Bio Pharmaceuticals Private Limited		Cortex Laboratories Private Limited	
	Purchase	**Sale**	**Purchase**	**Sale**	**Purchase**	**Sale**
15-16	-	1,03,74,030	-	2,59,409	1,24,63,529	-
16-17	-	59,20,473	-	7,13,902	1,10,40,345	-
17-18	-	61,44,735	-	2,94,340	16,15,90,680	-
18-19	-	3,65,09,747	-	4,32,98,671	11,38,46,455	4,44,750
19-20	1,33,98,440	4,83,90,507	65,83,796	5,12,35,923	3,10,30,499	2,29,37,720

A. <u>PROTON REMEDIES PRIVATE LIMITED</u>

Transactions with Proton Remedies Private Limited ('PRPL') not shown under Related Party Transaction ('RPT') disclosures:

i. With regards to above, I note from the IR that Mr. Nagi Reddy was holding 75% of the shares in PRPL from F.Y. 2014-15. Further, it was observed that as per Accounting Standard - 18, an enterprise is considered to have a substantial interest in another enterprise, if that enterprise owns, directly or indirectly, 20 per cent or more interest in the voting power of the other enterprise. Similarly, an individual is considered to have a substantial interest in an enterprise, if that individual owns, directly or indirectly, 20 per cent or more interest in the voting power of the enterprise. Accordingly, Mr. Nagi Reddy had substantial interest in Proton indicating that PRPL should be disclosed as a related party of CDL from the beginning of IP i.e. from F.Y. 2015-16. However, it was observed from the above Table-A, that Proton was disclosed as an associate Company of CDL only from F.Y. 2018-19 when Mr. Koni Reddy was appointed as director of Proton on March 16, 2019. Hence, it was alleged that CDL has not disclosed PRPL as a related party since 2015-16 till F.Y. 2017-18.

ii. Further, I also note from the IR that, the Company had purchase transactions of Rs.1.33 Cr and sale transactions of Rs.10.73 Cr during the period 2015-20 with the aforesaid entities and are not shown as related party of CDL, and therefore it was alleged that these transactions were not reflected under RPTs as per SEBI LODR Regulations.

iii. **Genuineness of transactions:**

a) As per the director's report of PRPL (FY 2019-20), the main business activity contributing more than 10% of the total turnover is manufacturing of allopathic pharmaceutical preparation and not engaged in trading activities of medicine. However, it was observed that

CDL has sold ready tablets, capsules etc. to PRPL for trading purposes, Hence, it was alleged that transactions were non-genuine.

b) Further, it was observed that during the investigation no details with respect to delivery challan, lorry receipts, gate register, e-way bill was provided as supporting documents except invoices for the transactions between CDL and PRPL.

c) The total amount shown as current payable by PRPL to all its vendors was less than the receivable amount shown by CDL from PRPL.

Total Amount Payable of PRPL to all its vendors:

Year	Total Amount Payable (in INR)
2015-16	54,26,933
2016-17	61,63,157
2017-18	16,53,266
2018-19	2,00,77,264
2019-20	14,88,816

As per the books of accounts of CDL, total receivable due from Proton Remedies Private Limited during IP is as follows:

Year	Total Amount Receivable (in INR)
2015-16	1,75,92,539
2016-17	1,75,73,422
2017-18	1,65,98,759
2018-19	3,53,11,453
2019-20	1,66,39,380

iv.**Doubt on existence of Proton:**

a) During the Physical verification indicated that the mentioned address of Proton was the residential premises of Mr. Nagi Reddy (Noticee No. 2). Further, Austrazen Bio Pharmaceuticals Private Limited and Cortex Laboratories Private limited are registered on the same address that of Proton PRPL.

b) Reminder letter sent by CDL to Proton dated April 30, 2020 was acknowledged by Sai Saranya Reddy (daughter of Mr. Nagi Reddy's brother). However, the signature of Sai Saranya Reddy placed on the reminder letter and on the financial statements of Proton Remedies Private Limited were found to be different.

B. CORTEX LABORATORIES PRIVATE LIMITED

Transactions with Cortex Laboratories Private Limited (CLPL) not shown under RPT disclosures:

i. With regards to the above, I note from the IR that Mr. Nagi Reddy is a Key Managerial Person ('KMP') of CDL and has a substantial interest in Cortex Laboratories Private Limited as Mr. Nagi Reddy holds 50% of the share i.e. voting power of the Company. According to the financials of CDL, CLPL is an associate Company of CDL from FY 2014-15. Details of Related Party Transaction of CDL are as follows:

Rs. Lakhs

Year	Sales	Purchase of Raw material	Balance from CLPL
2014-15	0.44	103.76	281.66
2015-16	-	130.85	84.68
2016-17	-	115.92	(13.82)
2017-18	-	1906.77	1879.94
2018-19	902.46	1318.65	2269.59
2019-20	256.90	361.87	89.09

ii. Cortex was disclosed as a related party in CDL's annual Returns but Cortex has not disclosed CDL as a related party during that period. It should be pertinent to note that financial statement for both the years were signed by

Mr. Nagi Reddy (Director of CLPL and CDL). It was therefore alleged that the details of related party disclosed in the financial statements are not in line with one another.

iii. **Doubt on existence of Cortex:**

a) The Company have no tangible assets as well as the Company is not recording any rent expenses from financial year 2017-18. Further, prior to FY 2017-18, Company has plant & machinery of Rs.2.01 Crores which was later sold to CDL. However, it is interesting to note that despite having huge plant & machinery, Cortex neither have any land or building nor have rental expenses.

b) The Registered email ID of Cortex Laboratories is 'concorddrugsltd@rediffmail.com' which is same as that of CDL.

c) Mr. Nagi Reddy is a KMP of Concord Drugs Limited and has a substantial interest in Cortex Laboratories Private Limited as he holds 50% of the share i.e. voting power of Cortex. Also, Seelam Manoj Kumar Reddy (promoter of CDL) is common director in Cortex as well as ABPPL. Also, Sai Saranya Reddy Seelam is the common director in Proton and ABPPL.

iv. **Genuineness of transactions:**

a) The overall sales and purchase transaction according to the accounting system of CDL differs from the sales and purchases recorded by CDL in the related Party Disclosure. Such difference in amount is Rs.3.02 Cr in purchases for a period of 2015-18. The amount could not be ascertained for 18-19 to 19-20.

b) The transactions of CPCL indicates that it was solely with CDL and Hence, it can be concluded that Cortex was merely opened for executing transactions

with CDL. Also, no details with respect to delivery challan, lorry receipts, gate register, e-way bill was provided for these transactions.

c) In its books, Cortex has not shown CDL as its related party.

d) Physical verification indicated that the mentioned address was the residential premises of Mr. Nagi Reddy. Austrazen Bio Pharmaceuticals Private Limited and Cortex Laboratories Private limited are registered on the same address that of PRPL.

e) The e- way bill generated shows source address and destination address as same. It was observed that Cortex has sold all its fixed assets to CDL. However, CDL has classified all the assets under one block i.e. Plant and Machinery. CDL has not reported any additions in any block of assets other than plant and machinery. Hence, it appears that the remaining assets are purchased from the Cortex by CDL, however, the same has not been accounted in the books of CDL. Thereby it was alleged that there was wrong accounting and disclosure in financial statement by CDL.

C. AUSTRAZEN BIO PHARMACEUTICALS PRIVATE LIMITED

Transactions with Austrazen Bio Pharmaceuticals Private Limited ("Austrazen"/ "ABPPL") not shown under RPT disclosures:

i. I note from the IR that Austrazen was disclosed as an associate Company of CDL from FY 2018-19. However, Nagi Reddy was holding 80% of the shares in Austrazen Bio Pharmaceuticals Private Limited before 2014-15 having voting power. Hence, Mr. Nagi Reddy had substantial interest in Austrazen indicating that ABPPL should be disclosed as a related party from the beginning of IP. Hence it was alleged that CDL has not disclosed ABPPL as a related party since 2015-16.

ii. The summary of total sales and purchase transaction carried out during the IP is as follows:

Year	Purchase (Rs)	Sales (Rs)
2015-16	-	2,59,409
2016-17	-	7,13,902
2017-18	-	2,94,340
2018-19	-	4,32,98,671
2019-20	65,83,796	5,12,35,923

iii. Since the entity is not shown as related party of CDL during the period FY 2015-16 to FY 2017-18, therefore it was alleged that these transactions were not reflected under RPTs as per SEBI LODR Regulations.

iv. **Genuineness of transactions:**

a) The discrepancies in documentation of transactions are as under:

2018-19		2019-20	
As per E-way Bill	**As per Tally**	**As per E-way Bill**	**As per Tally**
36,21,388	4,32,98,671	1,96,99,168	5,12,35,923

b) No details with respect to delivery challan, lorry receipts, gate register, e-way bill was provided as supporting documents except invoices for the transactions between CDL and ABPPL.

c) Also, many of the transactions are not reflected in the way bill report despite the destination addresses in the invoice indicating that very few transactions where e way bill was generated appears to be genuine and the other transactions indicates that there has been no movement of goods and these are mere book transactions.

v. **Doubt on existence of Austrazen:** Physical verification indicated that the mentioned address was the residential premises of Mr. Nagi Reddy. Austrazen

Bio Pharmaceuticals Private Limited, Cortex Laboratories Private limited and Proton are registered on the same address.

D. SQUARE AND MARUTHI ENTERPRISES

Transactions with Square and Maruthi Enterprises not shown under RPT disclosures:

a) Both Square and Maruthi are proprietary concerns and verification of GSTIN indicates that the same is in the name of P. Venkatram Reddy, one of the past directors of CDL till September 29, 2017. However, the GST registration was showing cancelled with effect from 1st October, 2019. CDL has not disclosed the transactions with Square Enterprises under the related party schedule forming part of the financial statements. In view of this, the company should have disclosed the same under RPT.

b) During the investigation the sample invoice mentioned the address of Square Enterprises as Green Hills Colony, Hyderabad. The said address was found to be situated at LB Nagar. The Company has generated E-way bill for the said address for other clients, however, e-way bill was not generated for sales made to Square Enterprises. Hence, the movement of goods appeared suspicious.

c) The address available of Sri Maruthi Enterprises in the accounting system of CDL was found to be same address as that of Square Enterprises.

