

QJA/AA/CFID/CFID/30318/2024-25
SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1), 11B(2) READ WITH SECTIONS 15HA AND 15HB OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND RULE 4 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Sr. No.	Name of the Noticee	PAN
1.	Mr. Prakash Pusaram Laddha	AAHPL3023D
2.	Mr. Prafulla Subhashchandra Bhat	AMEPB0155F
3.	Mr. Trichur Ganpat Krishnan	AEAPK1429B

In the matter of Setubandhan Infrastructure Limited

BACKGROUND:

1. The Securities and Exchange Board of India (*hereinafter referred to as ‘SEBI’*) conducted an investigation to ascertain whether the disclosure of financial information and the business transactions of Setubandhan Infrastructure Limited (*hereinafter referred to as ‘Company’ / ‘SIL’*) have been dealt with in a manner which may be detrimental to the investors or the securities markets; and/or whether an intermediary or a person associated with the securities market have violated the provisions of the Securities and Exchange Board of India Act, 1992 (*hereinafter referred to as ‘SEBI Act’*), Securities Contracts (Regulation) Act, 1956 (*hereinafter referred to as ‘SCRA’*), the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (*hereinafter referred to as ‘PFUTP Regulations’*) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (*hereinafter referred to as ‘LODR Regulations’*) or any other Rules or Regulations made or directions issued by SEBI thereunder.

2. Independent forensic auditor M/s. BDO India LLP was appointed to assist the investigating authority for conducting forensic examination of books of accounts of SIL for four financial years from FY 2016-17 to FY 2019-20 (*hereinafter referred to as 'Investigation Period'*). The Forensic Audit Report (*hereinafter referred to as 'FAR'*) was submitted to SEBI by the forensic auditor on July 11, 2022.
3. SEBI examined the FAR, along with annual reports of the company, replies, statements recorded of the company's directors including independent directors and statutory auditors. Upon examination of the aforesaid, the following have violations/ non-compliances have emerged:
 - (a) Misrepresentation of financials by fictitious purchases & sales and diversion of funds to connected entities by payment towards fictitious purchases.
 - (b) Misrepresentation of closing balances
 - (c) Non-disclosure of Related Party Transaction in Annual Report.
 - (d) Transactions with connected vendors at nominal profit or at loss.
 - (e) Diversion of funds by improper write off of payments and balances.
 - (f) Unreasonable write off for project WIP (Work in Progress).
 - (g) Non-recovery of High ageing advances resulting in misutilisation of funds.
 - (h) No documentation for purchase and sale of fixed assets with connected entities.

SHOW CAUSE NOTICE, REPLY AND HEARING

I. Show Cause Notice

4. A Show Cause Notice dated November 28, 2022 (*hereinafter referred to as 'SCN'*) was issued to the Noticee no. 1, SIL, Noticee no. 2, Mr. Prakash Pusaram Laddha, Noticee no. 3, Mr. Prafulla Subhashchandra Bhat and Noticee no. 4, Mr. Trichur Ganpat Krishnan calling upon them to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, 1992 including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner

whatsoever, for a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever should not be issued. The Noticees were also called upon to show cause why appropriate monetary penalty under Sections 11B(2) and 11(4A) read with Sections 15HA and 15HB of the SEBI Act, 1992 read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (*hereinafter referred to as ‘SEBI Adjudication Rules’*) should not be levied against them. The following annexures were enclosed along with the SCN:

Table 1

Annexures to SCN	
Annex. No.	Particulars
I	Investigation Report (including Annexures A to K)
II	Work order of Navi Mumbai Metro Station project

5. The details of the Noticees to whom the SCN was issued are as under:

Table 2

Noticee No.	Name of Noticee	Designation/ Role/ Nature of Noticee w.r.t. SIL	Appointment date	Cessation date, if any
1	Setubandhan Infrastructure Ltd.	N.A.*	N.A.*	N.A.*
2	Mr. Prakash Pusaram Laddha	Non-independent Executive Director	04.01.1996	13.09.2017
		Non-independent Non-executive Director	14.09.2017	28.07.2020
		Whole Time Director	29.07.2020	N.A.*
		(Chairman of Board and Audit Committee Member during Investigation Period)		
3	Mr. Prafulla Subhashchandra Bhat	Whole Time Director	14.09.2017	11.08.2020
		Non-executive director	04.03.2016	13.09.2017
4	Mr. Trichur Ganpat Krishnan	Managing Director (Director since 01.09.2005)	01.01.2011	19.12.2018

N.A*. – Not Applicable

6. The status of delivery of the SCN is as under:

Table 3

Name of Noticee	Address of the Noticee	Mode of Service			Date of Delivery	Mode of Service Email
		Hand Delivery	SPAD	Newspaper Publication		
Setubandhan Infrastructure Ltd.	The Exchange, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik, Maharashtra - 422002	N.A.	Yes	N.A.	01/12/2023	28/11/2023
Mr. Prakash Pusaram Laddha	The Exchange, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik, Maharashtra - 422002	N.A.	Yes	N.A.	01/12/2023	28/11/2023
	Kaushal, Kulkarni Colony, Sadhu Vaswani Road, Nashik	N.A.	Yes			
Mr. Prafulla Subhashchandra Bhat	B/2306, Sky Flama, Dosti Flamingos, China Mill Compound, T J Marg, Parel, Sewree, Mumbai, Maharashtra - 400015	No (Returned undelivered with comments – “Office Locked Always”)	N.A.	18/01/2023		28/11/2023
	Flat No 303, 3rd Floor, Vivarea Tower, B2, Sane Guruji Marg, Hindustan Spinning & Wire Mills Compound, Mahalaxmi, Mumbai - 400011	No (Returned undelivered with comments – “Consignee Shifted”)	N.A.			
	Plot no- 17/18/1, Sambhaji Nagar, Gouri Park, New Parvati Nagar, Jalgaon, Maharashtra - 425001	N.A.	No (Returned undelivered with comments – “Addressee			

			Left without instructions / address")			
	Unit 908-909-910, C Wing, Trade World, Kamala City, S B Marg, Lower Parel, Mumbai – 400013	No (Returned undelivered with comments – “House Locked”)	N.A.			
	Flat No 301, 3rd Floor, Tower-B, Vivarea Building, Dr. A.L. Nair Marg, Near Jacob Circle, Mumbai – 400011	No (Returned undelivered with comments – “House / Office Locked”)	N.A.			
	Plot No. D 37, Sector 9, B1 Basement Floor, Chitrakut Yojna, Vaishali Nagar, Jaipur - 302021		No (Returned undelivered with comments – “Addressee Left without instructions / address”)			
Mr. Trichur Ganpat Krishnan	8, 2 nd Floor, Rajhans Society, Rao Bahadur Gokhale Marg, Near Old R.T.O., Tilakwadi, Gole Colony, Nashik, Maharashtra - 422002	N.A.	Yes	N.A.	01/12/2024	28/11/2023

As regards, Noticee no. 3, Mr. Prafulla Subhashchandra Bhat, the SCN was affixed at one of his last known addresses namely, *B/2306, Sky Flama, Dosti Flamingos, China Mill Compound, T J Marg, Parel, Sewree, Mumbai, Maharashtra – 400015* on December 09, 2022. Affixture of SCN was also attempted at another last known address of the Noticee viz., *‘Flat No 303, 3rd Floor, Vivarea Tower, B2, Sane Guruji Marg, Hindustan Spinning & Wire Mills Compound, Mahalaxmi, Mumbai – 400011’* and *‘Flat No 301, 3rd Floor,*

Tower-B, Vivarea Building, Dr. A.L. Nair Marg, Near Jacob Circle, Mumbai – 400011’, however, the housing society wherein the Noticee used to reside did not allow the authorised persons to affix the SCN. Further, affixture of SCN was also attempted at the following address ‘Unit 908-909-910, C Wing, Trade World, Kamala City, S B Marg, Lower Parel, Mumbai – 400013’, however, enquiry revealed that the Noticee did not own any premises nor did he reside at the said premises. The SCN dated November 28, 2022 was published on the SEBI website on January 03, 2023 under the section “Unserved summons/ Notices”.

The SCN was served on Noticee no. 3, Mr. Prafulla Subhashchandra Bhat through newspaper publication on January 18, 2023 in the following newspapers:

Table 4

Sr. No.	Newspaper (Edition)	Language
1	Hindustan Times (Mumbai & Jalgaon)	English
2	Pratahkal (Jalgaon)	Hindi
3	Lokmat (Jalgaon)	Marathi
4	Times of India (Jaipur)	English
5	Pratahkal (Jaipur)	Hindi

7. The allegations in the SCN are provided as under:

7.1. Misrepresentation of financials by fictitious purchases & sales and diversion of funds to connected entities by payment towards fictitious purchases:

7.1.1. *The company had accounted trading transactions of purchase and sale of materials with various entities which were not supported by any documentary evidence (except invoices and e-way bills in some cases). Review of customer receivable balances which were provisioned in FY 2019-20 revealed that the sales to these customers (whose balances were provisioned) were trading transactions. Though the company is into construction business, it is observed that voluminous trading transactions were booked during the period from FY 2016-17 to FY 2019-20 as purchase and sale of TMT bars, steel, metal channels, M S Angles, etc.*

7.1.2. *Summary of select party-wise ledgers of purchase and sale transactions is given in the following table:*

Table 5

INR in Crore

Party Name	Opening on 01-04-16 Dr / (Cr)	Sales	Receipts		Purchases	Payments	Adjustment	Closing on 31-03-20 Dr / (Cr) / Receivables	Provision for bad debts	Balance o/s from**
Aikya Infra-Projects Pvt. Ltd.	-	37.83	(29.25)		-	-	0.07	8.64	10.02	Jul 2018
Stance Synergy Pvt. Ltd.	-	11.84	(5.96)		-	-	-	5.88	1.13	Nov 2017
Naolin Infrastructure Pvt. Ltd.	-	9.65	-		(13.03)	\$ 13.87	(0.84)	9.65	9.65	Aug 2017
Plconmat Supplier Pvt. Ltd. (Related Party of SIL)	0.11	7.34	(9.42)		(5.38)	7.92	0.84	1.41	1.02	Feb 2019
Erman Metals Pvt. Ltd.	-	7.16	(4.49)		(2.70)	2.70	-	2.67	2.67	Nov 2018
Flyhigh Infra-Projects Pvt. Ltd.	-	6.65	(2.53)		-	-	-	4.12	4.12	Sep 2018
Sanmukh Fab Industries Pvt. Ltd.	-	4.26	(2.09)		-	-	-	2.17	2.17	Oct 2018
Sadbhav Engineering Ltd.	-	3.67	(2.32)		-	-	-	1.35	-	Oct 2018
SPA Technical Services Pvt. Ltd.	-	2.82	(2.48)		-	-	-	0.34	0.34	Mar 2019
Sorority Traders Pvt. Ltd.	-	2.78	(2.51)		-	-	-	0.26	0.26	Oct 2018
Pioneer Trading Company	-	0.95	(0.85)		-	-	-	0.10	-	Jul 2018
Galina Consultancy Services Pvt. Ltd.	-	0.63	(0.62)		-	-	0.52 @	0.53	0.53	Jan 2018
Hi-tech Infra #	-	0.61	-		-	-	-	0.61	0.61	May 2017
Nevecea Infraspac Pvt. Ltd.	-	1.04	-		-	-	(0.02)	1.02	1.02	Mar 2019
Seam Industries Ltd.	-	40.31	-		-	-	(40.31)	-	-	
Saisons Trade & Industry Pvt. Ltd.	-	-	-		(63.26)	65.87	(2.61)	-	-	-
Skyfall Trading Pvt. Ltd. (connected)	-		(5.05)		(26.69)	32.59	(0.84)	-	-	-
Damani Multitrade Pvt. Ltd. (connected)	(0.15)		(9.64)		(108.46)	76.27	41.98	-	-	-
Total (top customers)	(0.04)	137.54	(77.21)		(219.52)	199.22	(1.17)	38.75	33.54	

\$ Purchase from Naolin Infrastructure pertains to service contract and not material purchase.

** In the absence of debtors ageing report, the Balance outstanding is calculated basis FIFO method of sales bill outstanding.

The balance of Hi Tech Infra is of Debtor ledger. Apart from said debtor ledger, there is also a creditor ledger wherein work execution expenses is booked (project cost).

@ Adjustment with Galina Consultancy is on account of transfer of INR 0.52 crore from Naolin Infrastructure to Galina Consultancy and therefore, a receivable balance of INR 0.52 crore from Galina Consultancy.

7.1.3. It may be seen from the table 2 that total purchases from specified vendors were for INR 219.52 crore and total payment was INR 199.22 crore. INR 5.05 crore and INR 9.64 crore were

received back respectively from Skyfall Trading Pvt. Ltd. and Damani Multitrade Pvt. Ltd. with whom there were no sales transactions. Thus, INR 184.53 crores (INR 199.22 crore – INR 5.05 crore – INR 9.64 crore) were paid towards purchases of INR 219.52 crores. Out of total receipt of INR 77.21 crore, INR 62.52 crore (i.e., excluding the receipts from Skyfall and Damani) was from the specified customers towards sales of INR 137.54 crores. Provision for bad debts was made for INR 33.54 crores. Moreover, these sale and purchase transactions were not supported by adequate documents and were without any business rationale as explained in subsequent paragraphs.

7.1.4. As per the company accounts, the materials purchased from Saisons Trade & Industry Pvt. Ltd. (“**Saisons**”), Damani Multitrade Pvt. Ltd. (“**Damani**”) and Skyfall Trading Pvt. Ltd. (“**Skyfall**”) were sold on the same day or within two days to few entities viz. Aikya Infra-projects Pvt. Ltd. (“**Aikya**”), Stance Synergies Pvt. Ltd. (“**Stance**”), Flyhigh Infra-projects Pvt. Ltd. (“**Flyhigh**”), Erman Metals Pvt. Ltd. (“**Erman**”), Sanmukh Fab Industries Pvt. Ltd. (“**Sanmukh**”), etc. The payments to vendors were made, but a significant part of the receivables from customers were not collected and were either written off as bad/doubtful debts in FY 2019-20 or adjusted with outstanding payable balance of other entities. The outstanding receivables shown from these entities as on March 31, 2018 and March 31, 2019 was also fictitious as there was no actual sales to these entities. Party-wise ledgers are placed at **Annexure 1 of FAR**.

7.1.5. Basis timing of purchase and sale (same day / one-two day intervals), most of the sales to above parties could be linked to purchases from Saison (for FY 2018-19 and FY 2019-20). Refer following extract of bank ledger for “State Bank of India CC A/c 32899386345” illustrating timing of payments to Saison and receipts from Aikya, Stance and Flyhigh. Bank ledger of “State Bank of India CC A/c 32899386345” is placed at **Annexure 2 of FAR**.

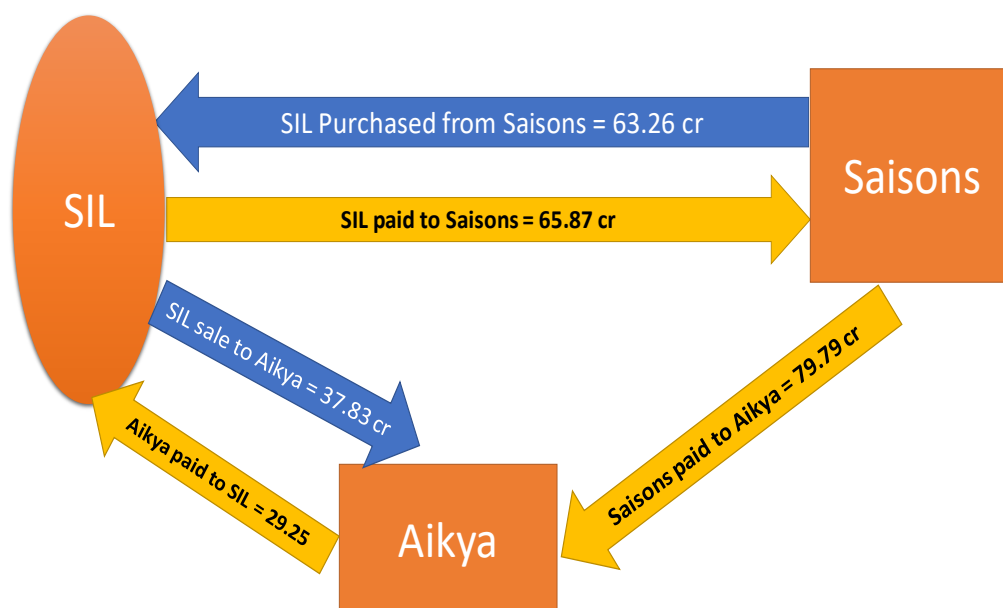
Table 6

Date	Type	Party Name	Narration	Debit (INR)	Credit (INR)
08.05.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387217LC0000307, LU No. 0387217LU0000415 of Saisons Trade & Industry Pvt. Ltd.	-	2,50,45,524
09.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	1,19,50,000	-
09.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	11,88,152	-
11.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	1,25,00,000	-
				2,56,38,152	2,50,45,524
11.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000131, LU No. 0387218LU0000176		1,45,16,643

10.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKH18283627795.	55,00,000	
11.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKR12018101100738567.	60,00,000	
11.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKH18284735877.	32,00,000	
				1,47,00,000	1,45,16,643
08.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000125, LU No. 0387218LU0000169 of Saisons Trade & Indusry Pvt. Ltd.	-	1,22,65,655
08.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKR12018100800858416.	1,17,58,000	-
				1,17,58,000	1,22,65,655
08.06.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387217LC0000331, LU No. 0387217LU0000446 of Saisons Trade & Indusry Pvt. Ltd.	-	1,50,16,232
08.06.18	Receipt	Stance Synergies Pvt. Ltd.	Received RTGS.	1,14,35,000	-
				1,14,35,000	1,50,16,232
15.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000132, LU No. 0387218LU0000175 of Saisons Trade & Indusry Pvt. Ltd.		1,45,05,948
15.10.18	Receipt	Flyhigh Infra-Projects Pvt. Ltd.	Received from Flyhigh Infra-Projects Pvt. Ltd. UTR No. KKBKH18302772707.	1,15,90,559	
				1,15,90,559	1,45,05,948

7.1.6. Round tripping of funds through circular transactions: The analysis of bank statement of Aikya shows that Aikya had received funds from Saisons and part of the same is paid to SIL. Aikya received INR 79.79 crores from Saisons during the period July 20, 2017 to June 18, 2019. Further, Aikya paid INR 28.65 crore to SIL during the period December 11, 2017 to October 29, 2018. Lack of supporting documents corroborates that the purchase transactions were fictitious. The fund flow among SIL, Saisons and Aikya shows that the fictitious purchases and sales among SIL, Saisons and Aikya was predominantly funded by SIL only. The payments made by SIL to Saisons towards purchases of materials was transferred from Saisons to Aikya. As seen in Table 2, total amount of INR 29.25 crores was paid by Aikya to SIL towards the sales transactions booked by SIL. The bank statement of Aikya is placed at **Annexure D of IR**. The pattern of transactions among SIL, Saisons and Aikya are shown below:

Figure A



7.1.7. Further, comparison of trading sales and purchases indicates minimal profits raising concern on rationale of the transactions. It is observed that purchased quantity and sold quantity are same. Transaction details are placed at **Annexure 3 of FAR**. Following table depicts the item-wise purchases from Saison and sales to other parties with the margin on sales:

Table 7

Amount in INR

Type	Party Name and type of transaction	Steel Round	Mild Steel Channel	TMT Bar 10mm	TMT Bar 12mm	TMT Bar 16mm	TMT Bar 8mm	Total
Purchase	Saison Trade and Industry Pvt. Ltd.	5,93,76,935	5,00,58,926	32,13,600	51,91,200	13,20,52,863	15,58,63,627	40,57,57,151
Sub-total	Purchase (A)	5,93,76,935	5,00,58,926	32,13,600	51,91,200	13,20,52,863	15,58,63,627	40,57,57,151
Sales	Aikya Infra Projects Pvt. Ltd.	5,94,06,186	5,00,80,432	32,15,160	52,17,206	5,78,64,785	7,74,24,503	25,32,08,272
Sales	Flyhigh Infra-Projects Pvt. Ltd.	-	-	-	-	2,70,01,896	2,93,90,950	5,63,92,846
Sales	Pioneer Trading Company A/c	-	-	-	-	34,71,927	45,65,847	80,37,774
Sales	Sadbhav Engineering Ltd.	-	-	-	-	70,45,135	52,20,022	1,22,65,157
Sales	Sanmukh Fab Industries Pvt. Ltd.	-	-	-	-	1,16,95,825	1,22,30,451	2,39,26,275
Sales	Erman Metals Pvt. Ltd.	-	-	-	-	2,53,56,078	2,80,74,855	5,34,30,933
Sub-total	Sales (B)	5,94,06,186	5,00,80,432	32,15,160	52,17,206	13,24,35,646	15,69,06,627	40,72,61,257
Margin (C)=	(B-A)	29,251	21,506	1,560	26,006	3,82,783	10,43,000	15,04,106

% of Margin on Sales (C/B)	0.05%	0.04%	0.05%	0.50%	0.29%	0.66%	0.37%
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7.1.8. Non-collection of receivables and write off as bad / doubtful debts: As per Annual Report 2019-20, the amount of provision for Bad debts is INR 35.35 crore whereas income from operations is INR 154 crore. Trade receivables reduced from INR 57 crore to INR 13 crore from 31.03.2019 to 31.03.2020. Profit Before Tax in 2019-20 was a loss of INR 44 crore. Hence, provision for bad debts contributed to 80% of Loss from operations (i.e., INR 35.35 crore / INR 44 crore) and 61% of Trade receivables as on beginning of the year (i.e., INR 35.35 crore / INR 57 crore). It is observed that no provision for doubtful debts was made during the period 2016 -19.

The following 9 debtors accounted for almost 93% (INR 32.88 crore / INR 35.35 crore) of the total bad debts provision amount:

Table 8

INR in Crore				
Sr. No.	Name of Receivables	Amount Receivable as on March 31, 2020	Provision made in FY 2019-20 amount in	Period (in Years) as on March 2020
1	Naolin Infrastructure Pvt. Ltd.	9.64	9.64	2.66
2	Aikya Infra-Projects Pvt. Ltd.	8.64	10.02	1.72
3	Flyhigh Infra-Projects Pvt. Ltd.	4.12	4.12	1.53
4	Erman Metals Pvt. Ltd.	2.67	2.67	1.41
5	Sanmukh Fab Industries P Ltd.	2.17	2.17	1.46
6	PLCONMAT Supplier Pvt. Ltd.	1.02	1.02	1.16
7	Nevecea Infraspace Pvt. Ltd.	1.02	1.02	1.00
8	Stance Synergies Pvt. Ltd.	5.88	1.13	2.34
9	Networth Management Services	1.09	1.09	7.21
	TOTAL	36.25	32.88	

100% provision was made for 6 debtors (sl. no. 2 to 7) totalling to INR 21 crores which are outstanding for a period of 1 to 2 years only. However, there were other debtors ageing ranging from 2 to 9 years for which no provision was made.