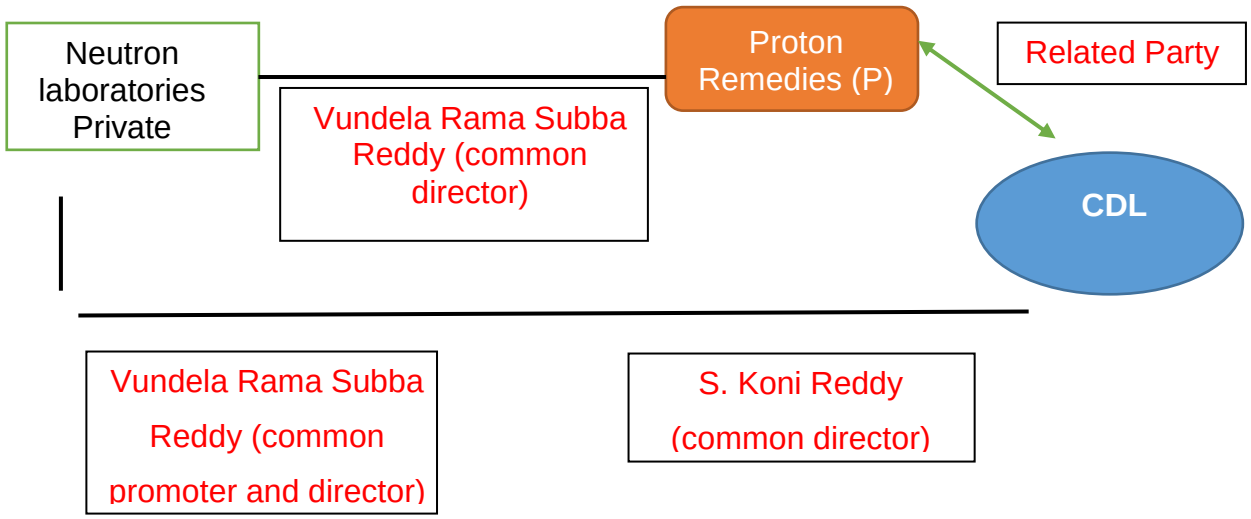
d) From the above, it was observed that the addresses of both the entities are same and could not be found on physical verification during investigation. Also, there is non-availability of underlying documents for purchase and sales of goods. Further, many of the transactions were not reflected in the way bill report despite the destination addresses in the invoice indicating that very few transactions where e-way bill was generated appears to be genuine and the other transactions indicates that there has been no movement of goods and these are mere book transactions.

E. NEUTRON LABORATORIES PVT. LTD.

Transactions with Neutron Laboratories Pvt. Ltd. (NLPL)

i. **Doubt on existence of Neutron:** As per the fixed assets schedule forming part of the financial statement, NLPL has no office place or building at the registered address [11-13-1058/1/104, Tnr Vaishnavi-4, Road No.10, Vasavi Colony, Kothapet Hyderabad TG 500035 IN] and also no rental expenses except Rs.60,000/- have been recorded during 2017-18. The visit at the registered address, filed with MCA, indicates that it was a residential building with no Flat No. 104 and there was no person. Further, from the IR, I note that, the security guard present there confirmed the non-existence of NLPL in the said premises.

ii. **Connection with CDL:** The fact that both NLPL and Concord Drugs Limited (CDL) have common promoter indicates that both are connected entities. Also, the Company had submitted that they were not shown as related parties based on the opinion of auditors.



iii. Transactions:

a) It was observed that NLPL is engaged in trading activity solely on behalf of CDL and CDL is supposed to receive payment from NLPL against the sales.

b) No delivery Challans, Limited Review Reports, Gate passes, E-way bills, Insurance copies were provided by the management of CDL for the following invoices:

Date	Financial Year	Voucher Type	Sales Amount
25-Apr-17	2017-18	Sales	11,75,650
02-May-17	2017-18	Sales	13,21,392
13-May-17	2017-18	Sales	21,63,455
24-Jul-17	2017-18	Sales	12,75,996
18-Oct-17	2017-18	Sales	6,61,560

c) NLPL's directors' report states that 100% of the turnover of NLPL is from "manufacturing of allopathic pharmaceutical preparation".

d) Further, it was stated by CDL that bad debts i.e., non-recovery of the long outstanding dues from NLPL, will be borne by CDL. This condition seems to be unreasonable and not in a normal course of business where transactions are undertaken for profit motive. Also, no such condition seems to be in writing which could be submitted by CDL.

e) The parties shown as trades receivable in the books of NLPL (for an amount of Rs. 2.04 Cr) – Allied Pharma/ Pharma Nova and Medichem are also shown as regular customers of CDL and with whom payments were received regularly.

f) Considering, Neutron is engaged in the trading business (which is also majorly related to the procurement from CDL), the receivable in the books of Neutron should be more than the receivable balance of Neutron appearing in the books of CDL. Further, considering the profit margin of Neutron and the explanation provided by the management, the receivable balance should not be less than Rs.2,38,58,075 i.e. the outstanding receivable balance of Neutron in the books of CDL. However, based on the management comment it was noted that the total receivable in the books of Neutron is Rs.2,04,91,724. Based on the above analysis, it was noted that this Company is having transactions only with CDL,

meaning thereby, the Company has been incorporated for the purpose of trading the CDL products.

g) CDL has not taken any recovery measures for recovering the outstanding dues to the tune of Rs.2,38,58,075 outstanding since F.Y. 2017-18 from NLPL.

h) Despite having the condition that interest @24% p.a. on overdue bills could be charged by CDL, no interest has been charged. Also, the outstanding shows that Company is supposed to get immediate payments on sales made to Neutron is false and factually incorrect.

i) As per Section 2(76) of Companies Act, 2013, related party includes a private Company in which director or manager or his relative is a member or a director. Considering, Mr. Nagi Reddy holds directorship during the period January 05, 2017 to February 15, 2017, CDL should disclose NLPL as a related party in the financial statements for year ended March, 2017. Moreover, as explained by the management, Mr. Vundela Rama Suba Reddy (50% shareholder in Neutron) is brother- in-law of director Mr. Nagi Reddy and hence, Neutron may be considered as connected party of CDL.

j) It was observed that the outstanding receivable balance of NLPL in the books of CDL is INR 2,38,58,075. However, the total receivable in the books of NLPL is INR. 2,04,91,724. Hence, there is difference in outstanding balances in the books of CDL and NLPL against each other.

k) Also, figures indicate that NLPL was purchasing almost 100% of the products from CDL. However, as per the directors' report of NLPL, it was noted that NLPL was involved in trading of medicines. It is observed that during the year 2016-17, NLPL has booked nominal gross profit of INR 7,18,852 against the sales of INR 10,60,98,242 from the trading of the medicines purchased from CDL i.e. around 0.67%

l) Hence, the genuineness of the sales transactions undertaken with NLPL are doubtful in view of non-availability of documents, non-disclosure of these entities as related parties, difference in figures including, sales, purchases, receivables etc., and these seem to be sham transactions and the financial statements based on these figures seem to be unreliable. It also indicates that NLPL has been incorporated for these transactions since they do not seem to have transactions with other parties other than CDL.

m) As per *SEBI (LODR), Related Party definition under Regulation 2 (1) (zb)*

"a related party as defined under sub - section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:
Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

As per Ind AS-24 "Related Party Disclosures", if an entity has related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

26. With regard to the above observations, I note that, in respect of transactions with Proton, ABPPL, Cortex, Square and Maruthi Enterprises, the company has not given any detailed responses to why the allegations made in the SCN are not correct. Instead, the company has given evasive response like, "As per the regulations our financial statements have been prepared disclosing the related parties transactions". The simple submission stating that financial statements have been prepared disclosing the related party's transactions may not be accepted as the company has not disputed/denied each and every allegation made with the supporting document. Hence only a bald statement has been made by the

company and further in absence of any cogent argument against the said allegations, the contention of the Noticee has no merit and accordingly denied. Therefore, I find that these observations made in the SCN, as quoted above, remain undisputed and can be used to draw inferences regarding sustainability of the allegations made in the SCN.

27. In addition to above, it is submitted by the company that the transactions were made in normal course of business and are handled by respective departments. The company has further submitted that Board of Directors and Company do not have the cognizance of such transactions and hence company cannot be made liable. In this regard, I note that this submission shows the careless attitude of the company and its Board. Further, being a listed company, it is the responsibility of the company and its management to take proper care of its business and maintain updated and accurate records and in case there is any lapse observed by the company, it should take immediate action and rectify the same at the first instance which is not done in the instant case.

28. In this regard, I further note that, Directors are bound by the maxim *delegates non-protest delegare* i.e. authority once delegated cannot be delegated again. Shareholders have appointed him because of their faith in his skill, competence and integrity and they may not have the same faith in another person. This issue came up before Hon'ble Supreme Court in the case of ***J.K. Industries v. Chief Inspector of Factories*** (MANU/SC/1293/1996). Whereby it was held that the rule is, however, not that rigid. The Act or Articles of Association of the Company may make a delegation of functions to the extent to which it is authorized. Also, there are certain duties, which may, having regard to the exigencies of business, properly be left to some other officials. *A proper degree of delegation and division of responsibility is permissible but not a total abrogation of responsibility. A director might be in breach of duty if he left to others the matters to which*

the Board as a whole had to take responsibility. Directors are responsible for the management of the company and cannot divest themselves of their responsibility by delegating the whole management to agent and abstaining from all enquiries. He is the agent of the company except for matters to be dealt with by the company in general meeting and not of the other members of the Board. **[Emphasis Supplied]**

29. Hence, from the above facts, it is clearly established that entities mentioned above such as Proton, Neutron, Maruti Enterprises, Square Enterprises and Austrazen were not disclosed as related party and the transactions done with them were also not disclosed as RPT. The Further, the aforementioned facts about the non-genuineness of the transactions and the doubtfulness on the existence of Proton, Neutron, Cortex and Austrazen also establishes that the aforesaid transactions done by the aforesaid entities were sham transactions and recognition of these transactions in the financials of CDL cannot be relied upon and hence they do not show a true and fair view of the Company's financial position.

II. Allegations w.r.t. transaction with Struck Off entity

Transactions with Safal Agri Bio-Tech Private Limited ("Safal"/ "SABTPL")

a) From the IR, I note that, Safal was struck off Company in the F.Y. 2012-13 as per the MCA website. Also, on the contrary to sending the follow up letter for requesting the outstanding payment at the address available on MCA i.e. '*6 & 6/3 Shashi Shekhar Bose Road, Kolkata, West Bengal- 700025*', the Company has sent on *'Flat no. 802 and 803, 4th floor Sri Swamy Ayyappa society, Madhapur Hyderabad'* which was not substantiated by the company. During deposition before SEBI, the company has informed that they were not aware that the company was struck off. However, the said reply is not tenable considering the fact that the receivable from Safal was disclosed as "unsecured, considered

good" in the financial statements submitted with BSE. Also, the company could not show any recovery measures taken nor has created the provision for doubtful debts against the receivable of Rs.18,188,105 from Safal in its financial statements. Also, CDL had the rights to charge 24% interest on overdue bills, however, CDL has charged to Safal, interest on late payment of 12% p.a. Further, there is no interest accrued in the ledger of Safal during the review period.

b) The table below discloses the amount receivable from Safal in the books of CDL during IP:

Row Labels	2015-16	2016-17	2017-18	2018-19	2019-20
Safal Agri Bio-Tech Private Limited	1,81,88,105	1,81,88,105	1,81,88,105	1,81,88,105	1,81,88,105

From the above table, it can be seen that there was no movement in the amount receivable from the debtor as well as the said debtor has been already struck off. CDL has not written off the amount receivable from SABTPL and is disclosing the same since 2015-16 as recoverable. SABTPL has been strike off since FY 2012-13 and hence the amount receivable from them should be written off so as to disclose actual position of the Company as the recovery from SABTPL is doubtful.

c) It was observed that CDL has not evaluated and considered the requirement of "Ind AS 109 – Financial Instruments" and "Ind AS 115 – Revenue from contract" by not assessing the expected credit loss towards the receivables of Safal which distorts the true & fair view of the realizable position of the assets in the financial statements. Also, by showing outstanding from a struck off company, CDL has allegedly misrepresented the financials since FY 2012-13.

30. With regard to transaction with Safal and its status as struck off, the company has submitted that they had no idea about the strike off of the name of Safal Agri in MCA register as they were receiving considerable amount which was due. The said submission firstly shows lack of due diligence on the part of company and secondly shows lack of

proper updating of the accounts and finances of the company. If it is believed that the company was receiving amount from Safal then why they fail to brought down the same in their books is not understood and further establishes that the financials of the company were unreliable. Hence, the above facts clearly establish that by not properly treating the amount receivables from the struck off company (Safal) in the financial statements of CDL as per the appropriate accounting standards, the financials of the Company were distorted and can misled the investors in the market.

III. Allegation w.r.t. non-filing of limited review report

31. From the IR I note that, CDL has allegedly violated Regulation 52(2) (a) by not filing the limited review report for quarter and year ended March, 2016. In this regard, I note that, every listed company under clause 41 of the listing agreement is required to furnish the unaudited quarterly result in the prescribed format to the concerned stock exchange within 45 days of the end of respective quarter. Further I note that, according to the SEBI LODR Regulations 52 (2) (a) as applicable in FY ended 2016:

> *"52 (2)(a) Un-audited financial results shall be accompanied by limited review report prepared by the statutory auditors of the listed entity or in case of public sector undertakings, by any practising Chartered Accountant, in the format as specified by the Board:*
>
> *Provided that if the listed entity intimates in advance to the stock exchange(s) that it shall submit to the stock exchange(s) its annual audited results within sixty days from the end of the financial year un- audited financial results for the last half year accompanied by limited review report by the auditors need not be submitted to stock exchange(s)."*

32. Therefore, it is mandatory for CDL which is a listed company, to publish the Limited Review Report in the format specified by SEBI. However, as per the filings of CDL made on BSE website in relation to the Limited Review Report, the Company has only published the quarterly financials for the quarter and year ended March, 2016. The auditor's report/ Limited Review Report signed by statutory auditor was not uploaded.

33. For the said violation, Noticee No. 9, 10, 11 and 12 have submitted that Regulation 52 (2) (a) of the SEBI LODR Regulations is not applicable in case of CDL as it does not have any Non-Convertible Securities listed on the stock exchange. I note that the said submission is patently wrong and reflects wrong understanding/application of the said provision as it nowhere prescribes such qualification as mentioned by the said Noticees. Hence, I am inclined to reject the said contention.

34. In this regard, 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 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."*

35. Further, I note that, BSE has also confirmed that CDL has not filed the Limited Review Report for the quarter and year ended March 2016 with the exchange. The said fact clearly establishes that CDL has violated Regulation 52(2) (a) of SEBI LODR Regulaitions by not filing the Limited Review Report for quarter and year ended March, 2016.

IV. Allegations w.r.t. deficiencies in Internal Control System

36. It was observed that no qualification was found in the Internal Financial Control (IFC) Report issued by the statutory auditor of Concord Drugs Limited during the IP.

37. As per Sec 143(3)(i) of Companies Act 2013, the report of auditor should state as to whether the Company has adequate Internal Financial Control (IFC) System in place and the operating effectiveness of such controls. According to the Companies Act, the IFC report is mandatory for all the listed companies.

38. However, it was alleged that, the copy of the IFC report submitted by the Company appeared unreliable because of the following reasons:

a) The Risk and Control Matrix (RCM): According to the entity control for vendor master creation/ updation, the Purchase department submits a form to vendor wherein the vendor shall mention details like Company name, registered address, PAN, GST number etc. However, GST was introduced only in July 2017. Hence the IFC provided seems to be invalid and unreliable. As well as from the lack of control over the inventory module, which is one of the most valuable asset of the Company, prima-facie it appeared that Company did not have sufficient and adequate internal control in place.

b) Further, no approvals from the board of directors for adopting internal financial controls in the board meetings and documentation for testing of internal financial controls by the management were provided. Based on the review of the RCM received and subsequent management response on the observations shared with respect to the RCM, the Company had shared the RCM's only for the FY 2015-16.

39. From the above observations of the investigation, I note that, as per Sec 143(3)(i) of Companies Act 2013, the report of auditor should state as to whether the Company has

adequate Internal Financial Control (IFC) System in place and the operating effectiveness of such controls. However, in the present matter, from the above said facts it is established that the auditor of CDL has submitted the IFC report with no qualification, despite the above deficiencies and hence cannot be relied upon.

V. Allegations w.r.t. wrong reporting of trade receivables

40. I note from the IR that during Forensic Audit, balance confirmation and ledger copies were sought from the major parties. It was observed that these documents were not made available to internal auditors of CDL. Further, I note that since documentation related to internal audit was not made available to forensic auditor, engagement letter from the internal auditors as mentioned in the board minutes were sought. List of such 26 entities and the status of the same are as tabulated under:

Sr. No.	Party Name	Nature	Confirmation Seeking Info	Response
1	Devi Chemtech Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	**Response not received**
2	Dots Lifescience Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
3	Stride Organics Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
4	Austrazen Bio Pharmaceuticals Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
5	Proton Remedies Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	

6	Neutron Laboratories Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
7	Cortex Laboratories Private Limited (presently known as Continental Pharma Private Limited)	Trade Payables	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
8	PCN and Associates, Chartered Accountant	Internal Auditor	Engagement Letter	
9	Chanamolu & Co, Chartered Accountant	Internal Auditor	Engagement Letter	Mail received on 23rd June. No engagement letter attached
10	Safal Agri Bio-Tech Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	**Mail bounced back to sender**
11	Shri Maruthi Enterprises	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	**Response not received till the date of this report**
12	Square Enterprises	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
13	Pharma Nova	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
14	Vensa Pharma	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
15	Sri Srinivasa Medical Agency	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
16	Srinivasa Medical Distributors	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	

17	Pharma Link	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
18	Bhuvana Industries	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020 and underlying documents for transactions during the period 01st April, 2015 to 30th June, 2015.	
19	Super Formulations Private Limited	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
20	Pradeep Organics and Chemicals	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
21	Acto Pharmaceuticals	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
22	Line Pharma Science	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
23	Axis Medi Solutions	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
24	Novastart Life Science	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
25	Srinivas Associates	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	
26	Bio Care Formulations	Trade Receivable	Balance confirmation and copy of ledger for the period April 1, 2015 to March 31, 2020	

No response received till date of the report	24	Including internal auditors
Mail received on June 23, 2021	1	Internal auditor, Chanamolu & Co, Chartered Accountant. But no engagement letter was provided
Mail bounced back	1	Trade receivables

41. The fact that no details or confirmations sought from the aforesaid 26 entities including internal auditors have been received clearly establishes that the balances shown as trade receivables cannot be relied upon. I note that the sample size of 26 entities was big and to receive no response from any one of them cannot be ignored. Hence, the financial statements of CDL are not reliable and are not giving the true and fair view of the state of affairs of the company.

VI. Allegations w.r.t. Debtors-Creditors netting off

42. As observed from IR, the Company has knocked off certain payable balances of the creditors with the receivable balances from debtors. Before passing such journal entries, an enterprise must enter into tri-partite agreement with both the concerned parties. No such tri-partite agreement had been provided with any, balance confirmation letter or any other documents substantiating the authenticity of such journal entries.

43. The Company has passed the journal entries to the tune of INR 98,58,94,388. The year wise summary of such journal entries is as follows:

Year	Amount
2015-16	46,91,56,301
2016-17	29,57,555
2017-18	14,50,85,777
2018-19	30,95,58,051
2019-20	5,91,36,704
Total	**98,58,94,388**

44. Some major entries passed during the IP are mentioned below:

Date	Party Name	Debit Amount	Credit Amount	Financial Year
15/03/2016	Bhuvana Industries	12,789,533	-	2015-16
	Lakshmi Pharma	**-**	**12,789,533**	**2015-16**
15/03/2016	Bhuvana Industries	13,967,074	-	2015-16
	Pochiraju Industries Ltd1	**-**	**13,967,074**	**2015-16**
15/03/2016	Bhuvana Industries	6,425,989	-	2015-16
	V.L.Pharmaceuticals	**-**	**6,425,989**	**2015-16**
15/03/2016	Sri Venkateswara Traders	59,606,661	-	2015-16
	V.L.Pharmaceuticals	**-**	**59,606,661**	**2015-16**
15/03/2016	Sri Venkateswara Traders	34,943,231	-	2015-16
	Satyam Enterprise	**-**	**34,943,231**	**2015-16**
15/03/2016	Sai Tipparaju Infra Ventures Pvt Ltd	30,434,514	-	2015-16
	Satyam Enterprise	**-**	**30,434,514**	**2015-16**
15/03/2016	Royal Agencies	39,342,823	-	2015-16
	Satyam Enterprise	**-**	**39,342,823**	**2015-16**
31/03/2018	Janus Remedies-Purchases	40,824,737	-	2017-18
	The Managing Director APMSIDC	**-**	**10,000,000**	**2017-18**
	Phanicare Pharmaceuticals P Ltd	**-**	**13,000,000**	**2017-18**
	Satyam Enterprise	**-**	**8,166,572**	**2017-18**
	Infra and Mines Pvt Ltd	**-**	**6,500,056**	**2017-18**

	Microchem Specialties Trade Limited	**-**	**1,614,720**	**2017-18**
	PR Cleanair Technologies	**-**	**1,520,000**	**2017-18**
	ACG PamPack Machines P Ltd	**-**	**23,389**	**2017-18**
31/03/2018	Sri Venkateswara Traders	40,000,000	-	2017-18
	Allied Pharma	8,093,100	-	2017-18
	Bhuvana Industries	6,981,938	-	2017-18
	Balaji Developers	3,700,000	-	2017-18
	Medichem Pharmaceuticals	1,499,744	-	2017-18
	Balaji Prestine	2,100,000	-	2017-18
	SAAMYA BIOTECH INDIA LTD	**-**	**62,374,782**	**2017-18**
31/03/2018	Dev's Chemtec Pvt Ltd	7,024,993	-	2017-18
	Ajanta Enterprises	2,270,328	-	2017-18
	Pradeep Organics & Chemicals	1,463,711	-	2017-18
	Novastart Life Sciences	1,257,782	-	2017-18
	Neutron Laboratories Pvt. Ltd (01.08.2017)	1,215,354	-	2017-18
	Medichem Pharmaceuticals	988,680	-	2017-18
	Reddy Pharmaceuticals Ltd	951,569	-	2017-18
	Reda Pharma Pvt. Ltd	835,134	-	2017-18
	Avani Medicare	742,200	-	2017-18
	N. Hima Bindu	667,315	-	2017-18
	Roots Life Sciences Pvt. Ltd.	628,919	-	2017-18
	Sun Life Sciences P. Ltd	619,766	-	2017-18
	Matrix Takeda Pharma	523,075	-	2017-18
	Pinnale Engineers and Contractors	492,000	-	2017-18
	Saanvika Pharmaceuticals	436,828	-	2017-18
	Medi Link Laboratories	420,922	-	2017-18
	M.S.Pharma	378,675	-	2017-18