The company failed to provide balance confirmation letters, adequate supporting documents for follow up on recovery and any legal action taken against debtors whose balances were written off.

Since the company has failed to provide proper documentation or to justify the value written off within 1 to 3 years, it is alleged that the write off was towards fictitious transactions recorded in the previous years. Making payments towards fictitious purchases and writing off of receivables from corresponding sales ultimately resulted in diversion of funds of the company.

7.1.9. Party-wise analysis of major vendors with alleged fictitious trading transactions is as follows:**a) *Saisons Trade & Industry Pvt. Ltd. ('Saisons')***

- i) During the investigation period, SIL had accounted purchase of materials from Saisons for INR 63.26 crore and paid INR 65.87 crore. The excess payment of INR 2.61 crore to Saison adjusted with "Rate, Diff. & Discount A/c", instead of receiving back the same. No documentation for the said adjustment was provided. Thus, the excess payment was written off in the books, which constitutes a diversion of funds of the company. Refer to the following table:

Table 9

INR in Crore

Party Name	Opening balance as on 01/04/16	Purchase	Payments	Adjustment (expensed)	Closing balance as on 31/03/20
<i>Saisons Trade & Industry Pvt. Ltd.</i>	-	(63.26)	65.87	(2.61)	-

- ii) Majority of the payments made to Saisons were through Letter of Credit (LC) facility. LCs were issued to Saison for purchases, though corresponding sales to other entities were not entirely collected.
- iii) Out of total 5 samples of INR 5.81 crore, 3 invoices of INR 2.98 crore were provided. No supporting documents such as Purchase order, Weighment slip, lorry receipt, delivery challan, etc. were provided for any of the 5 sample purchase transactions by the company to support that those trades were genuine.
- iv) On review of bank ledgers and bank statements, it was noted that the receipts from trading customers were either on the same date or within an interval of 1 – 2 days from the date of LC payments to Saisons. This indicates that the LC facility was potentially misused by issuing LC payments to vendor and routing the same as receipts from customers through fictitious trading transactions. This is corroborated by the receipts of INR 79.79 crore from Saison as appearing in the bank statement of Aikya which is shown in **Figure A (Annexure D of IR)**.

b) *Damani Multitrade Pvt. Ltd. ('Damani') and Skyfall Trading Pvt. Ltd. ('Skyfall'):*

- i) During the investigation period, SIL had accounted purchase of materials from Damani for INR 108.46 crore and paid INR 66.63 crore (net). SIL had accounted purchase of materials and fixed assets from Skyfall for INR 26.69 crore and paid INR 27.54 crore (net).
- ii) Following table shows the over view of transactions with Skyfall and Damani for the investigation period:

Table 10

INR in Crore

Party Name	Opening balance (01.04.2016)	Purchase	Fixed Asset Purchase	Payments	Receipts	Adjustment	Stale cheque payment entry	Stale cheque Receipt entry	Difference in carry forward of balance	Closing balance (31.03.2020)
Skyfall Trading Pvt. Ltd.	-	(25.27)	(1.42)	32.59	(5.05)	(0.84)	-	-		-
Damani Multitrade Pvt. Ltd.	(0.15)	(108.46)	-	76.27	(9.64)	37.58	26.44	(28.02)	5.98	-
Total	(0.15)	(133.73)	(1.42)	108.86	(14.69)	(36.74)	26.44	(28.02)	5.98	-

iii) Skyfall Trading Pvt. Ltd., Damani Multitrade Pvt. Ltd. and SIL were connected through common directorship of Prafulla Bhat. He is a past shareholder and director of SIL and also held directorship in Skyfall Trading Pvt. Ltd. and Damani Multitrade Pvt. Ltd. He was Whole Time Director in SIL during September 14, 2017 to August 11, 2020. The same is shown below:

Table 11

Director	SIL	Skyfall Trading Pvt. Ltd.	Damani Multitrade Pvt. Ltd.
Prafulla Bhat	04.03.2016 - 11.08.2020	From 02.06.2018 till date	06.07.2017 -30.03.2018

iv) Skyfall and Damani had another common director namely Mr. Omkar Balshiram Thorat.

v) On review of ledger of Damani Multitrade Pvt. Ltd., it was observed that the receivable balance of Seam Industries Ltd. (Debtor) was adjusted with Damani amounting to INR 40.31 crore. Narration of adjustment entry stated "being assignment of debtor made to Damani". No details and basis of such assignment was provided. During FY 2016-17, total sales made to Seam Industries was INR 40.31 crore for product named "M.S.Angle". No other transactions with Seam Industries were observed for entire investigation period. The entire receivable balance of Seam Industries was adjusted with Damani. Therefore, it appears that the entire sale to Seam Industries INR 40.31 crore was fictitious and hence the sales revenue of FY 2016-17 was inflated by INR 40.31 crore. Subsequent to the said adjustment, funds of INR 9.64 crore were received from Damani in FY 2017-18 and FY 2018-19. The receivable balance of Seam Industries was set off against the payable balance of Damani which indicates that both purchase and sale transactions were fictitious.

vi) Supporting documentations for Purchase and adjustment entries were sought from SIL, however, the company could not provide any documentary evidences or justifications.

vii) **Diversion of funds to connected entities through payment towards fictitious purchases:** Considering the absence of adequate supporting documents, the purchase transactions of

INR 25.27 crore and INR 108.46 crore with Skyfall and Damani respectively are alleged to be fictitious in nature. INR 108.86 crore was paid to Damani and Skyfall towards the fictitious purchases during the investigation period. Further, a receipt of INR 14.69 crore is also shown from Damani and Skyfall. Therefore, it is inferred that, by making a net payment of INR 94.17 crore (i.e., INR 108.86 crore – INR 14.69 crore) to Damani and Skyfall, the noticees had diverted the company funds of INR 94.17 crore to the connected entities viz. Damani and Skyfall. This amounts to 10.21% (i.e., INR 94.17 crore / INR 922.10 crore) of total revenue for the investigation period.

7.1.10. Party-wise analysis of major parties of whom the receivables are written off is as follows. It is noted that SIL entered into sale transactions with Aikya (INR 37.83 crore), Naolin (INR 9.65 crore), PLconmat (INR 7.34 crore), Flyhigh (6.65 crore), Sanmukh (INR 4.26 crore) and Erman (INR 7.16 crore) during the Investigation Period. 100% of the receivables from these entities as on March 31, 2020 were written off by SIL:

a) Aikya Infra-Projects Pvt. Ltd. ('Aikya') :

- i) During the investigation period, SIL had accounted sale of materials to Aikya for INR 37.83 crore and received only INR 29.25 crores.
- ii) **Provisioning higher than outstanding balances of Aikya:** INR 10.02 crore is provisioned for bad debts in FY 2019-20 against the total outstanding of INR 8.64 crores from Aikya. Provisioning an amount higher than the total outstanding from the customer is without any business or accounting rationale. The company could not provide any reasons / supporting for provisioning of such higher amount.
- iii) Approximately 27% of the sales value to Aikya (INR 10.02 crore / INR 37.83 crore) was written off. It is pertinent to note that the margin earned from those transactions was only 0.04% to 0.66% (as shown in Table 4). Therefore, the said transactions do not hold any business rationale. Further, the company could not provide any documentary evidence to substantiate that the transactions were genuine.
- iv) As per media reports dated 26th November 2020, GST Department officials arrested Mr. Sachin Bharuka, director in several firms including Aikya for allegedly availing and utilizing bogus Input Tax Credit (ITC) amounting to around INR 485 crore. The news link is given below:
<https://www.hindustantimes.com/mumbai-news/mumbai-2-350-crore-gst-frauds-unearthed-three-arrested/story-XiQT5d8aa0W3yM0qQZLeZM.html>
- v) Following is the tally extract of sample transaction which indicates trade happen on the same day/next day at minimal profit with Aikya and Saison.

Stock Item : Steel Round				1-Apr-18 to 31-Mar-19					
Stock details for: Our Stock with us & Third Party									
Date	Particulars	Vch Type	Vch No.	Inwards		Outwards		Closing	
				Quantity	Value	Quantity	Value	Quantity	Value
1-Apr-18	Opening Balance			372,200 MT	1,88,42,319.10			372,200 MT	1,88,42,319.10
7-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			37,42,550.00			372,200 MT	2,25,84,869.10
8-Apr-18	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	Sales	PCL/AIPL/18-19/1			37,44,400.00		372,200 MT	2,25,84,869.10
10-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			40,06,045.75				
10-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			48,64,809.25			372,200 MT	3,14,55,724.10
11-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			63,37,047.50				
11-Apr-18	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	Sales	PCL/AIPL/18-19/2			48,67,214.00			
11-Apr-18	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	Sales	PCL/AIPL/18-19/3			40,08,026.00		372,200 MT	3,77,92,771.60
12-Apr-18	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	Sales	PCL/AIPL/18-19/4			63,40,180.00		372,200 MT	3,77,92,771.60
14-Apr-18	Saisons Trade And Industry Pvt. Ltd. A/c	Purchase			42,57,152.50			372,200 MT	4,20,49,924.10
15-Apr-18	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	Sales	PCL/AIPL/18-19/5			42,59,258.75		372,200 MT	4,20,49,924.10

- vi) Further, the company did not produce the supporting documents such as invoice, weighment slips, delivery challans, purchase/sales orders, comparative quotes from any of the vendors, etc. with respect to the transactions with Aikya.
- vii) The receivable balance is outstanding from July 2018. Total trade payable as per the financials of Aikya as on 31st March 2019 was INR 5.37 crore but Receivable from Aikya as per financials of SIL as on 31st March 2019 was INR 8.64 crore. Thus, there is mismatch in payable/receivable balances when compared with the balance sheet of Aikya, showing this balance of Aikya was non-genuine.
- viii) Sales and purchases of Aikya in FY 2017-18 was more than double of the same in FY 2016-17. Fixed Assets of Aikya is NIL for past three years and the share capital is INR 0.01 crore. Financial statements of Aikya from FY2016-17 to FY2018-19 is placed at **Annexure 4 of FAR**.
- ix) Balance confirmation was sought from Aikya via balance confirmation letters sent through registered post to their registered address. The same was returned undelivered due to non-existence of party at address. It is also seen that the GST number of Aikya was cancelled in March 2019 and it is noted that GST Department has initiated investigation against the entity.
- x) In view of the above and the round tripping of funds through Saisons and Aikya as shown in Figure A, it is alleged that there had been diversion of funds of the company through fictitious purchase and sale transactions and writing off of receivables of INR 10.02 crore.

b) Naolin Infrastructure Pvt. Ltd. ('Naolin')

- i) SIL had recorded both purchase and sales transactions with Naolin.

- ii) *SIL accounted sale of materials to Naolin for INR 9.65 crore. The receivable amount from Naolin as on March 31, 2020 was INR 9.65 crore and the entire amount was written off in FY 2019-20.*
- iii) *On review of ledger of Naolin, it is noted that there were no receipts against the total sale transactions of INR 9.65 crore. However, the payments of INR 13.87 crore were made against the purchase of INR 13.03 crore. Refer following table for summary of transactions.*

Table 12

INR in Crore

Party Name	Opening on 01-04-16	Sales	Receipts	Purchase	Payments	Adjustment	Closing on 31-03-20	Provision for bad debts
<i>Naolin Infrastructure Pvt. Ltd.</i>	-	9.65	-	-13.03	13.87	-0.84	9.65	9.65

- iv) *Sales were made in the period from August 2017 to October 2017 and purchases were made in the period from August 2017 to January 2018. Payments against purchases were made from September 2017 till April 2018.*
- v) *It is pertinent to note that in spite of not receiving the amount against sales, the purchases are paid for and not adjusted with the sales.*
- vi) *Further, correspondence by Naolin stated that they had no payables towards SIL, no material was purchased by them from SIL, the invoices/delivery challans of SIL were fabricated since they had not purchased any material from SIL towards which SIL claims receivables. Refer the letter dated 11.09.2019 of Naolin to SIL countering the claims made by SIL (Annexure 6 of FAR).*
- vii) *Balance confirmation was sought from Naolin via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address.*
- viii) *In view of the above, it is observed that the entire sale accounted to Naolin INR 9.65 crore was fictitious. Hence, it is alleged that SIL had inflated the sales revenue for the FY 2017-18 by INR 9.65 crore.*

c) PLconmat Supplier Pvt. Ltd. ('PLconmat'):

- i) *SIL had recorded both purchase and sale transaction of materials with PLconmat. INR 1.02 crore was written off in FY 2019-20 out of the receivable balance of INR 1.41 crore.*
- ii) *PLconmat has the same address as Setubandhan Infrastructure Ltd. - The Exchange, Plot No. 2A, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik – 422002*
- iii) *Prakash Laddha and Sankar Rathi are common directors of SIL and PLconmat. Therefore, SIL and PLconmat are Related Parties.*
- iv) *There are both purchase and sale transactions with PLconmat.*
- v) *In FY 2018-19, total material consumed as per financials of PLconmat is INR 7.03 crore, however, total sales by SIL to PLconmat is INR 7.34 crore indicating it transact only with SIL.*
- vi) *The company was requested to provide the supporting documents such as agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery*

challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.

- vii) Balance confirmation was sought from PLconmat via balance confirmation letters sent through registered post to their registered address. The same was delivered but not responded to.
- xi) In view of the above, it is alleged that there had been diversion of funds of the company through fictitious purchase and sale transactions and writing off of receivables INR 1.02 crore.

d) Flyhigh Infra-projects Pvt. Ltd. ('Flyhigh') and Sanmukh Fab Industries Pvt. Ltd. ('Sanmukh'):

- i) SIL had recorded sale transaction with both Flyhigh and Sanmukh during the investigation period.
- ii) Mr. Mukund Chandak and Mr. Sanketh Agrawal are the common directors for Sanmukh and Flyhigh.
- iii) Both Sanmukh and Flyhigh have the same address - Office No.-402, Gera Legend, Survey No. 17/2, Koregaon Park, North Main Road, Ghorapadi, Pune - 411001.
- iv) The receivable amount from Flyhigh as on March 31, 2020 was INR 4.12 crore and the entire amount was written off in FY 2019-20.
- v) The receivable amount from Sanmukh as on March 31, 2020 was INR 2.17 crore and the entire amount was written off in FY 2019-20.
- vi) On analysis of financial statements of Sanmukh, in FY 2018-19, total trade payable of Sanmukh is INR 0.80 crore and Receivable of SIL from Sanmukh is INR 2.17 crore. Thus, there is mismatch in payable/receivable balances raising suspicion on genuineness of these transactions. Financial statements of Sanmukh Fab Industries Ltd. for FY2018-19 is placed at **Annexure 5 of FAR**. Relevant extract of balance sheet is given below:

SANMUKH FAB INDUSTRIES PRIVATE LIMITED U74999PN2018PTC175546 Balance Sheet as on year ended 31st March 2019		
Particulars	Note No	As at 31st March, 2019
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital	2	100,000
(b) Reserves and Surplus	3	(2,245,896)
(2) Share application money pending allotment		-
(3) Non-Current Liabilities		
(a) Long-term borrowings	4	-
(b) Deferred tax liabilities (Net)	21	-
(c) Other Long term liabilities	5	-
(d) Long term provisions	6	-
(4) Current Liabilities		
(a) Short-term borrowings	7	-
(b) Trade payables	8	8,042,912

- vii) Balance confirmation was sought from Flyhigh and Sanmukh via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address.

- viii) *The company was requested to provide the supporting documents such as Agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.*
- ix) *In view of the above, it is alleged that the transactions accounted with Flyhigh and Sanmukh are fictitious.*

e) Erman Metals Pvt. Ltd. ('Erman')

- i) *SIL had accounted both sale and purchase transactions with Erman during the investigation period.*
- ii) *The receivable amount from Erman as on March 31, 2020 was INR 2.67 crore and the entire amount was written off in FY 2019-20.*
- iii) *The company was requested to provide the supporting documents such as Agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.*
- iv) *Balance confirmation was sought from Erman via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address.*
- x) *In view of the above, it is alleged that the transactions accounted with Erman are fictitious.*

f) Other observations/ factors indicating fictitious nature of transactions:

- i) *Inadequate supporting documents for trading transactions: Only invoices are received as supporting documents in case of 57% of samples. No supporting documents are received in case of remaining samples. Supporting documents like purchase/sale orders, lorry receipts, delivery challans, weighment slips, etc. were not furnished for any of the sample transactions. In few cases there were invoice with e-way bills attached, however the e-way bill did not contain transporter details. For details, refer **Annexure 16 of FAR**.*
- ii) *No supporting documents such as correspondence for recovery, legal action, etc was provided in case of Plconmat, Networth Management Services Private Limited, Galina Consultancy Services Pvt. Ltd., Hi Tech Infra, Mima Products, Nevecea Infraspac Pvt. Ltd.*
- iii) *In case of Aikya, Flyhigh, SPA Technical, Sanmukh, Naolin, Stance, Erman and Sorority, correspondence was sent by SIL to respective parties. As per delivery proof, the letters were received by the companies. Further, no responses were sent by any of these customers (Except Naolin who disputed the claims as explained in para 3.1.10. (b) above).*

- iv) In case of Aikya, Pioneer, Flyhigh and Sanmukh, it is noted that the GST registration number was cancelled immediately in the next quarter of last date of bill booking with respective parties.
- v) As per Media reports dated 26th November 2020, GST department officials arrested Sachin Bhoruka, director in several firms with whom SIL had accounted transactions such as Erman Metals Pvt. Ltd., Pioneer Trading Co, Aikya Infraprojects Pvt. Ltd., Sanmukh Fab Industries Pvt. Ltd. and Flyhigh Infraprojects Pvt. Ltd. He allegedly availed and utilized bogus ITC amounting to around INR 485 crore.
(<https://www.hindustantimes.com/mumbai-news/mumbai-2-350-crore-gst-frauds-uneearthed-three-arrested/story-XiQT5d8aa0W3yM0qQZLeZM.html>). Mr. Prakash Laddha, Director, informed that there was an investigation conducted by GST department on SIL and received notice from the department.
- vi) On inquiring about debtor confirmations from the Statutory Auditor M/s. G A G and Associates (FY 2018-19 and FY 2019-20) following response was received indicating that debtor confirmation for the trading parties were not obtained independently by the Statutory Auditor:

“Balance confirmations of some debtors were found on the records of the company and for the debtors from whom no confirmation was received, the management informed us that they had verbally communicated with the debtors and confirmed the balances.

In FY 2018-19 as the balance confirmations of some debtors were not available, we carried out additional procedures to verify the genuineness of the debtors and discussed and ascertained the management view that no provision was needed.

In FY 2019-20 since debtor balances were not being confirmed, we discussed with the management about the recoverability of the debtors, which ultimately resulted in the write off.

We do not have the copies of debtor confirmations received by the company on our record and hence have requested the company via e-mail to make the same available to you.”

The response received from Statutory Auditor M/s. G A G and Associates is placed at **Annexure 7 of FAR.**

- vii) Non-delivery of forensic auditor’s Balance confirmation to customers:
- Forensic auditors sought balance confirmation from top 10 customers (with outstanding balances of above 1 crore provisioned) via balance confirmation letters sent through registered post to the customer’s registered addresses.
 - The communications returned undelivered in 6 out of 10 cases due to “non-existence of party at address”. i.e., Aikya, Naolin, Flyhigh, Erman, Sanmukh and Stance.
 - To other 4 customers (Networth Management Services Pvt. Ltd., Plconmat Supplier Pvt. Ltd., Sadbhav Engineering Limited and Nevecea Infraspaces Pvt. Ltd.) though the letters were delivered, these customers have not responded to the balance confirmation letters. It is to be noted that Plconmat Supplier Pvt. Ltd. is a related

party of Setubandhan Infrastructure Limited (SIL) and registered at the same address.

viii) In view of the above, it is alleged that the sale transactions and trade receivable balances were not genuine.

7.1.11. Summary of observations / allegations:

Considering the following aspects, the trading transactions with select parties are fictitious in nature resulting in inflation of revenues and purchases (Sales: INR 137.54 crore, Purchases: INR 220.24 crore as per Table 10) and thereby manipulating & misrepresenting the financial statements / business operations of the company. The same is 14.91% of total revenue and 66.64% of total purchases respectively.

- a) Writing off almost entire outstanding receivables within a period of around two years from the date of the transactions.
- b) Round tripping of funds through circular transactions among SIL – Seasons – Aikya – SIL.
- c) Adjustment of receivable balance of debtor with vendor balance of INR 40.31 crore
- d) Inadequate supporting documentation for trading transactions & follow up for recovery of outstanding balances
- e) Correspondence from the customer “Naolin” indicates transactions are fictitious
- f) Non-delivery of communications at the registered addresses of parties.
- g) Minimal profit booked for trading transactions.
- h) Parties being connected amongst themselves and with SIL.
- i) Mismatch in trade receivables balances disclosed by SIL and trade payable balances disclosed by its customers in the balance sheets of Aikya and Sanmukh.

Further, payments were made to trading vendors through LC facility though trading sales remained uncollected. Thereby, indicating that the LC facility was mis-used and uncollected sales of INR 33.54 crore (bad debts) corroborate the booking of fictitious sales. Out of total writing off of bad debts INR 35.35 crore in FY2019-20, amount of INR 33.54 crores was with respect to the sale transactions accounted during the investigation period.

Considering the absence of supporting documentation for trading transactions, irrational adjustments and reversals, the transactions with Skyfall, Damani and Seam Industries observed to be fictitious. It is noted that payment has been made by SIL towards these fictitious purchases. Therefore, it is alleged that the net payment of INR 94.17 crore (i.e., INR 108.86 crore – INR 14.69 crore) to Damani and Skyfall amounts to diversion of funds to connected entities, which is 10.21% (i.e., INR 94.17 crore / INR 922.10 crore) of total revenue for the investigation period. It may be noted that Mr. Prafulla Bhat, Whole Time Director of SIL was director in Skyfall and Damani and hence it is inferred that Mr. Prafulla Bhat had diverted INR 94.17 crore from SIL through payments towards fictitious purchases.