	SR Prefabs Modular Cleanroom P Ltd	372,835	-	2017-18
	Pharequip Engineer	306,756	-	2017-18
	Shubham Pharmachem Pvt Ltd	305,987	-	2017-18
	Celibrity Bio Pharma Ltd	305,459	-	2017-18
	Khushi Chem	292,686	-	2017-18
	Talwar Pharma	270,935	-	2017-18
	New Kiran Medical & Fancy Hall	261,075	-	2017-18
	Bharath Pharmaceuticals Corporation	250,000	-	2017-18
	Jubilant Formulations	245,352	-	2017-18
	Sri Sai Vinayaka Pharma	242,960	-	2017-18
	I Metx Pharmaceuticals	230,072	-	2017-18
	Reddy Pharmaceuticals Ltd 1	224,376	-	2017-18
	Systemic Healthcare	224,252	-	2017-18
	Datla Laboratories	214,299	-	2017-18
	Max Ford Labs Pvt. Ltd	202,706	-	2017-18
	DSM Sinochem Pharmaceuticals India P Ltd	197,697	-	2017-18
	Fornix Health Care	188,894	-	2017-18
	Affinity Pharmaceuticals Pvt. Ltd	184,890	-	2017-18
	Shree Pharma	178,850	-	2017-18
	Ambitus Lifesciences	170,217	-	2017-18
	Caprihans India Ltd	167,148	-	2017-18
	Hema Techno Systems	160,000	-	2017-18
	Khushnain Enterprises	151,240	-	2017-18
	Preventive Pharma	150,694	-	2017-18
	RVP College	144,000	-	2017-18
	Erudite Pharma Pvt Ltd	141,006	-	2017-18

	Resicare Pharma Private Ltd	137,600	-	2017-18
	Medipure Pharmaceuticals	134,668	-	2017-18
	Asiatic Drugs & Pharmaceuticals P. Ltd	131,017	-	2017-18
	Castor & Fischer Pharma Pvt. Ltd	130,677	-	2017-18
	Goldfish Pharma Pvt. Ltd	128,993	-	2017-18
	Renmark Healthcare	128,126	-	2017-18
	Cantus Pharmaceuticals Pvt. Ltd	128,057	-	2017-18
	Asrar Enterprises	122,028	-	2017-18
	Sri Vensai Engineering Works	115,872	-	2017-18
	JT.Director Of Health Services	115,553	-	2017-18
	Shree Pharma	178,850	-	2017-18
	Ambitus Lifesciences	170,217	-	2017-18
	Caprihans India Ltd	167,148	-	2017-18
	Hema Techno Systems	160,000	-	2017-18
	Khushnain Enterprises	151,240	-	2017-18
	Preventive Pharma	150,694	-	2017-18
	RVP College	144,000	-	2017-18
	Erudite Pharma Pvt Ltd	141,006	-	2017-18
	Resicare Pharma Private Ltd	137,600	-	2017-18
	Medipure Pharmaceuticals	134,668	-	2017-18
	Asiatic Drugs & Pharmaceuticals P. Ltd	131,017	-	2017-18
	Castor & Fischer Pharma Pvt. Ltd	130,677	-	2017-18
	Goldfish Pharma Pvt. Ltd	128,993	-	2017-18
	Renmark Healthcare	128,126	-	2017-18
	Cantus Pharmaceuticals Pvt.Ltd	128,057	-	2017-18
	Asrar Enterprises	122,028	-	2017-18
	Sri Vensai Engineering Works	115,872	-	2017-18

	JT.Director Of Health Services	115,553	-	2017-18
	Saketh Lifesciences	102,450	-	2017-18
	Dynasty International	98,693	-	2017-18
	Hygen Healthcare Pvt Ltd	93,953	-	2017-18
	Speranza Pharma Pvt. Ltd	91,640	-	2017-18
	Suven Life Sciences Ltd	82,687	-	2017-18
	S. Sarveswara Reddy	78,379	-	2017-18
	JSR Pharma	77,028	-	2017-18
	Riddhi Siddhi Traders	76,781	-	2017-18
	Ragav Enterprises	75,000	-	2017-18
	Patel Marketing	74,088	-	2017-18
	New Age Biotech	71,757	-	2017-18
	Remedy Life Sciences India Pvt Ltd.	70,393	-	2017-18
	Mittal Remedies	69,380	-	2017-18
	Inter Labs (India) Pvt. Ltd	67,331	-	2017-18
	RxSpa Therapeutics Pvt. Ltd	65,375	-	2017-18
	FSR Systemes	62,629	-	2017-18
	Sri Durga Agencies	59,351	-	2017-18
	Shreenath Chemicals	57,777	-	2017-18
	Koravian Lifesciences	57,593	-	2017-18
	Bureau of Pharma Public Sector(Gurgon)	54,253	-	2017-18
	Indus Water Solutions	52,223	-	2017-18
	Zen AirTech Pvt Ltd	52,010	-	2017-18
	Bion Therapuietcs (I) Pvt.Ltd	51,508	-	2017-18
	J.R.Pharma	50,592	-	2017-18
	Halcyon Healthcare Pvt. Ltd	50,478	-	2017-18
	Shiv Shakthi Nutri Foods Pvt. Ltd	49,045	-	2017-18
	Animate Lifesciences	47,817	-	2017-18

	Kinetic Drugs	44,455	-	2017-18
	DSM Anti-Infectives India Ltd	44,300	-	2017-18
	BR Zee Mediscience	41,108	-	2017-18
	GLS Pharma Ltd	40,770	-	2017-18
	Radha Krishna Automobiles Pvt Ltd	40,712	-	2017-18
	Pharmax Healthcare	39,963	-	2017-18
	Supriya Enterprises	38,250	-	2017-18
	Beta Biotics	36,300	-	2017-18
	Hedva Pharmaceuticals	36,139	-	2017-18
	ChemAsia	35,346	-	2017-18
	Jayanth Labs	34,643	-	2017-18
	Vikram Sai Medicals	32,972	-	2017-18
	Mansa Medi Impex	32,457	-	2017-18
	Winmark Life Sciences Pvt. Ltd	31,476	-	2017-18
	SSV Pharma Associates	31,185	-	2017-18
	Osteo Cure Pharmaceuticals	31,000	-	2017-18
	Pharmacure Pharmaceuticals	30,000	-	2017-18
	Dynamic Pharma	29,740	-	2017-18
	Japheth Engineering Works	28,237	-	2017-18
	Padmashri Roadlines	27,000	-	2017-18
	Ruthu Pharmaceuticals	26,550	-	2017-18
	Kedar Healthcare Pvt Ltd	25,000	-	2017-18
	Life Organics Bharath P Ltd	25,000	-	2017-18
	Sweekriti International Pvt. Ltd	24,750	-	2017-18
	Sri Sai Analytical Instruments	22,771	-	2017-18
	Amis Engineers	22,536	-	2017-18
	METRO	22,460	-	2017-18
	Beulah Biomedics	20,456	-	2017-18
	SV Services	20,000	-	2017-18

	SKM Pharma Pvt. Ltd	19,806	-	2017-18
	S G Pharma	19,771	-	2017-18
	Shreeji Enterprises	19,373	-	2017-18
	S.P.Glass Industries	18,813	-	2017-18
	Om Laboratories	18,563	-	2017-18
	LL Pharmaceuticals	17,920	-	2017-18
	Satya Pharmaceuticals	17,671	-	2017-18
	Tejha Poles Fabricators	17,000	-	2017-18
	Shweta Computers & Periphaerals	15,100	-	2017-18
	Rexgenia Life Sciences Pvt Ltd	14,999	-	2017-18
	Lalitha Packaging Suppliers	14,900	-	2017-18
	Yashoda Krishna Toyota	14,852	-	2017-18
	Sri Sai Balaji Distributors	14,560	-	2017-18
	B.L.N.Murthy	13,500	-	2017-18
	Kirthi Agencies	13,267	-	2017-18
	Unikap Technologles	11,970	-	2017-18
	Akshat Pharmachem	10,370	-	2017-18
	Pharma Tradechem	10,270	-	2017-18
	Aakash Fabrication	10,000	-	2017-18
	Orient Medical & Surgical Agencies	10,000	-	2017-18
	Target Pharmaceuticals	10,000	-	2017-18
	Jagir Sigh Pelai	8,800	-	2017-18
	Shivam Pharma	8,736	-	2017-18
	Astorion Pharmaceuticals Pvt.Ltd.	8,568	-	2017-18
	Evans Printing and Packaging	7,982	-	2017-18
	Digi Wood Solutions Pvt.Ltd	7,348	-	2017-18
	Sree Traders & Engineering Works	6,920	-	2017-18
	Surya Life Sciences	6,162	-	2017-18
	Vishal Peripherals	6,050	-	2017-18

	Mahenderkar Agencies	5,916	-	2017-18
	Ganesh Advertisers	5,100	-	2017-18
	Lakshmi Marketing	5,098	-	2017-18
	Vrrddhi Valuing Partnershi	4,260	-	2017-18
	Sri Raghavendra Life Sciences	3,765	-	2017-18
	Fleming Laboratories Limited	3,543	-	2017-18
	Pearala Agencies	3,298	-	2017-18
	Planatec Lab Solutions	2,845	-	2017-18
	Ashish	2,600	-	2017-18
	Godavari Plasto Cotainers Pvt.Ltd	2,540	-	2017-18
	M.M.Aqua Systems	2,489	-	2017-18
	Universal Chemicals	2,000	-	2017-18
	Brinks Security	1,935	-	2017-18
	Vellore Pharmaceuticals	1,404	-	2017-18
	Sandeep Enterprises	1,374	-	2017-18
	Lady Duffrine Victoira Hospital	1,299	-	2017-18
	Abdul Waheed Mohammed	1,100	-	2017-18
	Titan Biotech Limited	1,071	-	2017-18
	Legency Remedies Pvt. Ltd	1,065	-	2017-18
	Sree Om Electricals & Engineering Co.	940	-	2017-18
	Medlab Research Pvt. Ltd.	735	-	2017-18
	Milenium Pharmaceuticals	589	-	2017-18
	Subham Safety Engineers	573	-	2017-18
	Prince Scientific	306	-	2017-18
	Akums Drugs & Pharmaceuticals Limited	66	-	2017-18
	Shell Lifesciences Pvt Ltd	2	-	2017-18
	Sri Maruthi Enterprises	**-**	**31,159,199**	**2017-18**

16/11/2018	Sarabhai Enterprises(Roorkee)	489,800	-	2018-19
	Magma Finance Corporation (Roorkee)	1,355,648	-	2018-19
	Tata Capital Ltd.(Roorkee)	142,090	-	2018-19
	A.P. Foils Prints (Roorkee)	572,418	-	2018-19
	Sri Venkateshwara Coil Mill P Ltd.(Roorkee)	103,476	-	2018-19
	Covalent Laboratories P ltd.(Roorkee)	587,586	-	2018-19
	Affotec Labs P Ltd. (Roorkee)	75,000	-	2018-19
	Austazen Bio Pharmaceuticals P Ltd.(Roorkee)	14,697	-	2018-19
	Medi Cure Life Sciences P Ltd.(Roorkee)	43,091	-	2018-19
	Sri Srinivasa Medical Agencies (Roorkee)	5,093,468	-	2018-19
	Mehta Medicare Pvt.Ltd Purchase	4,298,862	-	2018-19
	S.S.Reddy & Associates	1,970,400	-	2018-19
	Religare Finvest Ltd	**-**	**1,071,124**	**2018-19**
	Artemisia Health Care(Roorkee)	**-**	**18,028,886**	**2018-19**
	Cian Health Care P Ltd.(Roorkee)	**-**	**2,396,536**	**2018-19**
	Lensa Biotech(Roorkee)	**-**	**1,000,000**	**2018-19**
	Sahasra Bio Medicals	**-**	**800,000**	**2018-19**
	Dayananad Medical Agencies	**-**	**1,265,179**	**2018-19**
	Stride Organics Pvt Ltd	**-**	**3,528,668**	**2018-19**
	Ambitus Life Sciences(Roorkee)	**-**	**500,000**	**2018-19**
	Avani Medicare(Roorkee)	**-**	**799,446**	**2018-19**
	Chemi Cure Remedies(Roorkee)	**-**	**419,839**	**2018-19**
	Mehta Medicare Pvt Ltd	**-**	**1,058,023**	**2018-19**

	Dayananda Medical Agencies (Roorkee)	**-**	**22,527**	**2018-19**
	Krishna Mohan Reddy	1,424,000	-	2018-19
	Gopidi Ravali	4,210,563	-	2018-19
	Bad Debt Written Off	10,509,129	-	2018-19
31/03/2019	Dev's Chemtec Pvt Ltd	7,636,216	-	2018-19
	Sri Venkateswara Traders	106,234,111	-	2018-19
	Janus Remedies-Purchases	156,159,673	-	2018-19
	Sri Maruthi Enterprises	**-**	**37,388,843**	**2018-19**
	Acto Pharma	**-**	**232,641,157**	**2018-19**
29/02/2020	Dev's Chemtec Pvt Ltd	54,921,194	-	2019-20
	Sri Maruthi Enterprises	**-**	**54,921,194**	**2019-20**

<u>According to Ind AS 32:</u>

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

45. The above facts clearly establish that the offsetting of balance payable with balance receivable is in violation of Ind AS-32.

46. Further, as per Ind AS-109 and Ind AS-115 any receivable outstanding for long i.e. more than one year should be evaluated with respect to assessment of its fair value and any loss/ expense to be routed through profit and loss account. Relevant para of the standards is reproduced under:

As per para 5.1.1 of Ind AS 109- *Financial Instruments*, "*Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability*."

i. Para 5.1.3 of Ind AS 109- *Financial Instruments*, "*Despite the requirement in paragraph 5.1.1, at initial* recognition*, an entity shall measure trade receivables at their transaction price (as defined in Ind AS 115) if the trade receivables do not contain a significant financing component in accordance with Ind AS 115 (or 267 when the entity applies the practical expedient in accordance with paragraph 63 of Ind AS 115)*."

ii. Para 63 of Ind AS 115 - *Revenue from contracts with customers* – "*As a practical expedient, an entity need* not *adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less*."

47. Further, despite requesting for tri-partite agreement and balance confirmation from the parties whose balances are knocked off, no such documentary evidences were provided by the Company.

48. In this regard, I note that offsetting of receivables with payables should be done only when there is a legally enforceable right to set off. Hence, considering that no documentary

evidences were provided by the Company, it appeared that underlying transactions with all the parties wherein Company had provided response "*Debtors & Creditors w/ off & w/ back"* are dubious in nature. Knock off entries without any tripartite agreements and related documents indicates that the same is not a prudent accounting practice. Hence, I note that the Company had wrongly netted off the assets and liabilities which distorts the true and fair view of the profit and loss account forming part of the financial statements and the same is found to be contrary with the applicable accounting standards. In this regard, I hereby also refer to the decision of the Hon'ble Securities Appellate Tribunal in the matter of ***Oasis Securities Limited and Ors. v. SEBI***, dated March 17, 2020, wherein SEBI's jurisdiction over listed companies' compliance with Accounting Standards was upheld.

VII. Allegation w.r.t. sham transaction

Discrepancies / Deficiencies in documentation found in the transactions entered with Bhuvana Enterprises

49. During the forensic audit it was observed that the invoice numbers as per the outward register for sales was to Bhuvana enterprises. However, the actual invoice was raised to 'Systematic Healthcare' and vice versa for a different invoice in case of purchases. Hence, it was alleged that the sales and purchase for the said entity seems to be unreliable and bogus transactions.

50. The company, for the said allegation, has submitted that most of the employees during the time period were affected by Covid-19 and were not in a position to discharge their duties and functions due to National Lockdown. On company's verification some mistake or omission were discovered in around 5-6 invoices, which has been rectified. In hurry

and due to lack of time and inexperience of the junior level employees, wrong data was submitted earlier.

51. The above submission again shows the inefficient and careless attitude of the management while dealing with the finances of the company. A generic submission while taking the shield of covid lockdown may not suffice when the irregularity was observed over period of five financial years. This again highlights the absence of proper due diligence on the part of management and also the internal control system wherein proper checks and balance can be put in place to iron out such discrepancies.

Analysis of Tax Audit Report

52. I note that a comparison of the stock provided under clause 35BB of tax audit report with the details of stock provided in the financial statement to analyze the value of inventory appearing in the Note no. 7 of the Annual Report for year ended March, 2020 of CDL indicates the following:

a) There is a difference in quantity of raw material as per tax audit report and quantity of raw material as per stock physical verification report conducted by management provided for financial year 2015-16 as well as the quantitative details of the raw material under clause 35BB of tax audit report for the FY 2016-17 to 2019-20 have not been disclosed and shown as nil.

b) The comparison done during Forensic Audit is as given below:

7. Inventories

PARTICULARS	31-Mar-20	31-Mar-19
(Valued at lower of cost and net relisable value, unless stated other wise)		
(a) Raw materials and components	440.00	675.00
(b) Work-in-progress	403.51	455.23
(c) Finished goods	482.09	370.85
(d) Packing Materials	317.53	363.08
Total Inventories	**1,643.13**	**1,864.15**

c) As per the management explanation, "Tax audit report is being filed by tax auditor independently." The same was reiterated by the company in their reply of the SCN as well.

53. In this regard, I note that the preparation of the tax audit report of the Company is the responsibility of the management, and auditor's responsibility is only to express an opinion on the same. Considering the provisions of Income Tax Act, 1961, quantitative details forming part of the tax audit report (Form 3CD) is the responsibility of the management. However, the Company had not disclosed the required details of inventory to the Income Tax department which showcase that the Company had not adhered with the requirement of Income Tax Act, 1961.

54. Based on the above observations, regarding various allegations, I note that, CDL has misrepresented the financial statements. The various figures including sales, purchases, trade receivables and payables seems to be unreliable. Based on the above observations, I note that these were majorly mere book entries and sham transactions and hence, company had not acted in the interest of its shareholders. Such observations

indicate that CDL has misrepresented the funds/books of accounts which are detrimental to the interests of investors. The company in its reply has also admitted to the lapses and has stated that, *'there may be some minor compliances, accounting errors or process issues.*'

55. In this regard, I note that, there is an obligation cast on the company to present true and fair view on the financials in each and every respect and prepare and disclose financial statements in accordance with applicable standards of accounting and financial disclosures. The company should refrain from misrepresentation and ensure that the annual reports do not present a misleading picture. The company is entrusted to see that the financial statements are correct and complete in every respect.

56. While neither the Companies Act, 2013, nor the SEBI LODR Regulations specifically define *'true and fair view'*, the Hon'ble Supreme Court in ***J. K. Industries Ltd. and Anr vs Union of India and Ors.*** [(2007) 13 SCC 673] explained *'true and fair view'* in the following manner: -

"The annual financial statements should convey an overall fair view and should not give any misleading information or impression. All the relevant information should be disclosed in the balance-sheet and the P&L a/c in such a manner that the financial position and the working results are shown as they are. There should be neither an overstatement nor an understatement. Further, the information to be disclosed should be in consonance with the fundamental accounting assumptions and commonly accepted accounting policies."

57. The Hon'ble Supreme Court of India in the matter of ***N. Narayanan v. A.O., SEBI*** (Civil Appeal Nos. 4112-4113 of 2013 decided on April 26, 2013). In the said case pertaining

to fraud on account of inflation of profit figures in the books of account as disclosed by the company, the Court held in para. 28 - *"Companies whose securities are traded on a public market, disclosure of information about the company is crucial for the accurate pricing of the companies' securities and also for the efficient operation of the market".* Further, the Hon'ble Court held – *"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".* The Hon'ble Court also emphasised that *"Records maintained by the company should show and explain the company's transactions, it should disclose with reasonable accuracy the financial position, at any time, and to enable the Directors to ensure that the balance sheet and profit and loss accounts will comply with the statutory expectations that accounts give a true and fair view."*

58. The observations as mentioned above indicates that CDL has misrepresented the funds/books of accounts which are detrimental to the interests of investors. In view of the

above, the acts of CDL can be considered fraudulent as defined in regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and unfair Trade Practices relating to Securities Market) Regulations, 2003. Definition of *'fraud'* in terms of Regulation 2(1)(c) of SEBI PFUTP Regulations, 2003:

"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:"

59. Section 12A (a) (b) (c) of the SEBI Act, 1992 read with Regulation 3(b)(c)(d) of the SEBI PFUTP Regulations, 2003, inter alia, prohibits employment of any manipulative/

deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Regulation 4(1) of the SEBI PFUTP Regulations, 2003 provides for prohibition on indulging in fraudulent or unfair trade practices. Regulation 4(2) (f) and (r) of the SEBI PFUTP Regulations, 2003 states that dealing in securities by a person shall be deemed as fraudulent if it involves fraud including publishing or causing to publish or reporting or causing to report any information which is not true or planting false or misleading news which may influence sale or purchase of securities.

60. In this regard, it would be appropriate to refer to the Order of the Hon'ble Securities Appellate Tribunal ("Hon'ble SAT") dated October 25, 2016 in ***Pan Asia Advisors Limited vs. SEBI*** (Appeal No. 126 of 2013) wherein, while interpreting the expression of 'fraud' under the PFUTP Regulations, 2003, it was observed that:

"From the aforesaid definition (of 'fraud') it is absolutely clear that if a person by his act either directly or indirectly causes the investors in the securities market in India to believe in something which is not true and thereby induces the investors in India to deal in securities, then that person is said to have committed fraud on the investors in India. In such a case, action can be taken under the PFUTP Regulations against the person committing the fraud, irrespective of the fact any investor has actually become a victim of such fraud or not. In other words, under the PFUTP Regulations, SEBI is empowered to take action against any person if his act constitutes fraud on the securities market, even though no investor has actually become a victim of such fraud. In fact, object of framing PFUTP Regulations is to prevent fraud being committed on the investors dealing in the

securities market and not to take action only after the investors have become victims of such fraud." **(Emphasis Supplied)**

61. Similarly, in the matter of ***SEBI v. Kanaiyalal Baldevbhai Patel*** (2017) 15 SCC 1, the Hon'ble Supreme Court has observed as under: *"if Regulation 2(c) of the 2003 Regulations was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities"*

62. I further note that the Hon'ble Supreme Court in the same judgment, has also observed that *"the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) are couched in general terms to cover diverse situations and possibilities. Once a conclusion, that fraud has been committed while dealing in securities, is arrived at, all these provisions get attracted in a situation....".*

VIII. Allegation w.r.t. appointment of ineligible independent directors

63. I further note that the company has appointed Mr. Ramchandra Reddy (Noticee No. 3), Mr. Venkatram Reddy (Noticee No.6) and Mrs. P. Chandrakala (Noticee No.7) as independent directors. However, due to the pecuniary relationship these Independent directors had with the company (as demonstrated and established in succeeding

paragraphs), it is established that the said independent directors cannot be considered independent as per the definition provided under Regulation 16(1)(b) of LODR Regulations. Hence, CDL has not complied with the provisions of Regulations 16(1)(b) of SEBI LODR Regulations.

64. In view thereof, it can be concluded that CDL has violated 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2) (f), (k) and (r) of the SEBI PFUTP Regulations, 2003. Further, CDL has also violated provisions of Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), 6(1), 16 (1)(b), 33(2)(a), 48, 52(2)(a) and 53(f) of SEBI LODR Regulations.