Refer following table for a comprehensive year-wise impact on financial statements through fictitious transactions:

Year-wise statement of impact (Refer Annexure 9 and 10 of FAR for party-wise list of inflated sales and purchases)

Table 13

INR in Crore

S. No.	Particulars	FY 16-17 & FY 17-18	FY 18-19 & FY 19-20	Total
A	Inflation of revenue by Fictitious Sales	72.17	65.37	137.54
B	Inflation of expenses by fictitious Purchases	170.08	50.16	220.24
C	Total revenue from operations as per Annual Reports	509.42	412.68	922.10
D	Total purchases as per Annual Reports	237.58	92.91	330.49
E	Misrepresentation of sales as % of total revenue (A/C)	14.16%	15.84%	14.91%
F	Misrepresentation of purchases as % of total purchases (B/D)	71.58%	54.00%	66.64%
G	Writing off Bad debts resulting out of fictitious sales.	-	33.54	33.54
H	Adjustments between Damani Multitrade Pvt. Ltd. and Seam Industries Ltd. [explained in para 3.1.9. (b)(v)]	40.31	-	40.31

It is to be noted that the Company's principal business activity is construction projects. It is alleged that the company has been inflating its sales and purchases during the Investigation Period by booking fictitious trading transactions. The above observations indicate that the books of accounts cannot be relied upon and do not give a true and fair picture of both the financials and operations of the Company.

7.2. Misrepresentation of closing balances:

7.2.1. Misrepresentation through stale cheque transactions

- Payment entries of INR 26.44 crore in the ledger of Damani in FY 2016-17 were reversed in FY 2017-18 by passing receipt entries with narration "cheque stale so reversed".
- On review of these payment entries, no cheque details were mentioned in the narration. Clarification/documents from SIL were sought, however, no details were provided.
- It was also noted that such payment entries were passed in the books only in the month of February and March 2017. Further, the same were reversed in the month of May and June 2017.
- Considering the above, the balances payable to Damani were reduced by passing these book entries thereby indicating manipulation of books and mis-representation of closing balances in FY 2016-17.
- In view of the above, it is alleged that the trade payable (current liability) was materially understated by INR 26.44 crore in FY 2016-17. The reported trade payables for the year was INR 37.15 crore.

7.2.2. Difference in carry forward of balance:

- On 31st March 2018, the closing receivable balance of INR 5.98 crore of Damani was adjusted with payable balance of Ami Steel Corporation and thereby nullifying these balances to nil as on 31-03-2018.

- b) However, on review of said party ledger in the next financial year (FY 2018-19), opening brought forward balance of INR 5.98 crore was observed, though there was no carried forward balance in the previous financial year (FY 2017-18).
- c) Such mismatch in opening and closing balances indicates mis-representation of closing balances.
- d) In view of the above, it is alleged that both receivable and payable balances were understated by INR 5.98 crore in FY 2017-18.

7.3. Non-disclosure of Related Party transaction in Annual Report:

- 7.3.1.** As per regulation 2(zb) of LODR Regulations, “related party” means 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.]

Provided [further] that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per regulation 2(zc) “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per Section 2(76) of Companies Act, 2013, related party, with reference to a company, inter alia includes —

- (iv) a private company in which a director or manager is a member or director;*

Relevant extracts of IND AS 24 on Related Party Transactions is given below,

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

If an entity has had 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.

- 7.3.2.** Skyfall Trading Pvt. Ltd., Damani Multitrade Pvt. Ltd. and SIL were connected through common directorship of Prafulla Bhat. He was whole time director and past shareholder of SIL and also held directorship in Skyfall and Damani. The same is shown below:

Table 14

Director	SIL	Skyfall Trading Pvt. Ltd.	Damani Multitrade Pvt. Ltd.
Prafulla Bhat	04.03.2016 - 11.08.2020	From 02.06.2018 till date	06.07.2017 - 30.03.2018

Transactions with Damani and Skyfall (Party wise ledgers are placed at **Annexure 1 of FAR**).

As per ledger accounts of Damani, the following transactions were entered by SIL with Damani during FY 2016-17 and FY 2017-18:

Table 15

Transaction type	Amount in INR crore	
	FY 2016-17	FY 2017-18
Purchases	108.46	0
Payments	66.60	35.77
Receipts	0	31.34 @
Journal Adjustment with Seam Industries Ltd.	40.31	0
Other Journal adjustments	1.83	9.15

@ Includes INR 28.02 crore as stale cheque reversal

7.3.3. Summary of observations / allegations:

In terms of regulation 2 (zb) of LODR Regulations, Damani Multitrade Pvt. Ltd. was a related party to SIL on account of common directorship of Mr. Prafulla Bhat during FY 2017-18. However, Damani was not disclosed as a related party of SIL and the payment and receipt transaction of INR 35.77 crore and INR 31.34 crore respectively with Damani was not disclosed as Related Party Transaction in the Annual Report for FY 2017-18. Therefore, it is alleged that the noticees no. 1 to 4 did not comply with the Ind AS 24 while publishing its Annual Report for the FY 2017-18. Thus, the noticees violated Regulations 4(1)(a),(b), 4(2)(e), 33(1)(c) and 48 of LODR Regulations.

7.4. Transactions with connected vendors at nominal profit or at loss:

- 7.4.1.** Following are the key project sub-contractors which were found to be connected to the Company. Party-wise ledgers of below mentioned parties are placed at **Annexure 11**.

Table 16

Party Name/ Vendor Name	Relationship with SIL	Opening on 01.04.16	Invoice booking	Payment s	Sales	Receipts	Stale cheque reversal	Adjust ment	INR in crore	
									Closing on 31.03.202 0	
Atal Realtech Pvt. Ltd.	Connected Party	(6.84)	(120.26)	129.48	9.66	(22.19)	(10.58)	21.38		1.8
Mohini Buildwell Pvt. Ltd.	Connected Party	(4.09)	(65.20)	95.96	4.23	(22.76)	(7.84)	2.58		3.92

Univastu India Ltd.	Disclosed Associate as per financials	-	(141.19)	150.61	13.15	(40.10)	-	14.65	(3.18)
Kanak Agro Pipes Pvt. Ltd.	Connected Party	0.02	(36.59)	34.94	-	(0.55)	-	1.19	(0.98)
Total		(10.90)	(363.24)	410.99	27.04	(85.60)	(18.42)	39.80	1.56

7.4.2. Connection with parties: On public domain searches it was observed that these parties are related or connected to SIL as follows:

1. **Atal Realtech Pvt. Ltd.** – “Vijaygopal Parasram Atal” is present director & shareholder of Atal Realtech Pvt. Ltd. was past Director in SIL. As per vendor’s IPO Prospectus (September 2020), SIL is its major customer.
2. **Mohini Buildwell Pvt. Ltd.** – “Sharad Ramnarayan Karwa” the Director and Shareholder in Mohini Buildwell Pvt. Ltd. is Prakash Laddha’s brother-in-law as per SIL’s IPO prospectus. Vendor’s financial statements indicate that its entire revenue is from SIL.
3. **Univastu India Pvt. Ltd.** – Disclosed as associate in financial statements of SIL.
4. **Kanak Agro Pipes Pvt. Ltd.** –The present director & shareholder (0.26%) of SIL, “Suresh Girdharilalji Sarda” is present director and shareholder (38%) of Kanak Agro Pipes Pvt. Ltd. Vendor’s financial statements indicate that its entire revenue is from SIL.

Tenure of directorship of the above mentioned directors in the said companies is given in the following table:

Table 17

Director	SIL	Atal Realtech Pvt. Ltd.	Mohini Buildwell Pvt. Ltd.	Kanak Agro Pipes Pvt. Ltd.
Vijaygopal Parasram Atal	04.01.1996 -01.01.2012	25.08.2012 till date	-	-
Sharad Ramnarayan Karwa	04.01.1996 -01.01.2012	-	14.08.2012 till date	-
Suresh Girdharilalji Sarda	04.01.1996 – 04.03.2016 and 21.12.2020 till date.	-	-	29.03.2010 till date

However, it is seen that there was no common directorship during the investigation period and the transactions happened with SIL and connected entities during the period when there was no common directorship.

7.4.3. Expenses incurred by SIL in spite of back-to-back arrangement and booking either minimal profit or loss:

- On review of project documentation of following sampled 4 projects, it was noted that these projects are sub-contracted.
 1. Palghar - Administration Building and Collective Office subcontracted to Atal Realtech Pvt. Ltd.
 2. Yeotmal subcontracted to Mohini Buildwell Pvt. Ltd.

3. Navi Mumbai Metro Station 6 Nos. Site subcontracted to Univastu India Pvt. Ltd.
 4. A'bad CIDCO Vande Mataram Auditorium subcontracted to Kanak Agro Pipes Pvt. Ltd.
- Projects were sub-contracted at only 1 % margin. Further, in the project “Navi Mumbai Metro Station” it was noted that labour charges and indirect expenses were incurred by SIL inspite of back-to-back arrangement. However, on review of the said contract (the Work Order is placed at **Annexure - II to SCN**), it is noted that there was no condition that the labour should be provided by SIL. Therefore, the expenses of labour should have been borne by the sub-contractor. Considering that project margins were marginal, the project is under losses. This indicates that the project income of SIL was diverted to these related/connected vendors (i.e., margin at arm's length pricing on work execution value of INR 363.24 crores – margin earned by SIL by subcontracting these projects) by subcontracting at minimal margin and also by SIL incurring expenses on such projects
 - Following is snapshot of 3 projects sub-contracted at minimal profit/loss:

Table 18

INR in Crore

Project Name	Sub-contracted to	Total Contract value	Cumulative revenue till March 2020	Cumulative cost till March 2020	Profit/(Loss) booked till March 2020
Palghar Administration Building	Atal Realtech Pvt. Ltd.	35.13	32.23	31.95	0.27
Palghar - Collector Office Building	Atal Realtech Pvt. Ltd.	35.03	32.98	32.63	0.35
Navi Mumbai Metro Station	Univastu India Pvt. Ltd.	127.00	62.98	69.81	(6.82)

7.4.4. Sales to vendors without any underlying agreement:

- It was noted that sales of material of INR 27.04 crore was also made to these parties. As per the agreement provided they were entirely back-to-back contracts to the vendors. Therefore, sale of material to these parties is unreasonable. The company was not able to justify these transactions.
- Further, out of 21 samples for sales sought from the company, invoice was received in case of 18 transactions. However, no other supporting documents such as weighment slips, delivery challans, purchase/sales orders, etc. were provided for all sample transactions.
- Further, receipts of INR 85.60 crore are more than sales to these parties by INR 58.56 crore. Also, stale cheque reversal entries are passed of INR 18.42 crore, however, original cheque entries and corresponding payments for the said stale cheques were not found in the bank book. The Company has not responded to the queries pertaining to stale cheque, both to forensic auditors and SEBI.

7.4.5. Unreasonable Adjustments with other parties with no underlying supporting documents:

- On review of vendor ledgers of few parties, it is noted that various adjustment entries are passed in these ledgers thereby adjusting the balances with other party ledgers.

- However, no justification or supporting documents have been received to validate the basis of such adjustment entries.
- Refer below table for instances of adjustment entries:

Table 19

INR in Crore

Party Ledger Name	Adjusted with (Ledger name)	Narration	Debit amount	Credit amount
Univastu India Ltd. (Flower Trding Cetr. Pune) WE	Shalaka Infra-Tech India PL(Flower TradAPMC Pune)Dr	JV passed for Bill Debt assign to Univastu India Ltd. and Balance Amount Discounted.	6.29	-
Atal Realtech Pvt. Ltd. (Project Supply)	Sri Kubera Constructions Pvt. Ltd.	being Debtor assigned to creditor. Discount given to debtor transferred to Rate Difference.	6.98	-

7.4.6. Summary of observations / allegations:

On review of transactions with select vendors and factors mentioned below, it is noted that SIL entered into back-to-back arrangements for execution of projects with certain vendors and projects were sub-contracted to vendors with a minimal margin to SIL indicating that project income of SIL was diverted to these vendors (i.e., margin at arm's length pricing on work execution value of INR 363.24 crores – margin earned by SIL by subcontracting these projects).

- Vendors are connected/related parties of SIL
- Vendor's assigned back-to-back contracts without vendor evaluation and seeking comparative quotation etc.
- Back-to-Back contracts given to these vendors at minimal /no profits by SIL.
- In spite of back-to-back arrangements, the expenses like labour cost / indirect expenses on the project were incurred by SIL, though there were no contractual obligation as per work order dated 25.10.2017.
- Sales to vendors without any underlying agreement
- Unreasonable adjustments in vendor balances, unexplained.

Based on the above, it is construed that company had not followed arm's length pricing principle while dealing with related / connected entities, and could not explain the rationale. Thus, it is alleged that project income of SIL was diverted to these related / connected vendors by subcontracting at minimal margin and also by SIL incurring expenses on such projects.

7.5. Diversion of funds by improper write-off of payments and balances

- On review of select party ledgers, it was noted that various creditor, debtor and advance to supplier accounts were adjusted with Rate Difference & Discount account. Also, various receipts and payments were routed through this ledger.
- The company could not provide any supporting documents, reasons or justifications for passing such entries.
- Refer following table for party ledgers that are adjusted through Rate Difference & Discount a/c. Ledger of these parties are placed at **Annexure 15 of FAR**.

Table 20

INR in Crore

Ledger Name	Opening on 01.04.16	Project Invoice booking	Payments	Receipts	Adjustments with Rate diff & disc. a/c	Closing on 31.03.20	Note
Protex Infracon Pvt. Ltd.	-	(5.36)	1.64	-	(3.72)	-	Note 1
Sherisha Technologies Pvt. Ltd. A/c	-	-	2.75	-	(2.75)	-	
Suryaprakash Tribhuvan Kalya A/c	-	-	0.86	-	(0.86)	-	
Amitkumar T. Kalya (Adv. Land/ Comm. Premises)	-	-	0.56	-	(0.56)	-	
Jasfo Design Pvt. Ltd. Adv. A/c	-	-	0.50	-	(0.50)	-	
Tribhuvanlal Kalya (Adv. Land/ Comm. Premises) A/c	-	-	0.50	-	(0.50)	-	
Manohar Bhagchand Khemani Adv. A/c	-	-	0.40	-	(0.40)	-	
Kiran Parasharam Katore A/c	-	-	0.3	-	(0.30)	-	
Swapnali Kiran Katore A/c	-	-	0.27	-	(0.27)	-	
Shailja Commercial Trade Frenzy Ltd.	-	(1.71)	3.96	(2.25)	-	-	
J. P. Company (Subcontractor) A/c	(0.27)	-	-	-	0.27	-	Note 2
Parmeshwar Merchandise Private Ltd. (Adv Abad)	0.45	-	-	-	(0.45)	-	
Mrinalini Sanjay Nikam (B-501) A/c	0.49	-	-	-	(0.49)	-	
Flareum Solar Technologies Pvt. Ltd.(Advance) A/c	0.7	-	-	-	(0.70)	-	
Total	1.37	(7.07)	11.74	(2.25)	(11.23)	-	

- **Note 1:** Payments made to these parties which are then adjusted with Rate, Diff & Discount a/c. There are no other transactions with these parties during the investigation period, except the invoice booking for Protex and Shailja. It was noted that majority of these payments were made in FY 2018-19.
- **Note 2:** Payable and Receivable balances of these accounts are adjusted with Rate, diff & Discount a/c. There are no other transactions with these parties during the investigation period and are carried forward balances from prior period.

Shailja Commercial Trade Frenzy Ltd. ('Shailja'):

In case of Shailja (Advance to supplier ledger), it is noted that during FY 2018-19 work execution expenses of INR 1.71 crore were booked. Total payments made to Shailja was more than the bill booking by INR 2.25 crore, out of which INR 1.75 crore was then adjusted with Rate Difference & Discount a/c and INR 0.50 crore was received from Shailja.

Further, in FY 2019-20, INR 1.75 crore was received from Shailja which was then reversed against the amount in Rate Difference & Discount a/c. This indicates that advances given & recovered from Shailja were routed through expenses account. It is irrational that excess payment made to Shailja was booked as expense under Rate difference & discount a/c.

Protex Infracon Pvt. Ltd. ('Protex'):

Similarly, in case of Protex (Sundry Creditor), it is noted that during FY 2018-19 work execution expenses of INR 5.36 crore was booked in June, July and August 2018. No payments were made in the said period. The entire amount was then adjusted with Rate, Difference & Discount a/c on 31st January 2019.

Further, in FY 2019-20, INR 1.64 crore was paid to Protex which was then reversed against the amount in Rate Difference & Discount a/c.

Summary of observations / allegations:

The payments & receivable balances amounting of INR 11.23 crore were written off by SIL in the expenses ledger "rate, diff & discount a/c". In most of these party ledgers, there was no invoice booking and neither was there any payable opening balances as on 01 April 2016. Clarification for transactions with few parties was sought from the Company however, no response was received on the same. The company failed to provide any documentation / explanation with respect to these transactions/writing off. Therefore, it is alleged that the payments to these parties with no underlying basis / transactions and subsequent write off to expense ledger is diversion of funds.

7.6. Unreasonable write off for project WIP (Work in Progress):

There are various instances wherein closing WIP of projects/sites is booked as loss. However, no explanations, reasons, justifications or supporting documents is provided. Refer following table for such instances observed in FY 2018-19:

Table 21

INR in Crore

Project name	Opening stock as on 01.04.18	Purchases	Direct expenses	Sales	Closing stock	Gross Profit/ (Loss)	Indirect expenses	Indirect Incomes	Net Profit/ (Loss)
PCL A'bad CIDCO Guest House 18-19	0.65	-	0.14	0.14	-	(0.65)	0.00	-	(0.65)
PCL Goa Multi Purpose Hall Site	12.70	-	-	-	1.57	(11.14)	0.03	-	(11.17)
PCL Jalna Hospital Site	7.07	-	1.43	1.49	-	(7.01)	0.00	0.00	(7.00)
PCL Nashik Pathardi Devel. Of Kabrastan	-	0.15	0.00	-	-	(0.15)	0.00	-	(0.15)
PCL MSBTE/MSIHMCT Admin Building Site	6.76	0.16	4.12	4.34	1.35	(5.35)	0.09	0.01	(5.43)
PCL Road various Projects	3.34	-	0.01	-	1.89	(1.46)	0.02	0.00	(1.48)
Total	30.52	0.31	5.70	5.97	4.81	(25.76)	0.41	0.01	(25.88)

Summary of observation / allegation:

Sample projects are observed in which WIP of previous period was neither billed to client nor reflected in the closing balance of the subsequent period. The variance between opening and closing WIP was expensed of INR 25.76 crore (Refer Annexure 17 of FAR for further details).

Clarification and details from SIL for sample projects were sought, however, no response was provided. Considering the above unreasonable write offs of project WIP and no response from the SIL, such carried forward project WIP balances are alleged to be fictitious which has resulted to increase in gross loss by INR 25.76 crore in FY 2018-19.

7.7. Non-recovery of High Ageing advances resulting in misutilisation of funds:

- It was noted that majority of the party balances are opening balances as on 01 April 2016. These are high ageing receivables balances with no transactions during the investigation period. Further, in FY 2019-20, Provision for doubtful advances of INR 4.21 crore was created. Clarification was sought from company, however, no further details were provided.
- Refer following table for balances of some parties (above 1 crore) classified as advances (current assets) in Tally:

Table 22

INR in Crore

Party name	Group	Opening (01.04.16)	Invoice booking	Payment s	Receipt s	Adjust ments	Diff. in carry forward of bal.	Closing (31.03.20)
Dhvani Arcade Pvt. Ltd.	Advance to Work Executors	10.00	-	-	-	-	-	10.00
High Ground Enterprises Ltd.	Advances to Suppliers	-	(24.75)	28.80	-	(4.05)**	4.05**	4.05
Shitanshu Bipin Vora	Advances Against Land	4.90	-	0.50	(1.90)	-	-	3.5
Univista Contractors Limited	Advances to Suppliers	-	-	1.75	-	-	-	1.75
Blue Sea Commodities Pvt. Ltd.	Advances to Suppliers	-	-	1.70	-	-	-	1.70
Sagar Infrastructure Pvt. Ltd.	Advance Against Land Commercial Premises	1.65	-	-	-	-	-	1.65
Ariana Softect Pvt. Ltd.	Security Advance Against Lease of Premises	1.15	-	-	-	-	-	1.15
Jaikumar Real Estate Pvt. Ltd.	Other Advances	3.69	-	-	(2.62)	-	-	1.06
Keshvi Developers Pvt. Ltd.	Security Advance Against Lease of Land	1.00	-	-	-	-	-	1.00
Total		22.39	(24.75)	32.75	(4.52)	(4.05)	4.05	25.86

- Apart from above mentioned parties, **INR 2.05 crore** is outstanding as advances against land given to multiple parties "Advances Against Land Survey No. (Near Shahapur).

****As per High Ground Enterprises Ltd. ledger of FY 2017-18, INR 24.75 crore was booked as work execution expense and INR 28.80 crore was paid. The excess payment of INR 4.05 crore was adjusted with payable balance of Ami Steel Corporation and thereby nullifying the said balances to nil in FY 2017-18 which was then restated in FY 2018-19 to INR 4.05 crore. These restating of balances in FY 2018-19 indicates understatement of balances carried forward from 31st March 2018 to 1st April 2018.**

Summary of observations / allegations:

Advances were paid to multiple parties of INR 27.91 crore (INR 25.86 and INR 2.05 crore) wherein there is no expense booking and subsequent recovery during the investigation period. Refer **Annexure 18 of FAR** for party-wise details. Further, in FY 2019-20, Provision for doubtful advances of INR 4.21 crore is created. Clarification was sought from company, however, no further details were provided. It is alleged that payment to these parties are outstanding with high ageing and resulted in misutilisation of funds. Further, the payable and receivable balances as on March 31, 2018 was understated by INR 4.05 crore.

7.8. No documentation for purchase and sale of Fixed Assets with connected entities:

- On review of fixed assets ledgers, it is noted that SIL purchased building (Floor No. 2 & 3 of Pinnacle Mall) from Silver Key Developers Pvt. Ltd. (Erstwhile Atal Buildcon Pvt. Ltd.), an Associate company of SIL on 30th June 2019 amounting to INR 22 crore. This property is built by Prakash Constrowell Ltd. (presently Setubandhan Infrastructure Ltd.) as per its website.
- Further, SIL sold Maserati - Gran Turismo Sports Car to Prafulla Bhat (past director of SIL) on 31 July 2019 amounting to INR 0.83 crore.
- A DG Set was sold to Atal Buildcon Pvt. Ltd. of INR 0.12 crore on 28th June 2018.
- For all the above transactions, supporting documents such as Transfer Agreement, Valuation Reports, Invoices etc. are not provided. Further, the company did not provide physical verification and valuation reports of fixed assets.

Summary of observations / allegations:

The Company has not submitted any documents for fixed assets (building) of INR 22 crore purchased from Atal Buildcon Pvt. Ltd. As per asset description it was noted that the space was bought in a shopping mall that was built by SIL. Further, no documentation is provided towards sale of assets of the company. Considering the above and the lack of documents to support the purchase / sale and the fact that these transactions were entered with connected entities, it is alleged that the above transactions are resulting into misutilisation of assets of the company.

7.9. SUMMARY OF ALLEGATIONS AND IMPACT ON THE SECURITIES MARKET:

7.9.1. The amount of alleged diversion of funds, misutilisation of assets and misrepresentation of financials during the investigation period is as follows:

Table 23

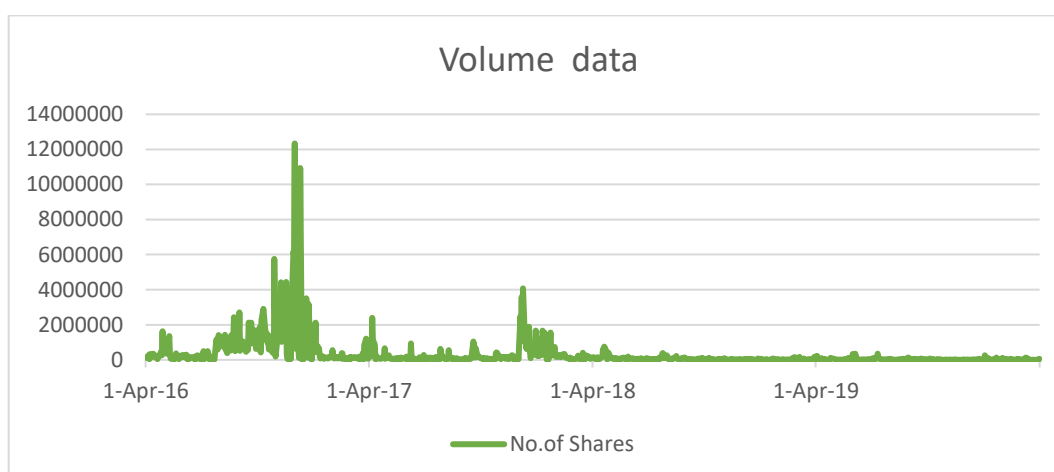
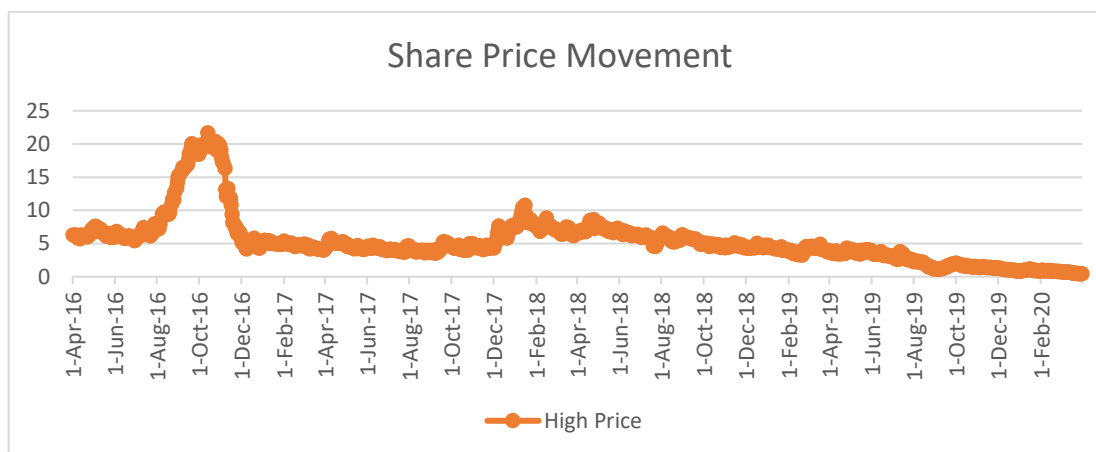
Particulars		INR in Crore
		Amount
Fictitious Sales transactions		137.54
Fictitious purchase transactions		220.24
Diversion of funds through writing off of receivables as bad/doubtful debts		35.35
Diversion of funds to connected entities through payment towards fictitious purchases		94.17
Misrepresentation of closing balances		32.42

Non-disclosure of Related Party Transactions	67.11
Sub-contract transactions with connected vendors at nominal profit or at loss	N.A.*
Diversion of funds by improper writing off of payments & balances.	11.23
Unreasonable write off of Project WIP	25.76
Non-recovery of High ageing advances resulting in misutilisation of funds	27.91
No documentation for purchase of building from connected entity	22.00

N.A.* - Not Applicable

7.10. It is also observed that the promoters had offloaded significant portion of their stake in the company during the period in which the financials of the company was misrepresented. It is alleged that SIL had fraudulently misrepresented its financial statements by recording fictitious purchase and sale transactions in the books of accounts and diverted company funds. This led to publication of untrue and misleading financial position of the company during the financial years 2016-17 to 2019-20. It is alleged that the same operated as deceit not only to the company's shareholders but also on the public and other stakeholders being misled about the financial health of the company.

The share price movement and volume of the scrip of SIL, during the period of investigation, is as follows (Source: BSE Website):



The change in promoter shareholding (Mr. Prakash Laddha and family) is as follows:

Table 24

Quarter ended	% of holding (A)	Shareholding Pledged (as a % of A)
MARCH 31, 2016	64.13	47.62
JUNE 30, 2016	64.13	47.62
SEPTEMBER 30, 2016	45.76	76.47
DECEMBER 31, 2016	27.42	0
MARCH 31, 2017	27.42	0
MARCH 31, 2018	27.42	0
MARCH 31, 2019	27.42	0
MARCH 31, 2020	27.42	0

(Source: BSE Website)

By recording fictitious transactions, the company had published inflated results for FY 2016-17, as given below:

Table 25

	INR in Crore				
	Quarter ended June 30, 2016	Quarter ended Sept 30, 2016	Quarter ended Dec 31, 2016	Quarter ended Mar 31, 2017	Year ended March 31, 2017
	Unaudited	Unaudited	Unaudited	Audited	Audited
Net sales / revenue from operation	25.96	45.24	20.56	120.94	225.62
Expenditure	23.96	38.03	18.61	123.42	221.98
Profit before tax	0.56	5.63	0.53	1.90	9.74
Net profit	0.38	3.77	0.35	1.90	7.17

(Source: BSE Website)

The share price was INR 5.74 on July 01, 2016. It is observed that the share price reached a high of INR 21.70 on October 13, 2016 and subsequently fallen to INR 4.18 on December 08, 2016. The promoters (Mr. Prakash Laddha and Ms. Aruna Prakash Laddha) had offloaded their holding from 64.13% to 27.42% (table no. 21) during the period July to December 2016. The market had witnessed a surge in volume as well during the period July to December 2016.

7.11. The financial statement frauds in listed company results in the loss of confidence by domestic and international investors not only in the listed company in question but also the entire industry to which that listed company belongs. Thus, there is a need for SEBI to take direct action against perpetrators of such financial fraud since it not only has an adverse impact on the shareholders of the company but also impacts the confidence of investors in the securities markets. Artificially misrepresenting a company's revenue, profits or receivables or diversion/misutilisation of funds etc., will impact the price of the shares of the company and would influence the investment/disinvestment decisions of the investors. In cases relating to diversion/misutilisation of funds or misrepresentations in financial statements by a listed company and its management, the intention of the perpetrators is to reap the benefit of such diversion/misutilisation or misrepresentations which has a direct bearing on the interest of the investors as they remain invested or deal in securities without having any information of such diversion/misutilisation and misrepresentations. Therefore, such diversion/misutilisation of funds or misrepresentations in financial statements are unfair trade practices.

- 7.12.** *Had the company accurately accounted the purchases and sales and abstain from diverting/misutilising the company funds in the respective years, the financial position of the company would have been significantly different. This could have had huge impact on the decision making process for all stakeholders including minority shareholders of SIL and other stakeholders including financial institutions. Therefore, the published financial statements / results of the company did not give a true and fair view of the financial performance and position of the company as it significantly misrepresented the financials, thereby published manipulated financial statements and disseminated the same to the stock exchanges.*
- 7.13.** *Thus, it is alleged that the noticees adopted the financial statements that significantly misrepresented the financials. Had the real financial position of the company was not withheld in the published financial statements, it was likely to have influenced the decision of investors dealing in securities. It is alleged that the Audit Committee of the company, that is duty bound to ensure compliance with the accounting standards and to ensure credibility of the financial statements, failed in discharge of their statutory responsibilities.*
- 7.14.** *In view of the foregoing, the misrepresentation of financial statements by recording fictitious purchases and sales transactions allegedly to divert the company funds and to manipulate the financial position of the company materially can be seen as a part of pre-determined and fraudulent scheme/device in terms of Regulation 2(1)(c) of PFUTP Regulations. The relevant extract of Regulation 2(1)(c) of PFUTP Regulations defining fraud is;*
- 2(1)(c) “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;*
- And “fraudulent” shall be construed accordingly;*
- 7.15.** *Hence, the observations explained in para 3 and 4 show that the financial statements of the company were fraudulently misrepresented and did not give a true and fair view of the affairs and financial position of the company. Further, the funds and assets of the company was diverted / misutilised. It is alleged that SIL (noticee no. 1) had violated Regulations 3 (c), (d) & 4 (1), 4(2)(f),(r) of PFUTP Regulations r/w Section 12A(b),(c) of the SEBI Act, 1992 and Regulations 4(1(a),(b),(c),(e),(g),(j), 4(2)(e)(i), 33(1)(c) and 48 of LODR Regulations. The violation by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of the noticee no. 2 to 4. Thus, it is alleged that the noticee no. 2 to 4 have violated Regulations 3 (c), (d) & 4 (1), 4(2)(f),(r) of PFUTP Regulations r/w Section 12A(b),(c) of the SEBI Act and Regulations 4(1(a),(b),(c),(e),(g),(j), 4(2)(e)(i), 33(1)(c) and 48 r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.*

7.16. ROLE OF THE NOTICEES

7.16.1. Role of Setubandhan Infrastructure Ltd. (Noticee No. 1)

It is alleged that the company had diverted funds, misutilised assets and fraudulently misrepresented / manipulated the financials during the investigation period through fictitious sales and purchases, misstated receivables and payables, unreasonable writing off / adjustment of balances, non-compliance with accounting standards Ind AS 1 and Ind AS 24, etc. as explained in para 3. Therefore, it is alleged that the published financial statements of SIL did not give a true and fair view of the financial performance and position of the company, thereby resulting in violation of Regulations 3(c), (d) & 4(1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A(b)and(c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations.

7.16.2. Role of Mr. Prakash Pusaram Laddha (Noticee No. 2) :

- (a) Mr. Prakash Pusaram Laddha (Mr. Prakash Laddha) has been a promoter as well as chairman/member of Board of Directors of the company throughout the investigation period and has attended all the 27 board meetings held during FY 2016-17 to FY 2019-20, as per annual reports of SIL.*
- (b) Mr. Prakash Laddha has been a member of Audit Committee throughout the investigation period and he has attended all the 21 Audit Committee meetings held during FY 2016-17 to FY 2019-20, as per annual reports of SIL.*
- (c) As per the statement recording of Mr. Prashant Gadkari (Independent Director) before SEBI, Mr. Prakash Laddha was the sole decision maker in the company during FY 2016-17 to FY 2018-19.*
- (d) As per the statement recording of Ms. Jyoti Ravindra Rathi (Independent Director) before SEBI, Mr. Prakash Laddha was the one who managed day to day affairs of the company during FY 2016-17 to FY 2019-20.*
- (e) As per Annual reports, Mr. Prakash Laddha was one of the signatories to Directors' Report & audited financial statements for FY2016-17, FY2017-18, FY 2018-19 and FY 2019-20. He is designated as Chairman in these reports except for the FY 2018-19.*
- (f) Despite repeated follow ups, Mr. Prakash Laddha did not provide the requisite information, including access to the Accounting system for FY 2016-17 and FY 2017-18. The pendency status of the information sought from Mr. Prakash Laddha is given in **Annexure E of IR**.*
- (g) It is alleged that Mr. Prakash Laddha (promoter), as chairman/non-independent member of the board of directors and as a member of audit committee, had failed to comply with the provisions of the PFUTP Regulations and LODR Regulations with regard to the observations explained at para 3 and 4. Therefore, the violations by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of Mr. Prakash Laddha and he is responsible for all the acts of omission and commission by the company in this connection.*
- (h) In view of the observations explained at para 3 & 4 and the role of Mr. Prakash Laddha as explained above, it is alleged that Mr. Prakash Laddha had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments*

towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.

- (i) Therefore, it is alleged that, Mr. Prakash Laddha, the non-independent director, chairman and audit committee member had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act, 1992 and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12), 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of LODR Regulations.

7.16.3. Role of Mr. Prafulla Subhashchandra Bhat (Noticee No. 3)

- (a) Mr. Prafulla Subhashchandra Bhat (Prafulla Bhat) has been non-executive director from March 04, 2016 to September 13, 2017 and the Whole Time Director of SIL from September 14, 2017 till August 11, 2020.
- (b) He has attended all the 27 board meetings from FY 2016-17 to FY 2019-20, as per annual reports of SIL.
- (c) Summons for personal appearance before SEBI were issued to Mr. Prafulla Bhat addressing to multiple addresses available on record (**Annexure G of IR**). However, all of them returned undelivered. The summons was also sent to his email ids, however no response was received from him.
- (d) Vide his statement recording before SEBI on April 11, 2022, Mr. Vishal Ahuja, independent director and audit committee chairman stated that Mr. Prafulla Bhat took over the company in 2017 and was running the business.
- (e) Vide letter dated July 21, 2022, Mr. Trichur Ganpat Krishnan, former Managing Director stated that Mr. Prafulla Bhat was looking after all the activities of the company including supervision of ongoing projects, business expansion, fresh work orders, management of cash flow and fund flow, accounts and audit, etc.
- (f) It is alleged that INR 94.17 crore was diverted from SIL to two entities viz. Damani and Skyfall where Mr. Prafulla Bhat was a director.
- (g) It is alleged that Mr. Prafulla Bhat, Whole-Time Director during investigation period, had failed to comply with the provisions of the PFUTP Regulations and LODR Regulations with regard to the observations explained at para 3. Therefore, the violations by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of Mr. Prafulla Bhat and he is responsible for all the acts of omission and commission by the company in this connection.
- (h) In view of the observations explained at para 3 & 4 and the role of Mr. Prafulla Bhat as explained above, it is alleged that Mr. Prafulla Bhat had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments (to connected entities) towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.
- (i) Therefore, it is alleged that Mr. Prafulla Bhat, former Whole Time Director had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR

Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

7.16.4. Role of Mr. Trichur Ganpat Krishnan (Noticee No. 4)

- (a) Mr. Trichur Ganpat Krishnan (T G Krishnan) was the Managing Director of the company during January 01, 2011 to December 19, 2018.
- (b) He has attended all the 15 board meetings held during April 01, 2016 to December 19, 2018, as per annual reports of SIL.
- (c) Summons for personal appearance was issued to him. He sought extension of few months citing his old age of 86 years and severe medical condition and indifferent health.
- (d) Summons was issued to him for submission of information to which he replied vide letter dated July 21, 2022 (**Annexure H of IR**).
- (e) As per Annual reports, Mr. T G Krishnan was one of the signatories to Directors' Report and audited financial statements for FY 2016-17 and FY 2017-18.
- (f) It is alleged that Mr. T G Krishnan, as Managing Director, had failed to comply with the provisions of the PFUTP Regulations and LODR Regulations with regard to the observations explained at para 3. Therefore, the violations by the company was committed with the consent or connivance of, or is attributable to the neglect on the part of Mr. T G Krishnan and he is responsible for all the acts of omission and commission by the company in this connection.
- (g) In view of the observations explained at para 3 & 4 and the role of Mr. T G Krishnan as explained above, it is alleged that Mr. T G Krishnan had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.
- (h) Therefore, it is alleged that Mr. T G Krishnan, former Managing Director, had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

7.17. For the alleged violations in foregoing paragraphs, Noticee No. 1 to 4 are hereby called upon to show cause as to why appropriate directions under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever should not be issued against:

7.17.1. Noticee No. 1 for the alleged violation of provision of Regulations 3 (c), (d) & 4 (1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations, 2015.

7.17.2. Noticee No. 2 for the alleged violation of provisions of Regulations 3 (c), (d) & 4 (1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12), 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of LODR Regulations.

7.17.3. Noticee No. 3 and 4 for the alleged violation of provisions of Regulations 3 (c), (d) & 4 (1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

II. Reply to Show Cause Notice

8. Noticee no. 1, SIL vide email dated December 20, 2022 forwarded a letter signed by its Authorised Signatory, Mr. Prakash Laddha on December 15, 2022 acknowledging receipt of the SCN dated November 28, 2022, and requesting for extension of 10 to 45 days to file a reply. Vide email dated December 20, 2022, Noticee no. 2, Mr. Prakash Laddha forwarded a letter signed on December 10, 2022 acknowledging receipt of the SCN dated November 28, 2022, and requesting for extension of 10 to 45 days to provide the relevant information. Vide email dated December 20, 2022, Noticee no. 4, Mr. T.G. Krishnan forwarded a letter signed on December 10, 2022 acknowledging receipt of the SCN dated November 28, 2022. The Noticee submitted that he is 86 years old and that he would not be in the country from December 15, 2022 to January 14, 2023. In view of the same, the Noticee requested an extension of eight (8) weeks i.e. February 15, 2023 to file his reply. Vide three separate emails dated December 21, 2022, Noticee nos. 1, 2 and 4 were informed that they have been granted an extension of 30 days to submit their reply.

9. Vide email dated January 07, 2023, it was informed through SIL's email ID <info@prakashconstro.com> that the company, SIL is undergoing Corporate Insolvency Resolution Process (CIRP) as ordered by the Hon'ble NCLT, Mumbai Bench on November 28, 2022. In terms of the order, a moratorium has been declared and the power of the Board of Directors has been suspended since November 28, 2022. A similar email was also

received from Noticee no. 2, Mr. Prakash Laddha informing the aforesaid and confirming that he would be submitting a reply in the matter as soon as possible. Vide email dated January 11, 2023, Noticee no. 2, Mr. Prakash Laddha was advised to submit his reply not later than January 20, 2023.

10. Vide email dated February 10, 2023, the Noticees were advised to file their replies, if any, to the SCN within 14 days. Vide email dated February 24, 2023, Noticee no. 2, Mr. Prakash Laddha forwarded a partial reply to the SCN. Vide email dated February 25, 2023, Noticee no. 3, Mr. Trichur Ganpat Krishnan forwarded a partial reply to the SCN. Thereafter, Noticee no. 2 and 4 vide separate emails dated March 17, 2023 submitted further replies to the SCN. SEBI, vide email dated March 28, 2023 informed Noticee no. 2 and Noticee no. 4 that the then Competent Authority had granted a final opportunity of one month to complete their submissions. In response to the said email, Noticee no. 2, Mr. Prakash Laddha furnished a further reply vide email dated April 11, 2023. Noticee no. 4, Mr. Trichur Ganpat Krishnan, on the other hand, responded stating that he has been admitted to the hospital and therefore, he has been unable to provide a timely response. He informed that once he is discharged from the hospital, he would respond to the SCN.
11. As Noticee no. 1, SIL is undergoing CIRP, a copy of the SCN was also served on the Resolution Professional, Mr. Sandeep D. Maheshwari vide email dated June 16, 2023.

III. Opportunity of Hearing

12. The then Competent Authority granted an opportunity of hearing to the Noticees on June 20, 2023. However, vide email dated June 20, 2023, the RP for the Company informed that he received the letter for hearing on a short notice, and therefore sought adjournment of the hearing. Noticee no. 2, Mr. Prakash Laddha vide email dated June 19, 2023 informed that due to unforeseen circumstances he would not be able to attend the hearing as scheduled, and sought adjournment of the same. Noticee no. 4, Mr. Trichur Ganpat Krishnan also informed vide email dated June 19, 2023 that due to his health issues he would be unable to attend the hearing, and sought adjournment of the same. The request of the Noticees was

acceded to and hearing in the matter was adjourned to July 13, 2023 which was communicated vide letter dated June 22, 2023.

13. The Authorized Representative of Noticee nos. 2 and 4 informed that due to prior commitments, he would not be able to attend the hearing on July 13, 2023. Accordingly, the hearing qua Noticee nos. 2 and 4 were rescheduled to July 20, 2023.

14. As the Noticee is under Corporate Insolvency Resolution Process (CIRP), Mr. Sandeep Maheshwari has been appointed as a Resolution Professional (RP) who has taken over the management of Setubandhan Infrastructure Limited (SIL). On July 13, 2023, the Authorized Representative of RP appeared before me and *inter alia* made the following submissions:

- The AR furnished order dated November 28, 2022 in C. P. No. 106/IBC/MB/2022 of NCLT, Mumbai directing initiation of CIRP against SIL, and appointment of Mr. Sandeep Maheshwari, as the Interim Insolvency Professional (IRP) to carry out the functions mentioned under the Insolvency & Bankruptcy Code, 2016 (IBC).
- The AR was informed that SEBI has not received a reply on behalf of Noticee no. 1 i.e. SIL
- The AR sought three weeks' time to file a reply which has been granted.

15. On July 20, 2023, the Authorized Representative of Noticee nos. 2 and 4, while relying on the respective replies filed by the Noticees, the AR submitted the following:

- Noticee no. 1 is undergoing Corporate Insolvency Resolution Process before the NCLT.
- Noticee no. 2 was a Non-Executive Director at the time when the violations alleged in the SCN took place. Noticee no. 4 was the Managing Director of the company, Setubandhan Infrastructure Limited at the relevant time.
- It was submitted that the allegation in the SCN is pertaining to fictitious purchase and sales, and that a Non-Executive Director is not involved in the day to day affairs.
- Model of the company's operations involved construction of bridges, highways etc. Additionally, involved in supply of materials like steel to construction companies. In such a business, fluctuations in daily prices is common. Therefore, the company was

giving materials on credit.

- The moment there was an order, the company would purchase materials and make sales to the buyer. Therefore, allegations of fictitious sale and purchase does not stand.
- A company is a separate legal entity. There were no related party transactions, because transactions were done on an arms' length basis. Further, there is no evidence brought out in the SCN to show that the companies are related parties.
- Noticee no. 2 and 4's role in the day-to-day functioning of the company has not been made out in the SCN.
- Merely because the company's GST number was cancelled / non-receipt of balance confirmation does not warrant an observation against the Noticees that the transactions by the company are fictitious transactions.
- All the relevant documents have been provided by the Noticees.
- There is an observation in the SCN that there is a difference in the accounting policies and ledger. In this regard, it was argued that original sale and purchase bills have been already provided by the Noticees which should be taken into account, and not the ledger.
- Lifting of corporate veil is done in cases of fraud, however, fraud, if any, was committed by Noticee no. 3, Mr. Prafulla Subhashchandra Bhat.
- The Noticee requested time of 2 weeks to submit his written submissions which was granted.