Analysis of role of Directors of CDL:

65. Directors play an important role in the company. The directors are responsible for all the acts of omission and commission by the company. Since the company, CDL, was found to have committed various violations, as already established in this order, it is pertinent to refer Section 27 of SEBI Act which states:

27. Contravention by companies. *(1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:*

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed

without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

66. Further, I also rely on the order of Hon'ble Supreme Court, in the appeal of ***N Narayanan v. Adjudicating Officer, SEBI*** (supra) wherein it was observed that:

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

67. The directors of CDL during the IP were as follows:

F.Y.	2015-16	2016-17	2017-18	2018-19	2019-20
Mr. S. Nagi Reddy	Chairman		Chairman & WTD		
Mr. T. Narsimha Reddy	Managing Director				
Mr. S Koni Reddy	Executive Director cum Chief Financial Officer				
Mr. K. Ramachandra Reddy	Non-Executive Director		**Resigned 29.09.2017**	Additional Director	Independent Director
Mr. M Eswar Rao	Independent Director				
Mr. P. Venkatram Reddy	Independent Director			Additional Director	Independent Director
Ms. P. Chandra Kala	Independent Director				
Company Secretary	Ms. Sonia Bidla	Ms. Aakanksha Shukla		Ms. Monika Bhuttada (resigned w.e.f 16.04.2019)	

68. The position of a '*director*' in a public company/listed company comes along with responsibilities and compliances under law associated with such position, which have to be fulfilled by such director or face the consequences for any violation or default thereof. Accordingly, a director who is part of a company's board shall be responsible and liable for all acts carried out by a company unless exemptions are provided. It is therefore they cannot assume the role in a company in a casual manner. Under Regulation 4(2)(f) of the SEBI LODR Regulations, the board of directors are responsible for several aspects of corporate governance. Also, the directors of listed entities have higher responsibility, since they are responsible for making important choices on behalf of the company which

may have an impact on investors, further they also have access to inside information such as the company's financial situation, annual accounts, etc. As a result, it is expected that they use their authority in a fair manner and in the best interests of the stakeholders of the listed entity. The company acts through its board of directors, manager, secretary or other officers who are responsible for all the acts of omission and commission by the company. It is the duty and responsibility of the board of directors, manager, secretary or other officers to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. Section 27 of SEBI Act, 1992 provides that where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. Noticee No.2 to 8, in the present case, were part of the Company's Board of Directors during the IP. Accordingly, they shall also be responsible and liable for all the deeds/acts of the Company during the period of their directorship. I also note from the IR that Chairman and the Board members of CDL have attended all the meetings held from FY 2015-16 to 2019-20.

Role of Shri S. Nagi Reddy (Chairman of CDL)

69. I note that as stated above, the violations alleged against Shri S.Nagi Reddy, who was the Chairman and Whole time director as well as the member of audit committee of CDL during the IP, is also responsible for the violations alleged against the Company, which have already been established and dealt in detail in the preceding paragraphs. The reason being that as a Chairman, he was also a 'Key Managerial Personnel' in the

Company, and was responsible under Section 27 of SEBI Act, 1992, for contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder which has been committed by a company. In this regard, I note that Regulation 33(2)(b) of the SEBI LODR Regulations also stipulates that *"the financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results.*"

70. Further, during the investigation, the other members of the Board including Koni Reddy, Son of S. Nagi Reddy, Auditors, Company Secretaries have submitted that Nagi Reddy was the sole decision maker in the company and he is a one-man army. The non-compliances observed above indicates the lack of irresponsiveness of the Board with Nagi Reddy as Chairman towards the applicable laws and regulations.

71. Mr. S. Nagi Reddy in this regard has submitted that all the decisions of CDL were taken in a duly convened board meetings of the company with the help of professionals. The outcomes of the board meetings were governed by the majority decisions of the board and the same is binding on the company. Further, he stated that the aforesaid statement regarding him being the sole decision maker and one-man army would had been made out of fear by such persons as they were facing such investigation for the first time. He also stated that he never exercised any unilateral power on others to act on behalf of myself.

72. In this regard, I note that it has already been established and observed vide the relevant provisions, in the preceding paragraphs, that the Chairman is responsible for all the acts

of the company and therefore I don't find any merit in the above submissions of Mr. S. Nagi Reddy.

Role of Shri Mr. T. Narsimha Reddy (Managing Director)

73. I note from the IR that Shri T. Narasimha Reddy was the Managing Director from FY 2015-16 to FY 2019-20. Hence, was also a KMP and an officer in default in the company as per Sections 2(51) and 2(60), respectively of the Companies Act, 2013. Managing Director, as defined in Section 2(54) of the Companies Act, 2013, means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called. I note that the hierarchy in a corporate structure is designed in such a way that adequate checks and balances are available to ensure proper preparation and true and fair reporting of its financial position to the public and a Managing Director is a key person for such a hierarchy to work properly in the interest of the company and its shareholders. Regulation 33(2)(b) of the SEBI LODR Regulations stipulates that *"the financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results.*"

74. I further note that in addition to his responsibility as an executive member of the board of directors under Regulation 4(2)(f) of the SEBI LODR Regulations, managing director is responsible for managing day-to-day affairs and business of the company and he was

vested with the said power under the Companies Act, 2013. This entails a high level of accountability and knowledge of the overall functioning and financial reporting of the Company. Thus, I find that the violation by the Company was committed with the consent or connivance of, or is attributable to the neglect on part of the Noticee No. 4. In view thereof, I find that Noticee No. 4, as a member of the board of directors and as Managing Director, has failed to comply with Regulation 4(2)(f) of the SEBI LODR Regulations.

75. Considering the observations and violations detailed in preceding paragraphs, Shri Narsimha Reddy (Noticee No. 4) has failed to exercise duty in his fiduciary capacity as a managing director and member of Board of Directors of CDL. He has also failed to comply with the summons issued to him by SEBI. Hence, I note that he has also violated Section 11C(6)(c) read with Section 11(ia) of the SEBI Act, 1992 for noncompliance of summons.

Role of Independent Directors (Noticee No. 3,6,7 and 8):

Role of Mr. K. Ramachandra Reddy

76. From the IR, I note that, Ramachandra Reddy (Noticee No.3) was the non-executive director of CDL from FY 2015-16 to FY 2016-17. Further, after resignation on 29.09.2017, he joined back CDL as additional director in 2018-19 and then independent director in FY 2019-20. In view of this, it was observed that, as he had not completed the 3 financial years cooling-off period in terms of Section 149 (6) (e) (i) of Companies Act, 2013, he was not eligible to be the independent director of CDL. The aforesaid provision of the Companies Act is stated below:

149. Company to have Board of Directors.

(1) …

….

(6) An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director, -

…

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.

77. Investigation further observed that the Noticee No.3 stated that he does not know the role of an independent director on the Board of a listed company. In this regard, Noticee No.3 has submitted that he had never compromised his independence at any point of time and acted for the best interest of the company and stakeholders as whole. Further it was stated that he had duly monitored all the duties and acted diligently in discharging the functions as a director of CDL.

78. From the observation of the investigation, it is apparently clear that Noticee No.3 has been appointed as an independent director before the completion of the cooling off period of 3 financial years which is in violation of Section 149(6)(e)(i) of Companies Act, 2013 read with Regulation 16(1)(b) of SEBI LODR Regulations, 2015.

Role of Mr. P. Venkataram Reddy

79. Mr. P. Venkatram Reddy (Noticee No. 6), was the independent director of CDL during IP. As an independent director, he was not independent due to the fact that he was identified

and declared as Key Managerial Personnel (KMP) by CDL in the disclosures under Related Party Transactions in the Annual report of CDL for 2015-16. Further, CDL had disclosed Mr. P. Venkatram Reddy as a KMP in Form MGT 9 - Extract of Annual Return, forming part of Annual Report 2016-17. There has been both purchase and sale transactions shown with Maruthi and Square Enterprises whose proprietor as per GSTIN is Mr. P. Venkatram Reddy during the period 2015 to 2020 (dealt in preceding paragraphs).

80. As per regulation 16 (1) (b) of SEBI LODR Regulations, 2015, '*independent director'* means a non-executive director, other than a nominee director of the listed entity:

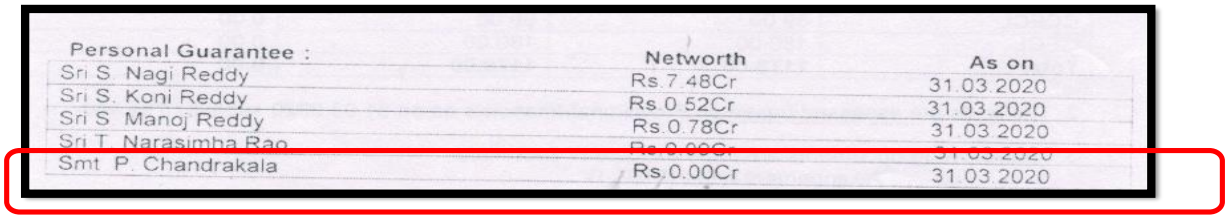
> *…….*
>
> *(iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate Company;*
>
> *(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate Company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year*;

81. In view of the above, I note that Noticee No.6 was appointed as independent director of CDL despite being not eligible for the same and accordingly has violated the provisions of Regulation 16(1)(b) of SEBI LODR Regulations, 2015.

Role of Ms. P. Chandrakala

82. Ms. P. Chandrakala (Noticee No.7) was the independent director from FY 2015-16 till FY 19-20 and was also the member of the audit committee. She was issued summons by SEBI and had not been present for the statement recording. Hence, she has also been charged for noncompliance of Section 11C(6)(c) read with Section 11(ia) of the SEBI Act,

1992. Further, Ms. P. Chandrakala (independent director of Concord Drugs Limited) has given her personal guarantee on behalf of loans availed by Concord Drugs Limited from State Bank of India.



Personal Guarantee :	Networth	As on
Sri S. Nagi Reddy	Rs.7.48Cr	31.03.2020
Sri S. Koni Reddy	Rs.0.52Cr	31.03.2020
Sri S. Manoj Reddy	Rs.0.78Cr	31.03.2020
Sri T. Narasimha Rao	[illegible]	[illegible]
Smt. P. Chandrakala	Rs.0.00Cr	31.03.2020

83. It is therefore, the said independent directors cannot be considered independent as per the definition provided under Regulation 16(1)(b)(vi) of SEBI LODR Regulations and Companies Act.

As per LODR Regulations Section 16 (1)(b)

(b) "independent director" means a non-executive director, other than a nominee director of the listed entity: —

(iv)who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;

Further, as per Companies Act- Section 149 (6)-

"(c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;"

84. The company in this regard has submitted that the net worth of P. Chandrakala is mentioned as Rs.0.00 Cr and the signature was put by Ms. Chandrakala only due to the banking procedures. Hence, there is no violation of SEBI Regulations.

85. The fact that Mr. Chandrakala provided personal guarantee was not denied by the company, hence the above submission of CDL is not acceptable as it appears vague and illogical and consequently makes her appointment as independent director of CDL and further a member of audit committee invalid and in violation of applicable provisions. By giving the personal guarantee for the loan availed by CDL, it is established that there was material pecuniary relationship between Ms. P. Chandrakala and CDL hence she cannot be considered independent and hence has violated Regulation 16(1)(b) of SEBI LODR Regulations, 2015.