16. The AR of the IRP filed their post hearing submissions vide email dated August 01, 2023. The AR of Noticee nos. 2 and 4 filed their post hearing submissions vide email dated August 03, 2023.

17. I note that no reply has been received from Noticee no. 3, Mr. Prafulla Bhat. The Noticee was granted an opportunity of hearing on July 13, 2023 and the same was communicated through newspaper publication but he did not avail the same. Another opportunity of hearing was granted on March 07, 2024 but the Noticee did not appear before me. In view of the same, the proceedings against Noticee no. 3, Mr. Prafulla Bhat have been proceeded

ex parte.

CONSIDERATION OF ISSUES AND FINDINGS

18. Based on the post hearing submissions filed by the RP, I note that the NCLT, Mumbai vide order dated November 28, 2022 in C. P. No. 106/IBC/MB/2022 that admitted an application seeking initiation of CIRP against SIL, and that Mr. Sandeep D. Maheshwari, Insolvency Professional has been appointed as the RP to carry out the functions mentioned under the Insolvency & Bankruptcy Code, 2016 (*hereinafter referred to as 'IBC'*). Pursuant to the said order, a moratorium has been imposed in terms of Section 14 of the IBC which is reproduced as under:

14. (1) Subject to provisions of sub-sections (2) and (3), on the insolvency commencement date, the Adjudicating Authority shall by order declare moratorium for prohibiting all of the following, namely:—

(a) the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;

(b) transferring, encumbering, alienating or disposing of by the corporate debtor any of its assets or any legal right or beneficial interest therein;

(c) any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(d) the recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor.

In view of the above, the proceedings against Noticee no. 1, SIL are kept in abeyance.

19. Furthermore, the then Authorized Representative of Noticee no. 4, Mr. Trichur Ganpat Krishnan has forwarded the Death Certificate of Mr. Trichur Ganpat Krishnan. On perusal of the Death Certificate, I note that the Noticee passed away on October 17, 2023 during the pendency of the proceedings. Therefore, the proceedings against Noticee no. 4, Mr. Trichur Ganpat Krishnan stand abated. In view of the aforesaid, it is pertinent to state that this order deals with the violations alleged in respect of Noticee no. 2 and Noticee no. 3.

20. I have considered the material available on record including the SCN, the annexures to the SCN, the replies filed by Noticee no. 1 dated February 22, 2023 and April 11, 2023, oral and written submissions dated August 11, 2023 and March 18, 2024, and based on the

aforesaid frame, the following issues for consideration:

- Issue I*** ***Whether the financials of SIL were misrepresented through fictitious purchases & sales and whether funds of SIL were diverted to connected entities by payment towards fictitious purchases?***
- Issue II*** ***Whether there was a misrepresentation of closing balances?***
- Issue III*** ***Whether there was non-disclosure of Related Party Transaction in the Annual Report of SIL?***
- Issue IV*** ***Whether transactions with connected vendors were carried out at nominal profit/ at loss?***
- Issue V*** ***Whether the funds of SIL were diverted by improper writing off of payments and balances?***
- Issue VI*** ***Whether the writing off for project WIP (Work in Progress) was unreasonable?***
- Issue VII*** ***Whether non-recovery of high ageing advances resulted in misutilisation of funds?***
- Issue VIII*** ***Whether there was proper documentation for purchase and sale of fixed assets with connected entities?***
- Issue IX*** ***If the answer to Issue I to IX is in the affirmative, then which provisions of law have been violated and what is the role of the Noticee no. 2 and Noticee no. 3 in the violations?***

The findings on the issues framed hereinabove are provided through the following analysis.

Issue I: Whether the financials of SIL were misrepresented through fictitious purchases & sales and whether funds of SIL were diverted to connected entities by payment towards fictitious purchases?

21. SIL (formerly known as Prakash Constrowell Ltd) was incorporated in 1996, headquartered in Nashik and was founded by Noticee no. 2, Mr. Prakash Pusaram Laddha. The company is engaged in the activities of construction of buildings carried out on own-account basis

or on a fee or contract basis. The company's business includes construction of buildings, quarters, roads, bridges, airports, godowns, hospitals, industrial buildings, residential & commercial complex, townships, health care centres and institutional campus. SIL was 'Class-IA Contractor' for Public Works Department (*hereinafter referred to as "PWD"*) of the Government of Maharashtra.

22. I note from the SCN that although the company is into the construction business, voluminous trading transactions¹ were booked during the period from FY 2016-17 to FY 2019-20 as purchase and sale of TMT bars, steel, metal channels, M S Angles, etc. I also note that the fact that these are trading transactions is also evident from the fact that the materials purchased were sold immediately i.e. either on the same day or within a few days. Summary of select party-wise ledgers of purchase and sale transactions is given in the following table.

Table 26

INR in Crore

Party Name	Opening on 01-04-16 Dr / (Cr)	Sales	Receipts	Purchases	Payments	Adjustment	Closing on 31-03-20 Dr / (Cr) / Receivables	Provision for bad debts	Balance o/s from**
Aikya Infra-Projects Pvt. Ltd.	-	37.83	(29.25)	-	-	0.07	8.64	10.02	Jul 2018
Stance Synergy Pvt. Ltd.	-	11.84	(5.96)	-	-	-	5.88	1.13	Nov 2017
Naolin Infrastructure Pvt. Ltd.	-	9.65	-	(13.03)	13.87	(0.84)	9.65	9.65	Aug 2017
Plconmat Supplier Pvt. Ltd. (Related Party of SIL)	0.11	7.34	(9.42)	(5.38)	7.92	0.84	1.41	1.02	Feb 2019
Erman Metals Pvt. Ltd.	-	7.16	(4.49)	(2.70)	2.70	-	2.67	2.67	Nov 2018
Flyhigh Infra-Projects Pvt. Ltd.	-	6.65	(2.53)	-	-	-	4.12	4.12	Sep 2018
Sanmukh Fab Industries Pvt. Ltd.	-	4.26	(2.09)	-	-	-	2.17	2.17	Oct 2018
Sadbhav Engineering Ltd.	-	3.67	(2.32)	-	-	-	1.35	-	Oct 2018

¹ The term "trading transactions" refers to transactions related to the purchase and sale of goods.

SPA Technical Services Pvt. Ltd.	-	2.82	(2.48)	-	-	-	0.34	0.34	Mar 2019
Sorority Traders Pvt. Ltd.	-	2.78	(2.51)	-	-	-	0.26	0.26	Oct 2018
Pioneer Trading Company	-	0.95	(0.85)	-	-	-	0.10	-	Jul 2018
Galina Consultancy Services Pvt. Ltd.	-	0.63	(0.62)	-	-	0.52 @	0.53	0.53	Jan 2018
Hi-tech Infra #	-	0.61	-	-	-	-	0.61	0.61	May 2017
Nevecea Infraspace Pvt. Ltd.	-	1.04	-	-	-	(0.02)	1.02	1.02	Mar 2019
Seam Industries Ltd.	-	40.31	-	-	-	(40.31)	-	-	
Saisons Trade & Industry Pvt. Ltd.	-	-	-	(63.26)	65.87	(2.61)	-	-	-
Skyfall Trading Pvt. Ltd. (connected)	-		(5.05)	(26.69)	32.59	(0.84)	-	-	-
Damani Multitrade Pvt. Ltd. (connected)	(0.15)		(9.64)	(108.46)	76.27	41.98	-	-	-
Total (top customers)	(0.04)	137.54	(77.21)	(219.52)	199.22	(1.17)	38.75	33.54	

\$ Purchase from Naolin Infrastructure pertains to service contract and not material purchase.

** In the absence of debtors ageing report, the Balance outstanding is calculated basis FIFO method of sales bill outstanding.

The balance of Hi Tech Infra is of Debtor ledger. Apart from said debtor ledger, there is also a creditor ledger wherein work execution expenses is booked (project cost).

@ Adjustment with Galina Consultancy is on account of transfer of INR 0.52 crore from Naolin Infrastructure to Galina Consultancy and therefore, a receivable balance of INR 0.52 crore from Galina Consultancy.

23. From the aforesaid, I note from the aforesaid customer receivable balances which were provisioned in FY 2019-20 that the materials were purchased from the following vendors for INR 219.52 Crore (total payment made by SIL was INR 199.22 Crore):

- (i) Saisons Trade & Industry Pvt. Ltd. (hereinafter referred to as “**Saisons**”) (INR 63.26 Crore),
- (ii) Damani Multitrade Pvt. Ltd. (hereinafter referred to as “**Damani**”) (INR 108.46)
- (iii) Skyfall Trading Pvt. Ltd. (hereinafter referred to as “**Skyfall**”) (INR 26.69 Crore),
- (iv) Naolin Infrastructure Pvt. Ltd. (hereinafter referred to as “**Naolin**”) (INR 13.03 Crore),
- (v) Plconmat Supplier Pvt. Ltd. (hereinafter referred to as “**Plconmat**”) (INR 5.38 Crore),
- (vi) Erman Metals Pvt. Ltd. (hereinafter referred to as “**Erman**”) (INR 2.70 Crore)

24. I note from the SCN that of these aforesaid purchases, materials were sold on the same day or within two days to a few entities viz. (i) Aikya Infra-Projects Pvt. Ltd. (*hereinafter referred to as “Aikya”*), (ii) Stance Synergies Pvt. Ltd. (*hereinafter referred to as “Stance”*), (iii) Flyhigh Infra-projects Pvt. Ltd. (*hereinafter referred to as “Flyhigh”*), (iv) Erman Metals Pvt. Ltd. (*hereinafter referred to as “Erman”*) and (v) Sanmukh Fab Industries Pvt. Ltd. (*hereinafter referred to as “Sanmukh”*). I also note from Table 26 that that total purchases from specified vendors were for INR 219.52 crore and total payment made was INR 199.22 crore. It is pertinent to note that INR 5.05 crore and INR 9.64 crore were received back respectively from Skyfall and Damani with whom there were no sales transactions. Therefore, it can be said that INR 184.53 crores (INR 199.22 crore – INR 5.05 crore – INR 9.64 crore) were paid towards purchases of INR 219.52 crores. Furthermore, out of total receipt of INR 77.21 crore towards sales, INR 62.52 crore (i.e., excluding the receipts from Skyfall and Damani) was from the customers towards sales of INR 137.54 crores. I note from Table 26 that provision for bad debts was made for INR 33.54 crores.

25. Having noted the aforesaid, it is pertinent to note based on the SCN, Investigation Report and the Forensic Audit Report that the aforesaid sale and purchase transactions were not supported by adequate documents and were without any business rationale as explained in subsequent paragraphs giving rise to the allegation that these transactions were fictitious in nature.

26. Before proceeding further, I find it pertinent to mention that Annexure 16 of the FAR provides details of documents that were sought from the Company and not provided to the Forensic Auditors. The below Table captures the documents related to “Sales” which were not provided. The said Table would be relevant for considering the Issues framed hereinabove.

Table 27

Sr. no.	Ledger Name	Date	Vch No#	Debit	Requirements	Status of Documents	Pending documents
1	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	12/04/2018	PCL/AIPL/18-19/4	12,235,854.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
2	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	11/04/2018	PCL/AIPL/18-19/2	9,261,176.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
3	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	11/04/2018	PCL/AIPL/18-19/3	8,327,209.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
4	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	03/05/2018	PCL/AIPL/18-19/9	13,967,613.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
5	Aikya Infra-Projects Pvt Ltd-(Project) Dr.	03/05/2018	PCL/AIPL/18-19/10	14,300,406.50	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
6	Fasteners Multitrade India Pvt.Ltd	27/04/2018	PCL/FMI/18-19/02	1,540,608.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
7	Fasteners Multitrade India Pvt.Ltd	18/05/2018	PCL/FMI/18-19/03	2,555,496.50	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
8	Ravi Transmission Products A/c	17/11/2018	PCL/RT/18-19/OCT/6A	96,135.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
9	Sadbhav Engineering Limited	30/04/2019	PCL/Sadbhav/1819/RA1	18,024,103.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

10	SPA Technical Services Pvt. Ltd	07/03/2019	PCL/SPATS PL/MAR/01	6,943,192.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
11	Univastu India Ltd (Material) Dr.	26/12/2018	PCL/UNI/Dec/018	1,276,259.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
12	Univastu India Ltd (Material) Dr.	26/12/2018	PCL/UNI/Dec/021	1,361,342.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
13	Nevecea Infraspace Pvt. Ltd.	31/03/2019	PCL/NIPL/03/01	10,390,372.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
14	Prafull Bhat (Dr.)	31/07/2019	PCL/FA/19-20/01	8,264,286.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
15	Univastu India Ltd.	01/04/2019	PCL\UIL\Steel\01	2,053,340.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
16	Erman Metals Pvt. Ltd. (Dr) A/c	06/07/2018	PCL/EMPL18-19/07/01	15,093,329.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
17	Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/EMPL18-19/10/01	1,919,399.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
18	Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/EMPL18-19/10/03	1,876,884.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
19	Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/EMPL18-19/10/05	1,838,122.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

20	Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/EMPL18-19/10/07	1,953,786.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
21	Erman Metals Pvt. Ltd. (Dr) A/c	20/11/2018	PCL/EMPL18-19 11/17	1,414,987.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
22	Fasteners Multitrade India Pvt.Ltd	24/11/2018	PCL/FMI/18-19/07	2,478,000.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
23	Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	13/08/2018	PCL\FIPL\18-19/09/01	11,603,215.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
24	Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	15/09/2018	PCL\FIPL\18-19\09/02	10,058,379.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
25	Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	11/10/2018	PCL\FIPL18-19\10\29	1,582,293.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
26	Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	11/10/2018	PCL\FIPL18-19\10\31	1,703,767.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
27	Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	17/10/2018	PCL\FIPL18-19\10\47	1,734,513.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
28	Mohini Buildwell Pvt Ltd (Material)	31/03/2019	PCL/MBPL/MAR/001	3,470,066.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
29	Mohini Buildwell Pvt Ltd (Material)	31/03/2019	PCL/MBPL/MAR/002	4,352,398.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
30	Mohini Buildwell Pvt Ltd (Material)	31/03/2019	PCL/MBPL/MAR/003	3,404,344.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

31	Pioneer Trading Company A/c	06/07/2018	PCL\PTC\18-19\01	9,484,572.90	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
32	PLCONMAT Supplier Pvt Ltd (Material Supply)	02/02/2019	PCL/PSPL/F EB/03	7,804,992.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
33	PLCONMAT Supplier Pvt Ltd (Material Supply)	02/02/2019	PCL/PSPL/F EB/04	8,107,802.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
34	PLCONMAT Supplier Pvt Ltd (Material Supply)	02/02/2019	PCL/PSPL/F EB/06	6,785,879.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
35	PLCONMAT Supplier Pvt Ltd (Material Supply)	03/02/2019	PCL/PSPL/F EB/05	7,144,570.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
36	PNP Maritime Services Pvt Ltd.	31/12/2018	PCL/PNP/18-19/001	17,759,000.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
37	Ravi Transmission Products A/c	06/11/2018	PCL/RT/18-19/OCT/001	1,069,770.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
38	Ravi Transmission Products A/c	14/02/2019	PCL/RT/18-19/FEB/14	5,313,646.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
39	Sadbhav Engineering Limited	12/03/2019	PCL/Sadbhav/1819/RA1	5,000,000.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
40	Sanmukh Fab Industries Pvt. Ltd. A/c	24/10/2018	PCL/SFIPL18-19/10/55	2,020,031.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
41	Sanmukh Fab Industries Pvt. Ltd. A/c	24/10/2018	PCL/SFIPL18-19/10/56	1,734,849.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

42	Sanmukh Fab Industries Pvt. Ltd. A/c	24/10/2018	PCL/SFIPL1 8-19/10/57	1,939,280.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
43	Sanmukh Fab Industries Pvt. Ltd. A/c	24/10/2018	PCL/SFIPL1 8-19/10/58	1,789,826.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
44	Sanmukh Fab Industries Pvt. Ltd. A/c	24/10/2018	PCL/SFIPL1 8-19/10/59	1,984,351.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
45	Sitaram Infraprojects Pvt. Ltd.	03/10/2018	PCL/SPL/18 19/02	49,548.80	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
46	Sorority Traders Pvt. Ltd.	14/09/2018	STPC/STEE L/1409	5,109,523.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
47	Sorority Traders Pvt. Ltd.	06/10/2018	STPC/STEE L/0610	5,133,435.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
48	SPA Technical Services Pvt. Ltd	22/02/2019	PCL/SPATS PL/FEB/01	10,204,215.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
49	Sureflo Techcon Pvt Ltd	10/12/2018	PCL/STPL/ DEC/04	935,509.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
50	Sureflo Techcon Pvt Ltd	10/12/2018	PCL/STPL/ DEC/05	990,541.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
51	Unique Vastu Developers Pvt Ltd(Debtors)	03/03/2019	PCL/UVDP L/MAR/03	4,939,273.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
52	Unique Vastu Developers Pvt Ltd(Debtors)	16/03/2019	PCL/UVDP L/MAR/05	4,719,123.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

53	Unique Vastu Developers Pvt Ltd (Debtors)	16/03/2019	PCL/UVDP L/MAR/06	4,703,769.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
54	Univastu Hvac India Private Limited	02/02/2019	PCL\MAT\ UHIPL\001	1,729,380.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
55	Atal Realtech Pvt Ltd (Material)	29/12/2018	PCL/ARPL/ DEC/001	1,466,299.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
56	Atal Realtech Pvt Ltd (Material)	29/12/2018	PCL/ARPL/ DEC/002	1,436,809.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
57	Atal Realtech Pvt Ltd (Material)	29/12/2018	PCL/ARPL/ DEC/003	1,443,887.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
58	Atal Realtech Pvt Ltd (Material)	29/12/2018	PCL/ARPL/ DEC/010	1,408,505.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
59	Atal Realtech Pvt Ltd (Material)	29/12/2018	PCL/ARPL/ DEC/011	1,433,278.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
60	Atal Realtech Pvt Ltd (Material)	30/03/2019	PCL/ARPL/ MAR/001	6,212,598.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
61	Atal Realtech Pvt Ltd (Material)	30/03/2019	PCL/ARPL/ MAR/002	5,645,653.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
62	Mohini Buildwell Pvt Ltd (MBPL) Dr. A/c	31/03/2020	RA Bill No. 1	5,505,360.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
63	Mohini Buildwell Pvt Ltd (MBPL) Dr. A/c	31/03/2020	RA Bill No. 1	15,411,000.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

64	Mohini Buildwell Pvt Ltd (MBPL) Dr. A/c	31/03/2020	RA Bill No. 1	9,231,200.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
65	Univastu India Ltd.	08/12/2018	PCL\MAT\UIL\047	2,053,340.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
66	Univastu India Ltd.	15/12/2018	PCL\MAT\UIL\050	5,840,258.96	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
67	Univastu India Ltd.	31/12/2018	PCL\MAT\UIL\054	909,054.30	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
68	Univastu India Ltd.	31/12/2018	PCL\MAT\UIL\055	975,527.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
69	Univastu India Ltd.	08/01/2019	PCL\MAT\UIL\061	2,003,272.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

27. The below Table captures the documents related to “Expenses” which were not provided.

The said Table would be relevant for considering the Issues framed hereinabove.

Table 27A

Sr. No.	Ledger Name	Date	Vch No#	Credit	Requirements	Received docs.	Pending documents
1	A. G. Corporation A/c	14/05/2018		48,000,000.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
2	Aadi Landmark Pvt.Ltd	20/02/2019		2,772,787.02	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

3	Aruna Prakash Laddha A/c	31/03/2019	CIN 43424	405,000.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
4	Aruna Prakash Laddha A/c	31/03/2020	CIN 10026	1,620,000.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
5	Ayodhya Buildcon A/c.	22/06/2018	02 CIN 16097	2,340,000.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
6	Ayodhya Buildcon A/c.	19/01/2019	04	1,390,040.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
7	IL & FS Financial Services Ltd. A/c	05/09/2018		5,172,534.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
8	Jyoti Eletricals	22/02/2019		10,762,528.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
9	Mohini Buildwell Pvt Ltd (Subcontracto r- Akot) WE	28/03/2019	RA bill 5	12,631,114.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
10	Mohini Buildwell Pvt Ltd (Subcontracto r- Washiml)WE	07/08/2019	RA Bill 3 CIN 02928	12,748,223.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
11	Mohini Buildwell Pvt Ltd (Subcontracto r- Yeotmal)WE	20/03/2019	CIN- 50934/88262	13,978,020.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
12	Mohini Buildwell Pvt Ltd (Subcontracto r- Yeotmal)WE	31/03/2020	RA Bill No. 8 CIN 84346	19,833,765.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

13	Morficon Systems (Mat.)(Br. of Navalkar Associates)	01/06/2019		1,795,923.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
14	Morficon Systems (Mat.)(Br. of Navalkar Associates)	14/06/2019		1,036,583.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
15	Morficon Systems (Material) A/c	15/11/2018		1,412,382.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
16	PAN (I) Overseas A/c	31/03/2019		23,957,500.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
17	Saisons Trade And Industry Pvt. Ltd. A/c	02/05/2018		14,293,824.10	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
18	Saisons Trade And Industry Pvt. Ltd. A/c	02/05/2018		13,961,182.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
19	Tata Steel	01/04/2019		2,053,340.10	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
20	Thalia Steel	26/02/2019		1,431,272.26	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
21	Thalia Steel	28/02/2019		1,235,927.98	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
22	Thalia Steel	28/02/2019		1,016,108.86	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

23	Atal Realtech P.L.(Palghar Administr. Bldg.)WE A/c	18/08/2019	RA11 & Sec.Adv.13 CIN 04775	39,429,494.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
24	Atal Realtech P.L.(Palghar Administr. Bldg.)WE A/c	15/10/2019	RA Bill 12 CIN 09363	61,574,173.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
25	Atal Realtech P.L.(Palghar Coll. Office Bldg.)WE A/c	12/01/2019	RA7&Sec.A9C IN 06825	28,945,883.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
26	Atal Realtech P.L.(Palghar Coll. Office Bldg.)WE A/c	15/05/2019	RA10/CIN 54869/55979/6 6384	42,662,279.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
27	Atal Realtech P.L.(Palghar Coll. Office Bldg.)WE A/c	01/08/2019	RA 11 & Sec. Adv.12 CIN 04775	43,840,964.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
28	Kanak Agro Pipes Pvt Ltd (CP Site)WE	25/05/2018	R.A.7 CIN 40755/64954/2 7987	15,138,505.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
29	Kanak Agro Pipes Pvt Ltd (CP Site)WE	11/08/2018	RABill 12, Cin.89200	22,806,820.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
30	Kanak Agro Pipes Pvt Ltd (CP Site)WE	15/11/2018	R.A.Bill.No. CIN 61278	18,332,052.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
31	Kanak Agro Pipes Pvt Ltd (CP Site)WE	12/01/2019	CIN.64503	18,062,573.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
32	Kanak Agro Pipes Pvt Ltd (Vandematra m Site) WE	19/07/2018	R.A.Bill No.6 CIN 8500	21,248,447.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
33	Kanak Agro Pipes Pvt Ltd (Vandematra m Site) WE	15/03/2019	R.A.Bill No.11	12,852,125.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

34	UNIVASTU India Ltd (Metro WE)	24/12/2018	R.A.Bill No-14 & S.a -15	39,405,958.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
35	UNIVASTU India Ltd (Sawalwadda WE)	31/03/2019	RA Bill No. 4	53,442,949.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
36	UNIVASTU India Ltd (Sawalwadda WE)	01/04/2019		54,225,956.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
37	UNIVASTU India Ltd (Sawalwadda WE)	20/10/2019	RA Bill No. 7	45,294,982.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
38	UNIVASTU India Ltd (Sawalwadda WE)	30/01/2020	RA Bill No. 8	45,776,826.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
39	Saisons Trade And Industry Pvt. Ltd. A/c	10/04/2018		8,323,366.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
40	Saisons Trade And Industry Pvt. Ltd. A/c	10/04/2018		9,256,865.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
41	Saisons Trade And Industry Pvt. Ltd. A/c	11/04/2018		12,230,166.00	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
42	Arjun Enterprises Pvt Ltd	02/01/2019		1,443,620.86	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
43	Arjun Enterprises Pvt Ltd	02/01/2019		1,473,082.50	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
44	Arjun Enterprises Pvt Ltd	02/01/2019		1,443,620.86	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

45	Ayodhya Buildcon A/c.	29/05/2018	06	885,000.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
46	Ayodhya Buildcon A/c.	29/11/2018	03	578,200.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
47	Chandan Enterprises A/c	10/04/2018		4,029,653.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
48	Chandan Enterprises A/c	14/04/2018		4,401,459.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
49	Chandan Enterprises A/c	17/04/2018		3,732,399.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
50	Chandan Enterprises A/c	19/04/2018		4,229,415.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
51	Chandan Enterprises A/c	22/04/2018		3,942,675.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
52	Damani Vidhyut Services	13/10/2018		616,697.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
53	Dindayal Krishnlal Popali A/C	05/04/2018		130,000.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
54	Dindayal Krishnlal Popali A/C	05/05/2018		153,000.01	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
55	Dindayal Krishnlal Popali A/C	17/05/2018		137,700.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
56	Indu Corporation	07/11/2018		1,530,324.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

57	Jai Ganesh Ispat & Ferro Alloy Pvt .Ltd	16/04/2019		1,543,039.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
58	Jai Ganesh Ispat & Ferro Alloy Pvt .Ltd	25/04/2019		1,579,465.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
59	Jai Ganesh Ispat & Ferro Alloy Pvt .Ltd	29/05/2019		1,514,846.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
60	Jain Associates	05/03/2019		1,649,419.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
61	Jyoti Eletricals	19/03/2019		8,184,144.88	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
62	Lifeline Fire Services	09/03/2019		5,182,921.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
63	Multicab Corporation	15/12/2018		5,840,258.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
64	Neeraj Project Pvt. Ltd (Material)	21/01/2019		3,517,536.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
65	Neeraj Project Pvt. Ltd (Material)	21/01/2019		4,492,424.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
66	Neeraj Project Pvt. Ltd (Material)	21/01/2019		4,815,058.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
67	Neeraj Project Pvt. Ltd (Material)	21/01/2019		4,797,576.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
68	Pravin Sales Corporation	14/09/2018		1,706,553.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

69	Protex Infracon Pvt. Ltd.	30/06/2018		16,851,340.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
70	Protex Infracon Pvt. Ltd.	30/07/2018		18,805,310.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
71	Protex Infracon Pvt. Ltd.	30/08/2018		17,942,532.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
72	Shalaka Infra-Tech (I) Pvt. Ltd (Material)	07/03/2019		5,003,845.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
73	Shalaka Infra-Tech (I) Pvt. Ltd (Material)	08/03/2019		5,243,551.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
74	Shalaka Infra-Tech (I) Pvt. Ltd (Material)	19/03/2019		5,009,838.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
75	Tata Steel	08/12/2018		2,053,341.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
76	Tata Steel	08/01/2019		2,003,272.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
77	Unique Vastu Developers Pvt Ltd(Material)	28/02/2019		961,060.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice with E-way bill, delivery challan.	Agreement/contract, Purchase order, Weighment slip, lorry receipt, etc
78	Unique Vastu Developers Pvt Ltd(Material)	02/02/2019		4,397,084.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice with E-way bill, delivery challan.	Agreement/contract, Purchase order, Weighment slip, lorry receipt, etc
79	Unique Vastu Developers Pvt Ltd(Material)	02/02/2019		4,137,519.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice with E-way bill, delivery challan.	Agreement/contract, Purchase order, Weighment slip, lorry receipt, etc

80	Vidushi Wires Pvt.Ltd A/c	18/05/2018		2,505,140.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	tax invoice and delivery challan	Agreement/contract, Purchase order, Weighment slip, lorry receipt, etc
81	Vidushi Wires Pvt.Ltd A/c	23/11/2018		2,433,750.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
82	Vidushi Wires Pvt.Ltd A/c	23/11/2018		1,899,800.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
83	Vidushi Wires Pvt.Ltd A/c	23/11/2018		2,268,550.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
84	Vidushi Wires Pvt.Ltd A/c	23/11/2018		2,448,500.00	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice, E-way bill, delivery challan	Agreement/contract, Purchase order, Weighment slip, lorry receipt, etc

Party – wise analysis of major vendors with alleged fictitious trading transactions is as follows:

A. Transactions with Saisons Trade & Industry Pvt. Ltd.

28. During the investigation period, SIL had accounted purchase of materials from Saisons for INR 63.26 crore. I note from the SCN that most of the sales to parties mentioned in paragraph no. 24 could be linked to purchases from Saison (for FY 2018-19 and FY 2019-20). I note from the IR and the FAR that review of the bank ledgers and bank statements reveals that receipts from SIL's Customers were either on the same date or within an interval of 1-2 days from the date of Letter of Credit (*hereinafter referred to as "LC"*) payments to Saison. Table 28 below provides an extract of SIL's bank ledger for "State Bank of India CC A/c 32899386345" (Annexure 2 of FAR) illustrating timing of payments to Saison by SIL and receipts from Aikya, Stance and Flyhigh.

Table 28

Date	Type	Party Name	Narration	Debit (INR)	Credit (INR)
08.05.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387217LC0000307, LU No. 0387217LU0000415 of Saisons Trade & Industry Pvt. Ltd.	-	2,50,45,524

09.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	1,19,50,000	-
09.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	11,88,152	-
11.05.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd.	1,25,00,000	-
				2,56,38,152	2,50,45,524
11.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000131, LU No. 0387218LU0000176		1,45,16,643
10.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKH18283627795.	55,00,000	
11.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKR12018101100738567.	60,00,000	
11.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKH18284735877.	32,00,000	
				1,47,00,000	1,45,16,643
08.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000125, LU No. 0387218LU0000169 of Saisons Trade & Industry Pvt. Ltd.	-	1,22,65,655
08.10.18	Receipt	Aikya Infra Projects Pvt. Ltd.	Received from Aikya Infra-Projects Pvt. Ltd. UTR No. KKBKR12018100800858416.	1,17,58,000	-
				1,17,58,000	1,22,65,655
08.06.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387217LC0000331, LU No. 0387217LU0000446 of Saisons Trade & Industry Pvt. Ltd.	-	1,50,16,232
08.06.18	Receipt	Stance Synergies Pvt. Ltd.	Received RTGS.	1,14,35,000	-
				1,14,35,000	1,50,16,232
15.10.18	Payment	Saison Trade and Industry Pvt. Ltd.	Amount & Charges debited while making payment of LC No. 0387218LC0000132, LU No. 0387218LU0000175 of Saisons Trade & Industry Pvt. Ltd.		1,45,05,948
15.10.18	Receipt		Received from Flyhigh Infra-Projects Pvt. Ltd. UTR No. KKBKH18302772707.	1,15,90,559	

		Flyhigh Infra-Projects Pvt. Ltd.			
				1,15,90,559	1,45,05,948

29. From the aforesaid Table it can be seen that on May 08, 2018, INR 2,50,45,524 were paid through the LC facility to Saisons by SIL and immediately on May 09, 2018 and May 11, 2018 through three transactions SIL received INR 2,56,38,152 from one of its customers, Aikya. On October 08, 2018, SIL made a payment of INR 1,22,65,655 through the LC facility to Saisons, immediately on the same day, it received INR 1,17,58,000 from Aikya. Similarly, on October 11, 2018, INR 1,45,16,643 were paid through the LC facility to Saisons by SIL and when on October 10, 2018 and October 11, 2018 through three transactions SIL received INR 1,47,00,000 from Aikya.

30. On June 08, 2018, SIL made a payment on INR 1,50,16,232 to Saisons and on the same day, it received INR 1,14,35,000 from Stance towards sales. Similarly, on October 15, 2018, SIL made a payment on INR 1,45,05,948 to Saisons and on the same day received INR 1,15,90,559 from Flyhigh, one of its customers.

31. I also note that although SIL had accounted purchase of materials from Saisons for INR 63.26 crore, it had made payments worth INR 65.87 crore to Saisons. I note from the IR and FAR that the excess payment of INR 2.61 crore to Saisons was adjusted with “Rate, Diff. & Discount A/c”, instead of receiving back the same from Saisons. Further, at the time of investigation, I note that no documentation for the said adjustment was provided. In this regard, I note that the excess payment was written off in the books, which constitutes a diversion of funds of the company. Further, the FAR indicates that out of the total 5 samples of INR 5.81 Crore, only 3 invoices of INR 2.98 Crore were provided for review. No supporting documents such as Purchase order, Weighment slip, lorry receipt, delivery challan, etc. were provided for all the 5 sample purchase transactions by the company. The lack of supporting documents indicates that the purchase transactions were fictitious purchases.

32. In this regard Noticee no. 2, has submitted that it is an industry practice to make advance

payments to the manufacturers of the steel while the users of steel always demand credit from the traders. As a procurer, SIL was supposed to make advance payments to Saisons for the procurements of materials. The amount of INR 2.61 Crore was also paid as an advance to Saisons for the procurement of materials, however, Saisons did not supply the material and the amount remained uncollected. In order to reflect the correct picture of the outstanding balances of the Company, SIL had written off the amount in SIL's books of account. As the amount not collectable has been written off, it cannot be treated as diversion of funds.

33. I note from the SCN that SIL and the Noticee had failed to provide an explanation for writing off the receivable in the "Rate, Diff and Discount A/c". Furthermore, Noticee no. 2 has failed to provide relevant invoices and input tax credit claimed under GST for the differential amount. In view of the above, I find that the writing off was done to divert the money from the company.

34. I note from the IR and FAR that majority of the payments made to Saison were through the LC facility. As shown in the paragraphs below, although LCs were issued to Saisons for purchases, sales were not entirely collected from trading sales parties/ customers which shows that they were fictitious sales. This observation is strengthened by the fact that documents pertaining to the transactions such as agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc., were not provided by SIL to the IA and the Forensic Auditor. Noticee no. 2 has submitted that the LC was valid for 180 days and the same credit was passed on to its customers. The company would get its receivables every six months and that date used to fall nearby the issuance of LC. Noticee no. 2 has also submitted that the model of business of the Company was such that it used to procure the materials to be supplied as project supplies forming part of construction contracts on immediate basis on the basis of sale orders from the customers. It is the policy of the management to place major of the orders of the procurement of the materials over phone calls and without the formal purchase orders. The Noticee has also submitted that the files containing weighment slip, delivery challans and other documents were offered in the hard for the verification to the Auditors while they visited the Nashik office. I note that placing

orders telephonically appears to be a policy of the Company and not an industry practice. Furthermore, I note from Annexure 16 to the FAR, that the Forensic Auditor has noted that documents pertaining to the sales transactions were sought from SIL and the same were not provided or partially provided. The relevant extract of Annexure 16 of the FAR is reproduced below.

Table 29

Ledger Name	Date	Vch No#	Debit	Requirements	Documents received.	Pending documents
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	12/04/2018	PCL/AI PL/18-19/4	12,235,854	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	11/04/2018	PCL/AI PL/18-19/2	9,261,176	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	11/04/2018	PCL/AI PL/18-19/3	8,327,209	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	03/05/2018	PCL/AI PL/18-19/9	13,967,613	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	03/05/2018	PCL/AI PL/18-19/10	14,300,407	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Erman Metals Pvt. Ltd. (Dr) A/c	06/07/2018	PCL/E MPL18-19/07/01	15,093,329	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/E MPL18-19/10/01	1,919,399	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/E MPL18-19/10/03	1,876,884	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/E MPL18-19/10/05	1,838,122	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Erman Metals Pvt. Ltd. (Dr) A/c	31/10/2018	PCL/E MPL18-19/10/07	1,953,786	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Erman Metals Pvt. Ltd. (Dr) A/c	20/11/2018	PCL/E MPL18-19/11/17	1,414,987	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	13/08/2018	PCL\FI PL\18-19/09/01	11,603,215	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	15/09/2018	PCL\FI PL\18-19/09/02	10,058,379	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	11/10/2018	PCL\FI PL18-19/10/29	1,582,293	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	11/10/2018	PCL\FI PL18-19/10/31	1,703,767	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Flyhigh Infra-Projects Pvt Ltd-(Project) Dr.	17/10/2018	PCL\FI PL18-19/10/47	1,734,513	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
PLCONMAT Supplier Pvt Ltd (Material Supply)	02/02/2019	PCL/PS PL/FEB/03	7,804,992	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
PLCONMAT Supplier Pvt Ltd (Material Supply)	02/02/2019	PCL/PS PL/FEB/04	8,107,802	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

PLCONMAT Supplier Pvt Ltd (Material Supply)	02/02/2019	PCL/PS PL/FEB /06	6,785,879	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
PLCONMAT Supplier Pvt Ltd (Material Supply)	03/02/2019	PCL/PS PL/FEB /05	7,144,570	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Tax Invoice and E-way bill	Agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

35. In view of the above, I am unable to accept the contention of Noticee no. 2 and I find that the LC facility was potentially misused by issuing LC payments to vendor and routing the same as receipts from customers through fictitious sales transactions.

B. Skyfall Trading Pvt. Ltd. and Damani Multitrade Pvt. Ltd.

36. The SCN observes that during the investigation period, SIL had accounted purchase of materials from Damani for INR 108.46 crore and paid INR 66.63 crore (net). SIL had accounted purchase of materials and fixed assets from Skyfall for INR 26.69 crore and paid INR 27.54 crore (net). The following table shows the overview of transactions with Skyfall and Damani for the investigation period:

Table 30

INR in Crore

Party Name	Opening balance (01.04. 2016)	Purchase	Fixed Asset Purchase	Payments	Receipts	Adjustment	Stale cheque payment entry	Stale cheque Receipt entry	Difference in carry forward of balance	Closing balance (31.03. 2020)
Skyfall Trading Pvt. Ltd.	-	(25.27)	(1.42)	32.59	(5.05)	(0.84)	-	-		-
Damani Multitrade Pvt. Ltd.	(0.15)	(108.46)	-	76.27	(9.64)	37.58	26.44	(28.02)	5.98	-
Total	(0.15)	(133.73)	(1.42)	108.86	(14.69)	(36.74)	26.44	(28.02)	5.98	-

37. I note from the SCN, IR and FAR that Noticee no. 3, Mr. Prafulla Bhat, past shareholder and director of SIL was also a director of Skyfall and Damani. The following Table provides the details of his directorship in the three companies.

Table 31

Director	SIL	Skyfall Trading Pvt. Ltd.	Damani Multitrade Pvt. Ltd.
Prafulla Bhat	04.03.2016 -11.08.2020	From 02.06.2018 till date	06.07.2017 -30.03.2018

38. I note from the Table no. 26 and Table no. 30 that SIL entered into purchase transactions worth INR 25.27 Crore (INR 14.93 Crore in FY 2016-17 and INR 10.34 Crore in FY 2017-18) with Skyfall. There were no purchase transactions made in FY 2018-19 and FY 2019-20. I note that SIL made a total payment of INR 32.59 Crore to Skyfall (INR 30.59 crore was paid to Skyfall in FY 2017-18 and INR 1.98 crore was paid in FY 2018-19). I note from Table 26 that SIL received INR 5.05 crore from Skyfall, however, there were no corresponding sales transactions with Skyfall. Furthermore, excess payments were made in FY 2018-19 of INR 0.84 crore which were then adjusted in FY 2019-20 with Rate Diff & Discount A/c as “written off”. The forensic auditors have noted that they were not provided with any reason/ justification for such adjustment entries.

39. I note from the Table no. 26 and Table no. 30 that SIL entered into purchase transactions worth INR 108.46 Crores with Damani. I note that SIL received INR 9.64 crore from Damani even though there were no corresponding sales transactions with the said company. Furthermore, upon review of ledger of Damani, it was observed that the Company’s receivable balance of Seam Industries Ltd. (*hereinafter referred to as “Seam Industries”*) which was a debtor of SIL was adjusted with Damani to the extent of INR 40.31 crore. The narration of the said adjustment entry stated “*being assignment of debtor made to Damani*”. It is noted that during FY 2016-17, total sales made to Seam Industries by SIL was INR 40.31 crore for product named “*M.S.Angle*”, apart from this there were no other transactions with Seam Industries observed for entire investigation period. The entire receivable balance of Seam Industries was adjusted with Damani. Noticee no. 2, Mr. Prakash Laddha in his reply has stated that during FY 2016-17, SIL had received a big order from Seam Industries for project supplies and that the company approached Damani to supply the material. However, on the due date Seam Industries failed to pay SIL. The Noticee has further stated that as a recovery measure, SIL offered Damani to assign the entire receivable amount to Seam Industries which was accepted by Damani and Seam Industries. The Noticee has

stated that hard copy of the documentation with Seam and Damani were provided to the Forensic Auditors. However, I note from the FAR wherein it has been observed that the management of the Company failed to provide details and basis of such assignment to SEBI/ Forensic Auditor. Even at the time of filing his reply, the Noticee has not provided any documents in support of his claim. Subsequent to the said adjustment as stated hereinabove, funds of INR 9.64 crore were received from Damani in FY 2017-18 and FY 2018-19. Therefore, I agree with the allegation in the SCN that the entire sale to Seam Industries INR 40.31 crore was fictitious and hence the sales revenue of FY 2016-17 was inflated by INR 40.31 crore.

40. I note that the purchase transactions of INR 25.27 crore and INR 108.46 crore with Skyfall and Damani respectively are alleged to be fictitious in nature. INR 108.86 (INR 32.59 to Skyfall and INR 76.27 to Damani) crore was paid to Skyfall and Damani towards the fictitious purchases during the investigation period. Further, as noted hereinabove, a receipt of INR 14.69 crore (INR 5.05 from Skyfall and INR 9.64 from Damani) is also shown from Skyfall and Damani. Therefore, SIL made a net payment of INR 94.17 crore (i.e., INR 108.86 crore – INR 14.69 crore) to Skyfall and Damani. In view of the above analysis and in the absence of adequate supporting documents, I note that SIL had diverted the company funds of INR 94.17 crore to the connected entities viz. Skyfall and Damani which amounts to 10.21% (i.e., INR 94.17 crore / INR 922.10 crore) of total revenue for the investigation period.

41. The SCN has alleged that SIL failed to collect its receivables and written off certain debts as “bad”/ “doubtful”. In this regard, it is stated therein that as per SIL’s Annual Report for FY 2019-20, the amount of provision for bad debts is INR 35.35 crore whereas income from operations is INR 154 crore. Furthermore, during FY 2019-20 trade receivables reduced from INR 57 crore to INR 13 crore and the Profit Before Tax was a loss of INR 44 crore. Therefore, provision for bad debts contributed to 80% of Loss from Operations (i.e., INR 35.35 crore / INR 44 crore) and 61% of Trade receivables as on beginning of the year (i.e., INR 35.35 crore / INR 57 crore). It is observed that no provision for doubtful debts was made during the period 2016 -19. The following 9 debtors accounted for almost 93%

(INR 32.88 crore / INR 35.35 crore) of the total bad debts provision amount:

Table 32

INR in Crore

Sr. No.	Name of Receivables	Amount Receivable as on 31/03/2020	Provision made in FY 2019-20	Period (in Years) as on March 2020
1	Naolin Infrastructure Pvt. Ltd.	9.64	9.64	2.66
2	Aikya Infra-Projects Pvt. Ltd.	8.64	10.02	1.72
3	Flyhigh Infra-Projects Pvt. Ltd.	4.12	4.12	1.53
4	Erman Metals Pvt. Ltd.	2.67	2.67	1.41
5	Sanmukh Fab Industries P Ltd.	2.17	2.17	1.46
6	PLCONMAT Supplier Pvt. Ltd.	1.02	1.02	1.16
7	Nevecea Infraspaces Pvt. Ltd.	1.02	1.02	1.00
8	Stance Synergies Pvt. Ltd.	5.88	1.13	2.34
9	Networth Management Services	1.09	1.09	7.21
	TOTAL	36.25	32.88	

42. It is alleged that 100% provision was made for 6 debtors (sl. no. 2 to 7) totalling to INR 21 crores which were outstanding for a period of 1 to 2 years only. However, there were other debtors ageing ranging from 2 to 9 years for which no provision was made. The company failed to provide balance confirmation letters, adequate supporting documents for follow up on recovery and any legal action taken against debtors whose balances were written off. Since the company has failed to provide proper documentation or to justify the value written off within 1 to 3 years, it was alleged that the write off was towards fictitious transactions recorded in the previous years, and that writing off of receivables from corresponding sales ultimately resulted in diversion of funds of the company.

Party – wise analysis of major parties of whom the receivables are written off

A. Aikya Infra-Projects Pvt. Ltd. (hereinafter referred to as ‘Aikya’)

43. I note from the SCN and Table no. 5 hereinabove that as per SIL’s ledgers, the company had accounted sale of materials to Aikya for INR 37.83 crore and received only INR 29.25 crores. The SCN has alleged that SIL provisioned INR 10.02 crore for bad debts in FY 2019-20 against the total outstanding of INR 8.64 crores from Aikya. The SCN states that

provisioning an amount higher than the total outstanding from the customer is without any business or accounting rationale. I note that Noticee no. 2 has submitted that various legal measures had been adopted by SIL to recover the receivables. However, I note that Noticee no. 2's reply is silent on the aspect of provisioned INR 10.02 crore for bad debts in FY 2019-20 against the total outstanding of INR 8.64 crores from Aikya.