Role of M. Eswar Rao

86. Shri Eswar Rao (Noticee No.8) was the independent director from FY 2015-16 till 29.09.2017 and during the said period, he was the Chairman of the audit committee of CDL too. Being independent directors Noticee No. 3, 6,7 and 8 had to satisfy themselves of integrity of the financial information of the company and arbitrate in the interest of the company as a whole. Schedule IV of Companies Act 2013 which deals with Code for Independent Directors states the responsibility of independent director as follows:

The independent directors shall:
(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
(2) bring an objective view in the evaluation of the performance of board and management;
(3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
(4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
(5) safeguard the interests of all stakeholders, particularly the minority shareholders;
(6) balance the conflicting interest of the stakeholders;
(7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing

and where necessary recommend removal of executive directors, key managerial personnel and senior management;
(8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholders' interest.

87. The role of these independent directors (Noticee No. 3, 6, 7 and 8) is considered along with their role in the Audit Committee of CDL which is dealt in subsequent paragraphs.

88. Further, Mr. Eswar Rao was issued summons by SEBI however he had not been present for the statement recording. Further, despite all the other board members and the auditors were apprised and asked to inform him about the consequences of not being in compliance with the summons, he did not response to the same. Hence, I note that he has violated Section 11C(6)(c) read with Section 11(ia) of the SEBI Act, 1992 for non-compliance of summons.

Role of Audit Committee of CDL

89. Below mentioned Noticees were part of audit committee and were also present in its meetings during IP:

Name of Audit committee member	Designation	FY 2015-16		FY 2016-17	
		No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. M. Eswar Rao	Chairman	4	4	4	4
Mr. P. Venkatram Reddy	Member	4	4	4	4
Mr. K. Ramachandra Reddy	Member	4	4	4	4

Name of the director	Designation	FY 2017-18		FY 2018-19		FY 2019-20	
		No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended

Ms. P. Chandra Kala	Chairman	4	4	4	4	4	4
Mr. S. Nagi Reddy	Member	4	4	4	4	4	4
Mr. S. Koni Reddy	Member	4	4	-	-	-	-
Mr. P. Venkatram Reddy	Member	-	-	-	-	4	4

90. From the above, I note that the Chairman and the members of the audit committee have attended all the meetings held during IP, i.e. FY 2015-16-2019-20.

91. Further, I also note from the IR that, on review of all the audit committee minutes during investigation, it was observed that, evaluation of internal financial control and risk management systems was not forming part of agenda for any of the audit committee minutes during their review period. In this regard, it is pertinent to mention some of the key regulatory responsibilities of the Audit Committee of a listed company which are outlined below:

a) Examining the financial statements before it is submitted to the Board *(Section 177(4) of the Companies Act, 2013, Regulation 18 read with Part C of Schedule II of the LODR)*, which includes reviewing whether the financial statements present a *true and fair view* of the state of the company's affairs, and comply with all the applicable accounting standards as per the requirements of Section 129(1) of the Act;

b) Reviewing the quarterly financial statements before submission to the Board for approval *(Part C of Schedule II of the LODR).*

c) Granting approval to RPTs. *(Sections 177 and 188 of the Companies Act, 2013, and Regulation 23 of the LODR.)*

d) Appointment of statutory auditor, reviewing the auditor's independence and performance, and effectiveness of audit process.

e) Evaluating internal financial controls and risk management systems *(Section 177 of the Act, Regulation 18 read with Part C of Schedule II of the LODR)*.

92. I note that in a listed company, the Audit Committee is expected to play a vital role as far as ensuring compliance with existing accounting standards, applicable laws and regulations are concerned. In view of the observations made in the instant case, it can be safely established that the members of the Audit Committee of CDL were not carrying out their duty properly and were only existing on papers and for the namesake. All the members and chairman of audit committee having attended all the meetings of audit committee were expected to act diligently and bring forth the lapses prevalent in the financial reporting of the company and further to keep check on the misrepresentation and misstatements in the financial statements of CDL which they have clearly failed.

93. Although the appointment of Mr. K. Ramachandra Reddy, Mr. P. Venkataram Reddy and Ms. P. Chadrakala as independent directors of CDL was defective they were still responsible for the actions during their tenure taken by virtue of being the members of audit committee of CDL. In this regard it is pertinent to mention Section 176 of Companies Act, 2013 which states:

176. Defects in appointment of directors not to invalidate actions taken. — *No act done by a person as a director shall be deemed to be invalid, notwithstanding that it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act or in the articles of the company:*

Analysis of role of Chief Financial Officer ('CFO') of CDL

94. I note that, Mr. Koni Reddy (Noticee No. 5), who is a promoter director of CDL was also the CFO during the IP. The duty of CFO of listed entity with regard to placing the financial

results before the board is to certify that the financial results do not contain any false or misleading statement or figures. In view of the observations made in the preceding paragraphs, I note that he has not exercised any due diligence with respect to the transactions undertaken by the company with its related party and other vendors, which has resulted in being detrimental to the interests of the investors. The certificate issued by him as a CFO inter-alia stating that the financial results of the company do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading and the statements present a true and fair view of the company's affairs. Being CFO, Mr. Koni Reddy, had wrongly and carelessly certified the financial statements during the IP and hence played active role in misrepresenting the financials of CDL.

95. The Listing Agreement and the SEBI LODR Regulations also specifically mandates that while placing the financial results before their Board, the CEO as well as the CFO need to certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading. Thus, the CEO and CFO need to inter-alia certify that the financial statements do not contain any misleading statement, present a true and fair view of the company's affairs as well as are in compliance with existing accounting standards, applicable laws and regulations. Further, they also need to inter-alia certify that there were no transactions of the listed entity during the said FY which were fraudulent in nature. The relevant provision of SEBI LODR Regulations is reproduced below:

> ***33. Financial results.***
> *2)The approval and authentication of the financial results shall be done by listed entity in the following manner:*
> *(a)The quarterly financial results submitted shall be approved by the board of directors:*

Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

(b)The financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results.

96. The above mentioned observations as detailed in the preceding paragraph indicates that the Chief Financial Officer (CFO) of the company, Mr. Koni Reddy has failed to exercise duty of care by misrepresenting the financials and failed to discharge his fiduciary responsibility and has blatantly violated the applicable laws and Regulation.

97. Considering the role played by CFO by issuing a certificate inter-alia certifying the financials of CDL presenting true and fair view of its affairs and not containing any misleading statement which however was not the case as already established above, Mr. Koni Reddy (Noticee No.5) has violated Regulation 33(2)(a) of the SEBI (LODR) Regulations, 2015.

98. In view of the aforesaid provision and the settled principle of law, Noticee No. 2 (Chairman and member of audit committee), Noticee No. 3 (Member of Audit Committee), Noticee No. 4 (Managing Director), Noticee No. 5 (CFO and member of Audit Committee), Noticee No. 6, 7 and 8 (Independent Directors and members of Audit Committee) are also liable along with CDL for the violations established above.

Examination of role of compliance officers

99. Following were the compliance officers during the IP.:

Period	Name of the compliance officer
Dec 2014 to Dec 2016	Sonia Bidlan (Noticee No. 9)
Jan 2017 to Nov 2017	Aakanksha (Noticee No. 10)
Nov 2017 – Oct 2018	No Company Secretary (CS) / Compliance Officer
05 Oct 2018- 16 Apr 2019	Monica Bhuttada (Noticee No. 11)
17 Apr 2019- 14 Oct 2019	No CS/ Compliance officer
15 Oct 2019 – 06 May 2022	Jyoti Goyal (Noticee No. 12)

100. Compliance officers/ Company Secretaries are the Key Managerial Personnel who as per the Companies Act, 2013 have to ensure that the company complies with the applicable secretarial standards. However, it was observed above that various provisions of SEBI LODR Regulations have not been complied upon. As per SEBI LODR Regulations, a compliance officer is the person responsible for ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.

101. In this regard, the said Noticee No.9 to 12 in their replies have submitted and accepted that various board meetings and audit committee's meetings were conducted during their tenure at CDL. Further, the aforesaid Noticees in their replies have relied on the judgment of Hon'ble SAT in ***V. Shankar vs SEBI*** *(the citation of the order was not quoted in reply)* and have submitted that authentication of audited financial statements by the company secretary by signing the same is a statutory requirement and the company secretary is not responsible for the correctness of the same. However, I note that the said order of SAT was set aside by Hon'ble Supreme Court vide order dated February 08, 2023.

102. To determine the role of compliance officer, I shall rely on the order of Hon'ble SAT in ***Bhuwneshwar Mishra vs SEBI*** (Appeal No. 7 of 2014). Therein it was held:

"19. …the company, the company secretary and the chairman of the company have a greater responsibility on their shoulders to ensure, in a free and fearless manner, that the promoters make timely and absolutely true disclosures as regards their respective shareholding in the company in consonance with various regulations prescribed by SEBI and the listing agreement.'

103. The extent of fiduciary duties bestowed upon the compliance officers of a company was once again in question in ***Parvinder Kaur vs. SEBI*** (Appeal No. 325 of 2015), wherein Hon'ble SAT held, *"Argument that the merchant banker is responsible for not disclosing the ICDs in RHP/ Prospectus is without any merit. Appellants were equally responsible to ensure that all material information was disclosed and further ensure that false/ misleading statements were not made in the RHP/ Prospectus."*

104. Accordingly, I note that in view of the violations mentioned above, compliance officers have failed to exercise duty of care by misrepresenting the financials and failed to discharge his fiduciary responsibility and it is a disregard of the applicable laws and Regulations.

105. These Noticees (Noticee No. 9-12), being the Company Secretary and Compliance Officer of CDL, were inter alia responsible under Regulation 6(2) of SEBI LODR Regulations 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; and (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 the SEBI LODR regulations. Hence, in the present matter, it is worthy to note that there was fraud perpetrated on ordinary investors in the market (as established above) by glaring procedural lapses. Such lapses includes non-disclosure of related parties and associate companies and transactions done with them, non-filing of limited review report, appointment of independent directors who were not eligible and further non-compliance of SEBI LODR Regulations by CDL. These procedural irregularities when considered together enabled CDL to present a false picture (positive) of CDL's performance to investors, thus perpetrating fraud on the market. In view of the above, I note that Noticee No. 9, 10, 11 and 12, as the Compliance Officers of CDL, have failed to comply with Regulation 6 of the SEBI LODR Regulations during IP.

106. It was also observed that during IP on multiple occasions (Nov 2017 – Oct 2018 and 17 Apr 2019- 14 Oct 2019), the company failed to appoint any compliance officer and hence failed to comply with Regulation 6(1) of SEBI LODR Regulations.