44. The SCN also alleges that approximately 27% of the value of sales to Aikya i.e. INR 10.02 crore of total sales of INR 37.83 crore was written off. As shown in Table 4 of the SCN, the margin earned from those transactions was only 0.04% to 0.66%. Therefore, the said transactions do not hold any business rationale. I note from the SCN and FAR the company could not provide any documentary evidence such as invoice, weighment slips, delivery challans, purchase/sales orders, comparative quotes from any of the vendors, etc. with respect to the transactions with Aikya to substantiate that the transactions were genuine. The following Table provides the list of documents sought during Forensic Audit and not provided:

Table 33

Ledger Name	Date	Vch No#	Debit	Requirements	Documents received.	Pending documents
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	12/04/2018	PCL/AIPL/18-19/4	12,235,854	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	11/04/2018	PCL/AIPL/18-19/2	9,261,176	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd-(Project) Dr.	11/04/2018	PCL/AIPL/18-19/3	8,327,209	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

Aikya Infra-Projects Pvt Ltd- (Project) Dr.	03/05/2018	PCL/AIPL/ 18-19/9	13,967,613	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc
Aikya Infra-Projects Pvt Ltd- (Project) Dr.	03/05/2018	PCL/AIPL/ 18-19/10	14,300,407	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc	Not Received	Invoice, agreement/contract, Purchase order, Weighment slip, lorry receipt, delivery challan, etc

45. The SCN alleges that the receivable balance is outstanding from July 2018. The total trade payable as per the financials of Aikya as on March 31, 2019 was INR 5.37 crore but receivable from Aikya as per financials of SIL as on March 31, 2019 was INR 8.64 crore. In this regard, Noticee no. 2 has stated that mismatch of balances between the ledgers of Aikya and SIL depend on various factors such as advance to suppliers shown as reduction from trade payable balances, advance from debtors shown as reduction from trade receivables, difference in accounting policies/ accounting standards followed by two companies etc. The Noticee argued that the difference in the ledger is not a parameter to judge the correctness of the supply. I note that the mismatch in the ledgers indicates that the sales to the Aikya were fictitious, and this is further corroborated from Table no. 33 which shows that documentation with respect to sale transactions with Aikya are not available with the company. Therefore, I find that there is mismatch in payable/receivable balances when compared with the balance sheet of Aikya, showing this balance of Aikya was non-genuine.

46. I note that as per the financial statement of Aikya (Annexure 4 of FAR) the sales and purchases of Aikya in FY 2017-18 was more than double of the same in FY 2016-17, however, the fixed assets of Aikya are shown as NIL for past three years and the share capital is INR 0.01 crore.

47. In view of the above, I find that that there had been diversion of funds of the company through fictitious purchase and sale transactions and writing off of receivables of INR 10.02 crore.

B. Naolin Infrastructure Pvt. Ltd. (hereinafter referred to as 'Naolin')

48. I note from the SCN and the FAR that SIL had recorded both purchase and sales transactions with Naolin. According to Table 5 hereinabove, SIL made purchases from Naolin to the extent of INR 13.03 Crore and made actual payments of INR 13.87 Crore. SIL also accounted sale of materials to Naolin for INR 9.65 crore. On review of ledger of Naolin, it is noted that there were no receipts against the total sale transactions of INR 9.65 crore as on March 31, 2020. Furthermore, the entire amount of INR 9.65 crore was written off in FY 2019-20. The following Table provides a snapshot of the transactions.

Table 34

INR in Crore								
Party Name	Opening on 01-04-16	Sales	Receipts	Purchase	Payments	Adjustment	Closing on 31-03-20	Provision for bad debts
Naolin Infrastructure Pvt. Ltd.	-	9.65	-	-13.03	13.87	-0.84	9.65	9.65

49. In this regard, it is pertinent to note that sales were made in the period from August 2017 to October 2017 and purchases were made in the period from August 2017 to January 2018. Further, payments against purchases were made from September 2017 till April 2018. It appears queer that in spite of not receiving the amount against sales, the purchases are paid for and not adjusted with the sales.

50. I note from the SCN and the FAR that correspondence of the Forensic Auditor with Naolin dated September 11, 2019 revealed that Naolin had no payables towards SIL, and that no material was purchased by them from SIL. It was also stated that the invoices/delivery challans of SIL were fabricated as they had not purchased any material from SIL towards which SIL claims receivables.

51. I note that balance confirmation was sought from Naolin via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address. Apart from stating that SIL has taken steps to recovery

the receivables, Noticee no. 2 has not made any other submission in this regard.

52. In view of the above, I find that the entire sale accounted to Naolin INR 9.65 crore was fictitious. Hence, I agree with the allegation in the SCN that SIL had inflated the sales revenue for the FY 2017-18 with respect to Naolin by INR 9.65 crore.

C. PLconmat Supplier Pvt. Ltd. (hereinafter referred to as 'PLconmat')

53. I note from the SCN that SIL had recorded both purchase and sale transaction of materials with PLconmat. I note that INR 1.02 crore was written off in FY 2019-20 out of the receivable balance of INR 1.41 crore. SIL has both purchase and sale transactions with PLconmat. In FY 2018-19, total material consumed as per financials of PLconmat is INR 7.03 crore, however, total sales by SIL to PLconmat is INR 7.34 crore indicating it transacted only with SIL. The company was requested to provide the supporting documents such as agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill. Balance confirmation was sought from PLconmat via balance confirmation letters sent through registered post to their registered address. The same was delivered but not responded to.
54. In this regard, it is pertinent to note that PLconmat has the same address as SIL i.e. The Exchange, Plot No. 2A, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik – 422002. Furthermore, Noticee no. 2, Mr. Prakash Laddha and one Mr. Sankar Rathi are common directors of SIL and PLconmat. Therefore, SIL and PLconmat are Related Parties. Noticee no. 2 has submitted that SIL and PLconmat are two separate entities, and that documents in respect of transaction with PLconmat have been provided to the Forensic Auditors. It is also relevant to note that Mr. Prakash Laddha in his statement recorded before the Investigating Authority on March 04, 2022 submitted that PLconmat is a company formed as a subsidiary of SIL for his distant nephew, Mr. Prashant Sarda. He also submitted that the company was created for taxation purposes and SIL was purchasing through PLconmat. Furthermore, Table no. 29 shows that documentation with respect to sale transactions with PLconmat namely, agreement/contract, Purchase order, Weighment slip, lorry receipt,

delivery challan, etc. are not available with the company.

55. In view of the close association between SIL, PLconmat, Mr. Prakash Laddha and Mr. Prashant Sarda, director of PLconmat and the writing off in FY 2019-20 of INR 1.02 crore out of the receivable balance of INR 1.41 crore coupled with the fact that there are no supporting documents for SIL's transactions with PLconmat, I find that there had been diversion of funds of the company through fictitious purchase and sale transactions and writing off of receivables INR 1.02 crore.

D. Flyhigh Infra-Projects Pvt. Ltd. (hereinafter referred to as 'Flyhigh') and Sanmukh Fab Industries Pvt. Ltd. (hereinafter referred to as 'Sanmukh')

56. SIL had recorded sale transaction with both Flyhigh and Sanmukh during the investigation period. Mr. Mukund Chandak and Mr. Sanketh Agrawal are the common directors for Sanmukh and Flyhigh. Both Sanmukh and Flyhigh have the same address - Office No.-402, Gera Legend, Survey No. 17/2, Koregaon Park, North Main Road, Ghorapadi, Pune - 411001.

57. The receivable amount from Flyhigh as on March 31, 2020 was INR 4.12 crore and the entire amount was written off in FY 2019-20. The receivable amount from Sanmukh as on March 31, 2020 was INR 2.17 crore and the entire amount was written off in FY 2019-20.

58. On analysis of financial statements of Sanmukh, in FY 2018-19, total trade payable of Sanmukh is INR 0.80 crore and Receivable of SIL from Sanmukh is INR 2.17 crore. Thus, there is mismatch in payable/receivable balances raising suspicion on genuineness of these transactions. Relevant extract of balance sheet of Sanmukh Fab Industries Ltd. for FY2018-19 is given below:

SANMUKH FAB INDUSTRIES PRIVATE LIMITED U74999PN2018PTC175546 Balance Sheet as on year ended 31st March 2019		
Particulars	Note No	As at 31st March, 2019
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital	2	100,000
(b) Reserves and Surplus	3	(2,245,896)
(2) Share application money pending allotment		-
(3) Non-Current Liabilities		
(a) Long-term borrowings	4	-
(b) Deferred tax liabilities (Net)	21	-
(c) Other Long term liabilities	5	-
(d) Long term provisions	6	-
(4) Current Liabilities		
(a) Short-term borrowings	7	-
(b) Trade payables	8	8,042,912

59. Balance confirmation was sought from Flyhigh and Sanmukh via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address. The company was requested to provide the supporting documents such as Agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, Table – shows that the company did not provide these documents except Tax invoice and E-way bill.

60. Noticee no. 2 has submitted that both the entities are customers of project supplied by SIL and although supply was made, certain payments remained to be made, for which SIL had made provisions, and also taken legal measures. Therefore, Noticee no. 2 has submitted that the allegation of mismatch of balance payables and receivables is baseless. I note the Noticee's reply does not sufficiently explain the mismatch and in light of the absence of requisite documents, I find that the transactions accounted with Flyhigh and Sanmukh are fictitious.

E. Erman Metals Pvt. Ltd. (hereinafter referred to as 'Erman')

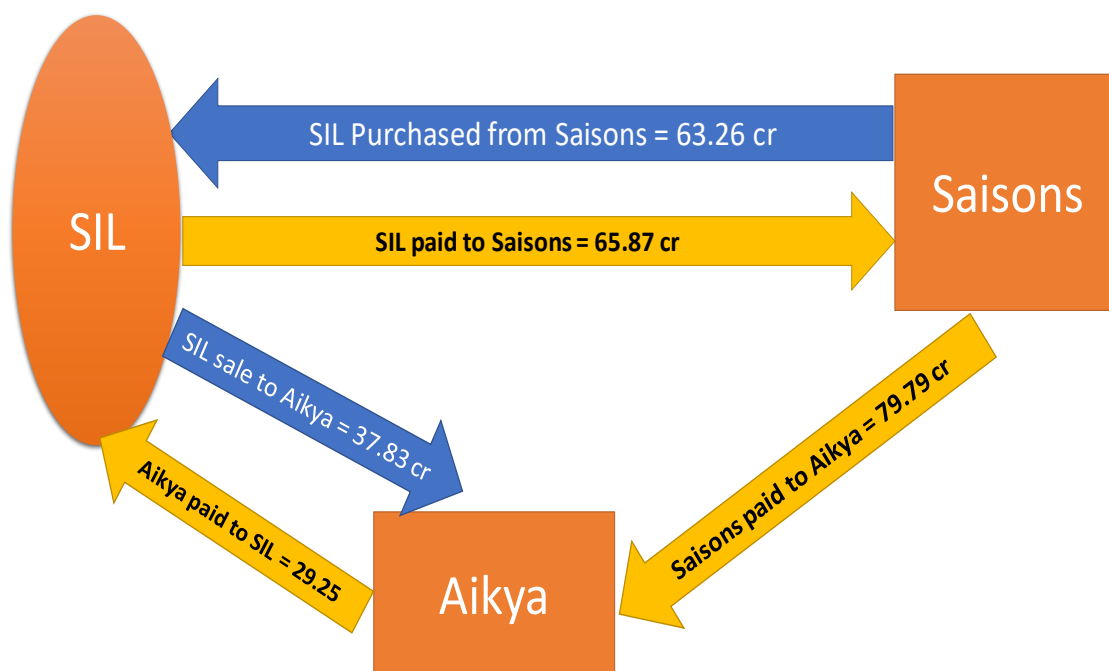
61. SIL had accounted both sale and purchase transactions with Erman during the investigation

period. The receivable amount from Erman as on March 31, 2020 was INR 2.67 crore and the entire amount was written off in FY 2019-20. The company was requested to provide the supporting documents such as Agreement/contract, invoice, Purchase order, Weighment slip, lorry receipt, delivery challan, etc. for sample transactions. However, the company did not provide these documents except Tax invoice and E-way bill.

62. Balance confirmation was sought from Erman via balance confirmation letters sent through registered post to their registered address. The same returned undelivered due to non-existence of party at address. Noticee no. 2 has only submitted that the allegation is baseless. I note that the receivable as on as on March 31, 2020 was INR 2.67 crore and the entire amount was written off in FY 2019-20. Furthermore, in the absence of relevant documents to show that these were genuine transactions, I am constrained to find that the transactions accounted with Erman are fictitious.

63. I note from the SCN that upon analysis of bank statement of Aikya it was seen that Aikya had received funds from Saisons and part of the same was paid to SIL. Aikya received INR 79.79 crores from Saisons during the period July 20, 2017 to June 18, 2019. Further, Aikya paid INR 28.65 crore to SIL during the period December 11, 2017 to October 29, 2018. It has been already established hereinabove that due to lack of supporting documents that the purchase transactions were fictitious. The SCN alleges that the fictitious purchases and sales among SIL, Saisons and Aikya was predominantly funded by SIL only such that the payments made by SIL to Saisons towards purchases of materials was transferred from Saisons to Aikya. As seen in Table 26, total amount of INR 29.25 crores was paid by Aikya to SIL towards the sales transactions booked by SIL. The pattern of transactions among SIL, Saisons and Aikya are shown below:

Figure A



64. I have noted the allegation in the SCN. In this regard, the following Table provides the transactions that took place between SIL, Saisons and Aikya.

Table 35

Name of Transferor	Name of Transferee	Period	Amount (In crores)
SIL	Saisons	May 03, 2018 to May 31, 2019	INR 65.87
Saisons	Aikya	July 20, 2017 to April 25, 2018	INR 51.30 Cr.
		May 09, 2018 to June 18, 2019	INR 28.49 Cr.
Aikya	SIL	December 11, 2017 to October 29, 2018	INR 28.65

*Source: FAR

65. Noticee no. 2, Mr. Prakash Laddha has submitted that the payments received by Aikya from Saisons does not have any nexus with the supplies or procurement transactions of SIL. From the aforesaid Table, I note that the transactions between Saisons and Aikya took place from July 20, 2017 to June 18, 2019 and the transactions between SIL and Aikya took place from December 11, 2017 to October 29, 2018. However, the transactions between SIL and Saisons took place in FY 2018-19 and FY 2019-20 i.e. after the transactions between Saisons and Aikya, and SIL and Aikya had taken place. Therefore, I find it difficult to

conclude that the transactions amongst SIL, Saisons and Aikya was predominantly funded by SIL only such that the payments made by SIL to Saisons towards purchases of materials was transferred from Saisons to Aikya.

66. I note that the impact of the aforesaid non genuine transactions including writing off of bad debts is as under:

Table 36

S. No.	Particulars	INR in Crore		
		FY 16-17 & FY 17-18	FY 18-19 & FY 19-20	Total
A	Inflation of revenue by Fictitious Sales	72.17	65.37	137.54
B	Inflation of expenses by fictitious Purchases	170.08	50.16	220.24
C	Total revenue from operations as per Annual Reports	509.42	412.68	922.10
D	Total purchases as per Annual Reports	237.58	92.91	330.49
E	Misrepresentation of sales as % of total revenue (A/C)	14.16%	15.84%	14.91%
F	Misrepresentation of purchases as % of total purchases (B/D)	71.58%	54.00%	66.64%
G	Writing off Bad debts resulting out of fictitious sales.	-	33.54	33.54
H	Adjustments between Damani Multitrade Pvt. Ltd. and Seam Industries Ltd. [explained in para 3.1.9. (b)(v)]	40.31	-	40.31

67. In view of the aforesaid, I find that the trading transactions with vendors mentioned hereinabove are fictitious in nature resulting in inflation of revenues and purchases (Sales: INR 137.54 crore, Purchases: INR 220.24 crore as per Table 36. I find that these non – genuine transactions resulted in manipulation & misrepresentation of the financial statements / business operations of the company. The same is 14.91% of total revenue and 66.64% of total purchases respectively.

Issue II: Whether there was a misrepresentation of closing balances?

68. The SCN has alleged that Payment entries of INR 26.44 crore in the ledger of Damani in FY 2016-17 were reversed in FY 2017-18 by passing receipt entries with narration “cheque stale so reversed”. However, on review of these payment entries, it was found that no cheque details were mentioned in the narration. Clarification/documents from SIL were sought, however, no details were provided. It was also noted that such payment entries were passed in the books only in the month of February and March 2017. Further, the same were reversed in the month of May and June 2017. Considering the above, the balances payable to Damani were reduced by passing these book entries thereby indicating manipulation of books and misrepresentation of closing balances in FY 2016-17. In view of the above, it is alleged that the trade payable (current liability) was materially understated by INR 26.44 crore in FY 2016-17. The reported trade payables for the year was INR 37.15 crore.
69. The Noticee no. 2, Mr. Prakash Laddha, in his reply has submitted that that in FY 2016-17, a large order was received, for which supply was sought from Damani Multitrade Pvt. Ltd. The said cheques were furnished against receipt of the said materials, however, since payment from vendors was delayed, it was first requested that that cheques not be encashed, and hence became “stale”. Payment was subsequently made to Damani Multitrade Pvt. Ltd. through RTGS, however, the cheques still required to be shown for bank reconciliation. Hence, there is no misrepresentation.
70. In this regard, I note that the Noticee has not furnished the details of the RTGS transactions through which payment was made to Damani. Furthermore, the FAR categorically states that explanation in respect of the stale cheques were sought from the Noticees, however, the explanation provided hereinabove was not furnished to the Forensic Auditors which leads me to conclude that the same is an afterthought. In the absence of the details of the RTGS transactions, I find that SIL misrepresented and that the trade payable (current liability) was materially understated by INR 26.44 crore in FY 2016-17.
71. The SCN has also alleged that on March 31, 2018, the closing receivable balance of INR 5.98 crore of Damani was adjusted with payable balance of Ami Steel Corporation and

thereby nullifying these balances to nil as on March 31, 2018. However, on review of said party ledger in the next financial year (FY 2018-19), opening brought forward balance of INR 5.98 crore was observed, though there was no carried forward balance in the previous financial year (FY 2017-18). Such mismatch in opening and closing balances indicates misrepresentation of closing balances. In view of the above, it is alleged that both receivable and payable balances were understated by INR 5.98 crore in FY 2017-18.

72. Noticee no. 2, Mr. Prakash Laddha has submitted that the adjustment was carried out due to some accounting errors and that since both Damani and Ami Steel were clubbed under sundry creditors in the financial statements of the company, there is no scope of understating either trade receivables or trade payables. The opening brought forward balance of INR 5.98 crore in the next financial year (FY 2018-19) was not a misrepresentation of the closing balances but was a result of the adjustment made in the previous financial year.

73. I have noted the submission of the Noticee and I note that even if the adjustment did not lead to understatement of the trade receivables, at the least it indicates that the accounting records of the company were not maintained properly.

Issue III: Whether there was non-disclosure of Related Party Transaction in the Annual Report of SIL?

74. The SCN has alleged that in terms of regulation 2 (zb) of LODR Regulations, Damani Multitrade Pvt. Ltd. was a related party of SIL on account of common directorship of Mr. Prafulla Bhat during FY 2017-18. However, Damani was not disclosed as a related party of SIL and the payment and receipt transaction of INR 35.77 crore and INR 31.34 crore (refer Table 26) respectively with Damani was not disclosed as Related Party Transaction in the Annual Report for FY 2017-18. Therefore, it is alleged that SIL and its directors did not comply with the Ind AS 24 while publishing its Annual Report for the FY 2017-18 thereby violating Regulations 4(1)(a),(b), 4(2)(e), 33(1)(c) and 48 of LODR Regulations.

75. The relevant provisions alleged in the SCN are reproduced as under:

LODR Regulations:

Reg. 2: Definitions

...
...
...

(zb) “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Companies Act, 2013:

2. Definitions

...
...
...
...
...
...
...

(76) “related party”, with reference to a company, means—

(iv) a private company in which a director or manager is a member or director;

LODR Regulations:

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

- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
- (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
- (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
- (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

- (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
- (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
- (i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
- (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

Regulation 4(2)(e) Disclosure and transparency: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

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

Financial results

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

...

...

...

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

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

Relevant extracts of IND AS 24 on Related Party Transactions is given below:

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

If an entity has had 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.

Accounting Standards.

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

76. The Noticee no. 2, Mr. Prakash Laddha has submitted that as per Clause 11 (a) of the IND AS 24 titled “Related Party Disclosures”, SIL and Damani are not related parties as the said clause states that two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity, cannot be termed as related parties.
77. Regulation 4 (1) of the LODR Regulations states that disclosures shall be prepared in accordance with the applicable standards of accounting and financial disclosure. Regulation 4(2)(e) of the LODR Regulations states that a listed company shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership etc. and such information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure. Regulation 33 of the LODR Regulations titled “Financial Results” states that while preparing the financial results, the same shall be prepared as per Generally Accepted Accounting Principles in India. The listed company may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board. Regulation 48 of the LODR Regulations states that the listed company shall comply with all the applicable and notified Accounting Standards from time to time.
78. In this regard, I find it pertinent to examine the definition of “related party” in IND AS 24. Related Party is defined therein as a person or entity that is related to the entity that is preparing its financial statements i.e. the reporting entity. According to Clause 9 (a) (i) of IND AS 24, a person is related to a reporting entity if that person has control or joint control of the reporting entity. Furthermore, Clause 9 (b) (vii) states that an entity is related to a reporting entity if a person identified hereinabove has significant influence over the entity or is a member of the key management personnel of the entity. I note that Noticee no. 3,

Mr. Prafulla Subhashchandra Bhat has been non-executive director of SIL from March 04, 2016 to September 13, 2017 and the Whole Time Director of SIL from September 14, 2017 till August 11, 2020. I also note that Skyfall, Damani and SIL were connected through common directorship of Mr. Prafulla Bhat. He is a past shareholder and director of SIL and also held directorship in Skyfall and Damani. He was also the Whole Time Director in SIL during September 14, 2017 to August 11, 2020. The same is shown below:

Table 37

Director	SIL	Skyfall Trading Pvt. Ltd.	Damani Multitrade Pvt Ltd.
Prafulla Bhat	04.03.2016 11.08.2020	- From 02.06.2018 till date	06.07.2017 -30.03.2018

79. A combined reading of Clause 9 (a)(i) and (b)(vii) of Ind AS 24, shows that Skyfall and Damani were related party to SIL as Mr. Prafulla Subhashchandra Bhat was an Executive Director of SIL for the period September 14, 2017 till August 11, 2020, having significant influence over SIL and other entities. Furthermore, Mr. Prafulla Subhashchandra Bhat does not fall under the exemption of Clause 11(a) of Ind AS 24 as he was not simply a director but was an Executive Director in SIL and director in other two private companies, hence, having significant influence over all the aforesaid 3 entities. Therefore, Skyfall Trading Pvt Ltd. and Damani Multitrade Pvt Ltd. are related parties to SIL as per Clause 9 (a)(i) and (b)(vii) of Ind AS 24, and ought to have been disclosed as such in the financial statements. Therefore, I find that the allegation that SIL failed to disclose related party transactions in the Annual Report stands established.