107. Having examined the issue in detail and after further considering the requisite documents and replies of the Noticees, it is hereby established that,

a) CDL (Noticee No.1) has misrepresented the accounts/financial statements by way of wrong statements, disclosures and non-disclosures. CDL has further not complied with the applicable accounting standards, appointed independent directors who were not eligible for appointment, did not file limited review report and failed to appoint compliance officer in two instances. The said acts on the part of the company has led to violation of Section 12A(a), (b) and (c) of the SEBI Act,

Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f) (k) and (r) of the SEBI PFUTP Regulations, 2003, Regulations 4(1)(a),(b),(c)(d), (e),(g),(h),(i),(j), 6(1), 16 (1)(b), 33(2)(a), 48, 52(2)(a) and 53(f) of the SEBI (LODR) Regulations 2015.

b) Mr. S. Nagi Reddy (Chairman) (Noticee No.2) and Mr. T. Narasimha Reddy (Managing Director) (Noticee No.4) being in charge of the day to day decision making process at CDL, has violated Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations, 2003, Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i), (j), 4(2) (f)(i)(1),(2) 4(2)(f)(ii)(6) (7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14) , Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992. Further, Mr. T. Narasimha Reddy has also not complied with Section 11(2) (ia) of the SEBI Act, 1992.

c) The independent directors viz. Mr. K. Ramachandra Reddy (Noticee No.3), Ms. P. Chadrakala (Noticee No.7) and Mr. P. Venkataram Reddy (Noticee No.6) were not independent and Shri Eswar Rao (Noticee No.8) who were also part of the audit committee in connivance with the company, they have violated Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations, 2003, Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i),(j), 4(2)(f)(i)(1),(2), 4(2)(f)(ii)(6)(7)(8), 4(2)(f)(iii)(2)(3)(6)(12)(14), Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992. Further, Ms. P. Chandrakala and Shri Eswar Rao have also not complied with Section 11(2) (ia) of the SEBI Act, 1992.

d) Mr. S. Koni Reddy (Noticee No.5), being the Chief Financial Officer (CFO) was a KMP of the company, during the IP and thus he has violated the provisions of Regulation 33(2)(a) of SEBI (LODR) Regulations, 2015. Further, he also failed in his duty as CFO and has violated Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations, 2003, Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i), (j), 4(2)(f)(i)(1),(2) 4(2)(f)(ii)(6) (7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992.

e) Ms. Sonia Bidlan (Noticee No. 9), Ms. Akansha (Noticee No. 10), Ms. Monica Bhuttada (Noticee No. 11) and Ms. Jyoti Goyal (Noticee No.12), being compliance officers of CDL during IP, have violated Regulation 6 of SEBI LODR Regulations.

Issue (b): Does the violation, if any, on the part of the Noticees attract penalty under Section 15A(a),15HA, 15HB of SEBI Act, Section 23A(a) and 23H of SCRA, as applicable?

108. As it has been established in the paragraphs above that the Noticees have violated the provisions of SEBI Act, SEBI LODR Regulations and SEBI PFUTP Regulations, as mentioned. Accordingly, I note that the Hon'ble Supreme Court of India in the matter of ***SEBI v/s Shri Ram Mutual Fund*** [(2006) 68 SCL 216 (SC)] 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……. Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary."*

109. In view of the foregoing, I am convinced that the Noticees are liable for monetary penalty under Section 15A(a),15HA, 15HB of SEBI Act, Section 23A(a) and 23H of SCRA, as applicable for violation of the provisions mentioned in first issue. The said provisions are reproduced herein:

SEBI Act

*"**15A. Penalty for failure to furnish information, return, etc.***

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 which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;"

*"**15HA. Penalty for fraudulent and unfair trade practices.***

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."

*"**15HB. Penalty for contravention where no separate penalty has been provided.***

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

SCRA

23A. Penalty for failure to furnish information, return, etc.

Any person, who is required under this Act or any rules made thereunder, —

(a) to furnish any information, document, books, returns or report to the recongnised stock exchange or to the Board, fails to furnish the same within the time specified therefor in

the listing agreement or conditions or bye-laws of the recongnised stock exchange or the Act or rules made thereunder, or who furnishes false, incorrect or incomplete information, document, books, return or report, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees for each such failure;

23H. Penalty for contravention where no separate penalty has been provided.

Whoever fails to comply with any provision of this Act, the rules or articles or bye- laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

Issue (c): If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act and Section 23J of SCRA?

110. While determining the quantum of penalty under 15A(a),15HA, 15HB of SEBI Act, Section 23A(a) and 23H of SCRA, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 read with Rule 5(2) of the SEBI Adjudication Rules and Section 23J of SCRA read with Rule 5(2) of SCR Adjudication Rules which are read as under:

SEBI Act, 1992

Factors to be taken into account by the adjudicating officer

15J While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely

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

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

SCRA

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

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

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

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

(c) the repetitive nature of the default.

111. 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, suffered by the investors as a result of their failure. However, I note that securities market is based on free and open access to information, and that protection of the interests of the investors is the prime objective of SEBI. Bringing about true and fair picture of the financials is essential whereas misrepresentation of financials in respect of the vital information of any company forfeits the purpose of dissemination of information to the investors and acts detrimental to the interest of the investors thereby hampering their ability to take suitable informed investment decisions. The objective behind such requirement is that the investing public shall not be deprived of any vital information in respect of their

investments in the securities market. If any person who is required to oversee/present true and fair picture of financials of a company and is not able to do so and engages in manipulating/misrepresenting (directly or indirectly) financials of a company then such person is depriving the investing public the statutory rights available to them, then SEBI is duty bound to ensure that the investing public are not deprived of any statutory rights available to them. Thus, in the present matter the facts of the case clearly bring out the default made by the Noticees and their failure in fulfilling their responsibility endowed upon them by virtue of them being part of management, audit committee members and compliance officers. Hence, I note that the Noticees failed to give true and fair picture of financials of the company and thereby have violated the relevant provisions SEBI Act, SEBI (LODR) Regulations, as detailed in the order.

112. In considering the instant matter, it has been kept in mind that while accepting the importance of management discretion in running the business and that neither auditor nor regulator should step into the shoes of the company. In this regard, the objective of the Companies Act, 2013 and SEBI LODR Regulations provisions, regarding presentation of true and fair view of state of affairs of a company through its financials, and the importance of information conveyed by financial statements for investor decisions to buy and sell shares, cannot be ignored. Management discretion in conduct of business and presentation of accounts cannot be exercised to render nugatory and otiose the specific legal requirements of Accounting Standards and principles prescribed in the AS Rules and the In-AS Rules read.

ORDER

113. Having considered all these facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and Section 23J of SCRA and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules and Section 23-I of SCRA read with Rule 5 of SCR Adjudication Rules, I hereby impose the following penalties, on the Noticees for the violations as specified in this order:

Noticee No.	Name of the Noticee	Penal Provisions and Violations	Penalty(in Rs.)
1.	Concord Drugs Ltd. (PAN-AAACC8171D)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f) (k) and (r) of the SEBI PFUTP Regulations and under Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956, for violation of Regulations 4(1)(a),(b),(c)(d),(e),(g),(h),(i),(j), 6(1), 16 (1)(b), 33(2)(a), 48, 52(2)(a) and 53(f) of the SEBI LODR Regulations.	**Rs.15,00,000/- (Rs. Fifteen Lakhs)**
2.	Mr. S. Nagi Reddy (PAN: AIRPS8676D)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP	**Rs.15,00,000/- (Rs. Fifteen Lakhs)**

		Regulations and under Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956 for violation of Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i), (j), 4(2) (f)(i)(1),(2) 4(2)(f)(ii)(6) (7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14), Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992.	
3.	Mr. K. Ramachandra Reddy (PAN-AFGPK1990L)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations and under Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956, for violation of Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i),(j), 4(2)(f)(i)(1),(2), 4(2)(f)(ii)(6)(7)(8), 4(2)(f)(iii)(2)(3)(6)(12)(14), Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992.	**Rs.10,00,000/- (Rs. Ten Lakhs)**

4.	Mr. T. Narasimha Reddy (PAN-AQBPT1842Q)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations and under Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956 for violation of Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i), (j), 4(2) (f)(i)(1),(2) 4(2)(f)(ii)(6) (7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14) , Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992. Also, under Section 15A(a) of SEBI Act read with Section 11C(6)(c) and Section 11(2)(ia) of SEBI Act.	**Rs.16,00,000/- (Rs. Sixteen Lakhs)**
5.	Mr. S. Koni Reddy (PAN-APHPR3654R)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b),(c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations and Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, for violation of Regulations 4(1) (a), (b), (c),(d),(e),	**Rs.15,00,000/- (Rs. Fifteen Lakhs)**

		(g),(h),(i),(j),4(2)(f)(i)(1),(2) 4(2)(f)(ii)(6)(7) (8), 4(2)(f) (iii) (2)(3)(6)(12) (14), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992.	
6.	Mr. P. Venkataram Reddy (PAN-BYEPP9569E)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations and under Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956, for violation of Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i),(j), 4(2)(f)(i)(1),(2), 4(2)(f)(ii)(6)(7)(8), 4(2)(f)(iii)(2)(3)(6)(12)(14), Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992.	**Rs.10,00,000/- (Rs. Ten Lakhs)**
7.	Ms. P. Chadrakala (PAN-BYEPP9563Q)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2)(f)(k) (r) of the SEBI PFUTP Regulations and under Section 15HB	**Rs.11,00,000/- (Rs. Eleven Lakhs)**

		of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956, for violation of Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i),(j), 4(2)(f)(i)(1),(2), 4(2)(f)(ii)(6)(7)(8), 4(2)(f)(iii)(2)(3)(6)(12)(14), Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR Regulations read with Section 27 of SEBI Act, 1992. Also, under Section 15A(a) of SEBI Act read with Section 11C(6)(c) and Section 11(2)(ia) of SEBI Act.	
8.	Shri Eswar Rao (PAN-AFIPM0175K)	Penalty under Section 15HA of SEBI Act, 1992 for violation of Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(b), (c) and (d) and 4(1) and 4(2)(f)(k)(r) of the SEBI PFUTP Regulations, 2003 and under Section 15HB of the SEBI Act, 1992 and Section 23A(a) and 23H of SCRA, 1956 for Regulations 4(1) (a), (b), (c),(d),(e), (g),(h),(i),(j), 4(2)(f)(i)(1),(2), 4(2)(f)(ii)(6)(7)(8), 4(2)(f)(iii)(2)(3)(6)(12)(14), Regulation 16(1)(b), Regulation 33(2)(a) and Regulation 48 of SEBI LODR	**Rs.11,00,000/- (Rs. Eleven Lakhs)**

		Regulations read with Section 27 of SEBI Act, 1992. Also, under Section 15A(a) of SEBI Act read with Section 11C(6)(c) and Section 11(2)(ia) of SEBI Act.	
9.	Ms. Sonia Bidlan (PAN-ATQPB6253K)	Penalty under Sections 15HB of SEBI Act, 1992, Section 23A(a) and 23H of SCRA for violation of Regulation 6 of SEBI LODR Regulations, 2015	**Rs.1,00,000/- (Rs. One Lakh)**
10.	Akansha (PAN-AWRPA9608B)		**Rs.1,00,000/- (Rs. One Lakh)**
11.	Ms. Monica Bhuttada (PAN: BCUPB1464J)		**Rs.1,00,000/- (Rs. One Lakh)**
12.	Ms Jyoti Goyal (PAN: BTYPG3872L)		**Rs.1,00,000/- (Rs. One Lakh)**

114. The Noticees 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, Noticees may contact the support at portalhelp@sebi.gov.in.

115. The said confirmation of e-payment made in the format as given in table below should be sent to *'The Division Chief, EFD-I DRA -II, Securities and Exchange Board of India, SEBI Bhavan-II, Plot no. C-7, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051'* and also to e-mail id:-*tad@sebi.gov.in*

1. Case Name:

2. Name of payee:

3. Date of payment:

4. Amount paid:

5. Transaction no.:

6. Bank details in which payment is made:

7. Payment is made for:(like penalties/ disgorgement/recovery/ settlement amount and legal charges along with order details)

116. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

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

Date: August 11, 2023 **G RAMAR**

Place: Mumbai **ADJUDICATING OFFICER**