Issue IV: Whether transactions with connected vendors were carried out at nominal profit/ at loss?

80. The SCN has alleged that SIL entered into back - to – back contracts i.e. subcontract projects with respect to its construction activities who were related/ connected parties for minimal gains and even losses in some instances. I note from the SCN that the following are the key project sub-contractors which were found to be connected to the Company.

Table 38

INR in crore

Party Name/ Vendor Name	Relationship with SIL	Opening on 01.04.16	Invoice booking	Payments	Sales	Receipts	Stale cheque reversal	Adjustment	Closing on 31.03.2020
Atal Realtech Pvt. Ltd.	Connected Party	(6.84)	(120.26)	129.48	9.66	(22.19)	(10.58)	21.38	1.8
Mohini Buildwell Pvt. Ltd.	Connected Party	(4.09)	(65.20)	95.96	4.23	(22.76)	(7.84)	2.58	3.92
Univastu India Ltd.	Disclosed Associate as per financials	-	(141.19)	150.61	13.15	(40.10)	-	14.65	(3.18)
Kanak Agro Pipes Pvt. Ltd.	Connected Party	0.02	(36.59)	34.94	-	(0.55)	-	1.19	(0.98)
Total		(10.90)	(363.24)	410.99	27.04	(85.60)	(18.42)	39.80	1.56

81. The connection between the following companies and SIL based on public domain searches and back – to - back contracts entered with the companies is provided as follows:

(a) **Atal Realtech Pvt. Ltd.** (*hereinafter referred to as “Atal”*): Mr. Vijaygopal Parasram Atal is the present director & shareholder of Atal Realtech Pvt. Ltd. He was also the past Director in SIL (tenure 04.01.1996 -01.01.2012). As per Atal’s IPO Prospectus (September 2020), SIL is its major customer. The construction project at Palghar (Administration Building and Collector Office) had been subcontracted to Atal.

(b) **Mohini Buildwell Pvt. Ltd.** (*hereinafter referred to as “Mohini”*): Mr. Sharad Ramnarayan Karwa is a Director and Shareholder in Mohini Buildwell Pvt. Ltd. He is Noticee no. 2, Mr. Prakash Laddha’s brother-in-law as per SIL’s IPO prospectus. He was also a director of SIL during 04.01.1996 -01.01.2012. Mohini’s financial statements indicate that its entire revenue is from SIL. The construction project at Yeotmal had been subcontracted to Mohini.

(c) **Univastu India Pvt. Ltd.** (*hereinafter referred to as “Univastu”*): This company has been disclosed as associate in financial statements of SIL. The construction project at Navi Mumbai Metro Station 6 Nos. Site had been subcontracted to Univastu.

(d) **Kanak Agro Pipes Pvt. Ltd.** (*hereinafter referred to as “Kanak”*): The present director & shareholder (0.26%) of SIL, Mr. Suresh Girdharilalji Sarda is the present director and shareholder (38%) of Kanak Agro Pipes Pvt. Ltd. Kanak’s financial statements indicate that its entire revenue is from SIL. The construction project, A'bad CIDCO Vande Mataram Auditorium had been subcontracted to Kanak.

82. I note from the SCN that the aforesaid projects were sub-contracted at only 1 % margin. Further, in the project “Navi Mumbai Metro Station” it was noted that labour charges and indirect expenses were incurred by SIL inspite of back-to-back arrangement. However, on review of the said contract, it is noted that there was no condition that the labour should be provided by SIL. Therefore, the expenses of labour should have been borne by the sub-contractor. Considering that project margins were marginal, the project is under losses. Following is snapshot of 3 projects sub-contracted at minimal profit/loss:

Table 39

INR in Crore

Project Name	Sub-contracted to	Total Contract value	Cumulative revenue till March 2020	Cumulative cost till March 2020	Profit/(Loss) booked till March 2020
Palghar Administration Building	- Atal Realtech Pvt. Ltd.	35.13	32.23	31.95	0.27
Palghar - Collector Office Building	Atal Realtech Pvt. Ltd.	35.03	32.98	32.63	0.35
Navi Mumbai Metro Station	Univastu India Pvt. Ltd.	127.00	62.98	69.81	(6.82)

83. This indicates that the project income of SIL was diverted to these related/connected vendors (i.e., margin at arm’s length pricing on work execution value of INR 363.24 crores – margin earned by SIL by subcontracting these projects) by subcontracting at minimal margin and also by SIL incurring expenses on such projects.

84. The SCN has also alleged that SIL entered into transactions with respect to sales of material of INR 27.04 crore was also made to the aforesaid parties. The SCN notes that as per the agreement provided they were entirely back-to-back contracts to the vendors. Therefore, sale of material to these parties is unreasonable. Further, receipts of INR 85.60 crore are more than sales to these parties by INR 58.56 crore. Also, stale cheque reversal entries of INR 18.42 crore have been passed, however, original cheque entries and corresponding payments for the said stale cheques were not found in the bank book. Further, out of 21 samples for sales sought from the company, invoice was received in case of 18 transactions. However, no other supporting documents such as weighment slips, delivery challans, purchase/sales orders, etc. were provided for all sample transactions.

85. In addition to the above, I also note from the SCN that basis review of vendor ledgers of few parties, it is noted that various adjustment entries are passed in these ledgers thereby adjusting the balances with other party ledgers. However, no justification or supporting documents have been received to validate the basis of such adjustment entries. The table below provides instances of adjustment entries:

Table 40

Party Ledger Name	Adjusted with (Ledger name)	Narration	INR in Crore	
			Debit amount	Credit amount
Univastu India Ltd. (Flower Trding Cetr. Pune) WE	Shalaka Infra-Tech India PL(Flower TradAPMC Pune)Dr	JV passed for Bill Debt assign to Univastu India Ltd. and Balance Amount Discounted.	6.29	-
Atal Realtech Pvt. Ltd. (Project Supply)	Sri Kubera Constructions Pvt. Ltd.	being Debtor assigned to creditor. Discount given to debtor transferred to Rate Difference.	6.98	-

86. Noticee no. 2, Mr. Prakash Laddha in his reply has submitted the following:

- (a) It is not uncommon for companies to subcontract work to vendors with whom they have a relationship, as it can lead to greater efficiency and cost savings.

- (b) The fact that SIL incurred expenses on the projects, even though there was no contractual obligation to do so indicates that the company acted in good faith and was committed to completing the projects successfully, even if it meant incurring additional costs.
- (c) The project margin retained by the main contractor in back to back subcontracting arrangements is often lower than if they were completed directly by the main contractor as the prime contractor typically takes a small portion of the profit as compensation for its financial and technical credentials on the basis of which the contracts are gained by it and taking on the associated risks.
- (d) The back – to – back subcontracting is a standard practice in the construction industry and was likely used by the other companies on similar projects.
- (e) Profit margins in the construction industry can be affected by a variety of factors, including market conditions, competition and project complexity. Therefore, even if SIL had not used back - to – back subcontracting, the profit margins for the subcontractors involved in the project may still have been low.
- (f) As regards sales of project supplies forming part of construction contracts of INR 27.04 crore made to these parties, it is submitted that these are separate transactions entered with the vendors required to complete the projects.

87. I appreciate the submissions made by the Noticee. I note that the charge against SIL is not merely that the Company entered into back – to – back subcontracting. The allegation against the company is that it entered into back – to – back subcontracting with parties closely associated with the Company and/ or directors of the Company some of whose entire revenue comes from transactions with SIL, and in this process incurring losses. The Noticee's reply is silent on that aspect. Furthermore, I note that the Noticee has not been able to produce relevant documents such as agreements, weighment slips, delivery challans etc. to prove that these were genuinely separate contracts entered at arms' length basis.

88. In view of the above, considering the profit margins in these subcontracts was minimal and in certain cases incurring losses, I find that SIL had entered into transactions with connected vendors which were carried out at nominal profit/ at loss. I also find that in spite of back-

to-back arrangements, the expenses like labour cost / indirect expenses on the project were incurred by SIL, though there were no contractual obligation as per work order dated 25.10.2017. In addition to the aforesaid, I find that the sales to connected vendors were without any underlying agreement and there were unreasonable adjustments in vendor balances, which remain unexplained. Based on the above, I conclude that company had not followed arm's length pricing principle while dealing with related / connected entities, and could not explain the rationale, and that project income of SIL was diverted to these related / connected vendors by subcontracting at minimal margin and also by SIL incurring expenses on such projects.

Issue V: Whether the funds of SIL were diverted by improper writing off of payments and balances?

89. I note from the SCN that a review of select party ledgers, revealed that various creditor, debtor and advance to supplier accounts were adjusted with Rate Difference & Discount account. Also, various receipts and payments were routed through this ledger. The company could not provide any supporting documents, reasons or justifications for passing such entries. The following table provides party ledgers that are adjusted through Rate Difference & Discount a/c.

Table 41

INR in Crore

Ledger Name	Opening on 01.04.16	Project Invoice booking	Payments	Receipts	Adjustments with Rate diff & disc. a/c	Closing on 31.03.20	Note
Protex Infracon Pvt. Ltd.	-	(5.36)	1.64	-	(3.72)	-	Note 1
Sherisha Technologies Pvt. Ltd. A/c	-	-	2.75	-	(2.75)	-	
Suryaprakash Tribhuvan Kalya A/c	-	-	0.86	-	(0.86)	-	
Amitkumar T. Kalya (Adv. Land/ Comm. Premises)	-	-	0.56	-	(0.56)	-	
Jasfo Design Pvt. Ltd. Adv. A/c	-	-	0.50	-	(0.50)	-	

Tribhuvanlal Kalya (Adv. Land/ Comm. Premises) A/c	-	-	0.50	-	(0.50)	-	
Manohar Bhagchand Khemani Adv. A/c	-	-	0.40	-	(0.40)	-	
Kiran Parasharam Katore A/c	-	-	0.3	-	(0.30)	-	
Swapnali Kiran Katore A/c	-	-	0.27	-	(0.27)	-	
Shailja Commercial Trade Frenzy Ltd.	-	(1.71)	3.96	(2.25)	-	-	
J. P. Company (Subcontractor) A/c	(0.27)	-	-	-	0.27	-	Note 2
Parmeshwar Merchandise Private Ltd. (Adv Abad)	0.45	-	-	-	(0.45)	-	
Mrinalini Sanjay Nikam (B-501) A/c	0.49	-	-	-	(0.49)	-	
Flareum Solar Technologies Pvt. Ltd.(Advance) A/c	0.7	-	-	-	(0.70)	-	
Total	1.37	(7.07)	11.74	(2.25)	(11.23)	-	

- **Note 1:** Payments made to these parties which are then adjusted with Rate, Diff & Discount a/c. There are no other transactions with these parties during the investigation period, except the invoice booking for Protex and Shailja. It was noted that majority of these payments were made in FY 2018-19.
- **Note 2:** Payable and Receivable balances of these accounts are adjusted with Rate, diff & Discount a/c. There are no other transactions with these parties during the investigation period and are carried forward balances from prior period.

Shailja Commercial Trade Frenzy Ltd. ('Shailja'):

In case of Shailja (Advance to supplier ledger), it is noted that during FY 2018-19 work execution expenses of INR 1.71 crore were booked. Total payments made to Shailja was more than the bill booking by INR 2.25 crore, out of which INR 1.75 crore was then adjusted with Rate Difference & Discount a/c and INR 0.50 crore was received from Shailja. Further, in FY 2019-20, INR 1.75 crore was received from Shailja which was then reversed against the amount in Rate Difference & Discount a/c. This indicates that advances given & recovered from Shailja were routed through expenses account. I note that It is irrational that excess payment made to Shailja was booked as expense under Rate difference & discount a/c.

Protex Infracon Pvt. Ltd. ('Protex'):

Similarly, in case of Protex (Sundry Creditor), it is noted that during FY 2018-19 work execution expenses of INR 5.36 crore was booked in June, July and August 2018. No payments were made in the said period. The entire amount was then adjusted with Rate, Difference & Discount a/c on 31st January 2019. Further, in FY 2019-20, INR 1.64 crore was paid to Protex which was then reversed against the amount in Rate Difference & Discount a/c.

90. The payments & receivable balances amounting of INR 11.23 crore were written off by SIL in the expenses ledger “rate, diff & discount a/c”. In most of these party ledgers, there was no invoice booking and neither was there any payable opening balances as on 01 April 2016. Clarification for transactions with few parties was sought from the Company however, no response was received on the same. The company failed to provide any documentation / explanation with respect to these transactions/writing off. Further, Noticee no. 2’s reply is silent on this allegation. In view of the aforesaid, I find that the payments to these parties with no underlying basis / transactions and subsequent write off to expense ledger is diversion of funds.

Issue VI: Whether the writing off for project WIP (Work in Progress) was unreasonable?

91. There are various instances wherein closing WIP of projects/sites is booked as loss. However, no explanations, reasons, justifications or supporting documents have been provided. The following table for such instances observed in FY 2018-19:

Table 42

INR in Crore

Project name	Opening stock as on 01.04.18	Purchases	Direct expenses	Sales	Closing stock	Gross Profit/ (Loss)	Indirect expenses	Indirect Incomes	Net Profit/ (Loss)
PCL A'bad CIDCO Guest House 18-19	0.65	-	0.14	0.14	-	(0.65)	0.00	-	(0.65)
PCL Goa Multi Purpose Hall Site	12.70	-	-	-	1.57	(11.14)	0.03	-	(11.17)
PCL Jalna Hospital Site	7.07	-	1.43	1.49	-	(7.01)	0.00	0.00	(7.00)
PCL Nashik Pathardi Devel. Of Kabrastan	-	0.15	0.00	-	-	(0.15)	0.00	-	(0.15)

PCL MSBTE/ MSIHMCT Admin Building Site	6.76	0.16	4.12	4.34	1.35	(5.35)	0.09	0.01	(5.43)
PCL Road various Projects	3.34	-	0.01	-	1.89	(1.46)	0.02	0.00	(1.48)
Total	30.52	0.31	5.70	5.97	4.81	(25.76)	0.41	0.01	(25.88)

92. Sample projects are observed in which WIP of previous period was neither billed to client nor reflected in the closing balance of the subsequent period. The variance between opening and closing WIP was expensed of INR 25.76 crore (Refer Annexure 17 of FAR for further details). Clarification and details from SIL for sample projects were sought, however, no response was provided. Considering the above unreasonable write offs of project WIP and no response from the SIL, I find that such carried forward project WIP balances are fictitious which has resulted to increase in gross loss by INR 25.76 crore in FY 2018-19.

Issue VII: Whether non-recovery of high ageing advances resulted in misutilisation of funds?

93. I note that majority of the party balances are opening balances as on April 01, 2016. These are high ageing receivables balances with no transactions during the investigation period. Further, in FY 2019-20, provision for doubtful advances of INR 4.21 crore was created. Clarification was sought from company, however, no further details were provided. The following table for balances of some parties (above 1 crore) classified as advances (current assets) in Tally:

Table 43

INR in Crore

Party name	Group	Opening (01.04.16)	Invoice booking	Payme nts	Receip ts	Adjust ments	Diff. in carry forward of bal.	Closing (31.03.20)
Dhvani Arcade Pvt. Ltd.	Advance to Work Executors	10.00	-	-	-	-	-	10.00
High Ground Enterprises Ltd.	Advances to Suppliers	-	(24.75)	28.80	-	(4.05)*	4.05**	4.05
Shitanshu Bipin Vora	Advances Against Land	4.90	-	0.50	(1.90)	-	-	3.5

Univista Contractors Limited	Advances to Suppliers	-	-	1.75	-	-	-	1.75
Blue Sea Commodities Pvt. Ltd.	Advances to Suppliers	-	-	1.70	-	-	-	1.70
Sagar Infrastructure Pvt. Ltd.	Advance Against Land Commercial Premises	1.65	-	-	-	-	-	1.65
Ariana Softect Pvt. Ltd.	Security Advance Against Lease of Premises	1.15	-	-	-	-	-	1.15
Jaikumar Real Estate Pvt. Ltd.	Other Advances	3.69	-	-	(2.62)	-	-	1.06
Keshvi Developers Pvt. Ltd.	Security Advance Against Lease of Land	1.00	-	-	-	-	-	1.00
Total		22.39	(24.75)	32.75	(4.52)	(4.05)	4.05	25.86

94. Apart from above mentioned parties, INR 2.05 crore is outstanding as advances against land given to multiple parties “Advances Against Land Survey No. (Near Shahapur)”. As per the ledger of FY 2017-18 of High Ground Enterprises Ltd., INR 24.75 crore was booked as work execution expense and INR 28.80 crore was paid. The excess payment of INR 4.05 crore was adjusted with payable balance of Ami Steel Corporation thereby nullifying the said balances to nil in FY 2017-18 which was then restated in FY 2018-19 to INR 4.05 crore. These restating of balances in FY 2018-19 indicates understatement of balances carried forward from March 31, 2018 to April 01, 2018. I note that clarification was sought from company, however, no further details were provided. I also note that Noticee no. 2’s reply is silent on this aspect.

95. In view of the above, I note that advances were paid to multiple parties of INR 27.91 crore (INR 25.86 and INR 2.05 crore) wherein there is no expense booking and subsequent recovery during the investigation period. Further, in FY 2019-20, provision for doubtful advances of INR 4.21 crore is created. Therefore, I find that payment to these parties are

outstanding with high ageing and resulted in misutilisation of funds. Further, the payable and receivable balances as on March 31, 2018 was understated by INR 4.05 crore.

Issue VIII: Whether there was proper documentation for purchase and sale of fixed assets with connected entities?

96. On review of fixed assets ledgers, the SCN notes that SIL purchased building (Floor No. 2 & 3 of Pinnacle Mall) from Silver Key Developers Pvt. Ltd. (Erstwhile Atal Buildcon Pvt. Ltd.), an Associate company of SIL on 30th June 2019 amounting to INR 22 crore. This property is built by SIL (formerly known as Prakash Constrowell Ltd.) as per its website. Further, SIL sold Maserati - Gran Turismo Sports Car to Prafulla Bhat (past director of SIL) on 31 July 2019 amounting to INR 0.83 crore. A DG Set was sold to Atal Buildcon Pvt. Ltd. of INR 0.12 crore on 28th June 2018. For all the above transactions, supporting documents such as Transfer Agreement, Valuation Reports, Invoices etc. have not been provided. Further, the company did not provide physical verification and valuation reports of fixed assets.

97. In view of the above, I note that the Company has not submitted any documents for fixed assets (building) of INR 22 crore purchased from Atal Buildcon Pvt. Ltd. As per asset description it was noted that the space was bought in a shopping mall that was built by SIL. Further, no documentation is provided towards sale of assets of the company. In view of the above and the lack of documents to support the purchase / sale and the fact that these transactions were entered with connected entities, I find that the above transactions are resulting into misutilisation of assets of the company.

Issue IX: If the answer to Issue I to VIII is in the affirmative, then which provisions of law have been violated and what is the role of Noticee no. 2 and Noticee no. 3 in the said violations?

98. I note that the SCN has alleged that Noticee no. 2, Mr. Prakash Laddha, the non-independent director, chairman and audit committee member had violated Regulations 3

(c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act, 1992 and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12), 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of LODR Regulations. The SCN has also alleged that Noticee no. 3, Mr. Prafulla Bhat, former Whole Time Director had violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

99. In this regard, I find it pertinent to reproduce the relevant provisions of law for ease of reference:

SEBI (PFUTP) Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(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 3, 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 fraud and may include all or any of the following, namely:

(f) [knowingly] publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 13[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;

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

SEBI (LODR) Regulations, 2015:

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

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

(e) 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.

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

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

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

(h)The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

(i) filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.

(j)Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

Regulation 4(2)(e) Disclosure and transparency: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

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

Regulation 4(2)(f) Responsibilities of the board of directors:

The board of directors of the listed entity shall have the following responsibilities:

(i) Disclosure of information:

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

(ii) Key functions of the board of directors-

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

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

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

(8) Overseeing the process of disclosure and communications.

(iii) Other responsibilities:

(1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.

(3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

(6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.

(12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.

Clause A of Part C to Schedule II under regulation 18(3). *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;

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

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

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

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

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

SEBI Act, 1992

Section 12A. No person shall directly or indirectly—

- (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;

27. (1) Where an offence under this act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

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

100. The financial statement frauds in listed company results in the loss of confidence by domestic and international investors not only in the listed company in question but also the entire industry to which that listed company belongs. Thus, there is a need for SEBI to take direct action against perpetrators of such financial fraud since it not only has an adverse impact on the shareholders of the company but also impacts the confidence of investors in the securities markets. Artificially misrepresenting a company's revenue, profits or receivables or diversion/misutilisation of funds etc., will impact the price of the shares of the company and would influence the investment/disinvestment decisions of the investors. In cases relating to diversion/misutilisation of funds or misrepresentations in financial statements by a listed company and its management, the intention of the perpetrators is to reap the benefit of such diversion/misutilisation or misrepresentations which has a direct bearing on the interest of the investors as they remain invested or deal in securities without having any information of such diversion/misutilisation and misrepresentations. Therefore, such diversion/misutilisation of funds or misrepresentations in financial statements are unfair trade practices.

101. I note from the findings in Issue no. I to VIII read with the FAR that the diversion of funds, misutilisation of assets and misrepresentation of financials during the investigation period is as follows:

Table 44

INR in Crore	
Particulars	Amount
Fictitious Sales transactions	137.54
Fictitious purchase transactions	220.24
Diversion of funds through writing off of receivables as bad/doubtful debts	35.35
Diversion of funds to connected entities through payment towards fictitious purchases	94.17
Misrepresentation of closing balances	32.42
Non-disclosure of Related Party Transactions	67.11
Diversion of funds by improper writing off of payments & balances.	11.23

Unreasonable write off of Project WIP	25.76
Non-recovery of High ageing advances resulting in misutilisation of funds	27.91
No documentation for purchase of building from connected entity	22.00

102. Had the company accurately accounted the purchases and sales and abstain from diverting/misutilisation of the company funds in the respective years, the financial position of the company would have been significantly different. This could have had huge impact on the decision making process for all stakeholders including minority shareholders of SIL and other stakeholders including financial institutions. Therefore, the published financial statements / results of the company did not give a true and fair view of the financial performance and position of the company as it significantly misrepresented the financials, thereby published manipulated financial statements and disseminated the same to the stock exchanges.

103. I note that the financial statements significantly misrepresented the financials of the Company. Had the real financial position of the company not been withheld in the published financial statements, it was likely to have influenced the decision of investors dealing in securities. The Audit Committee of the company was duty bound to ensure compliance with the accounting standards and to ensure credibility of the financial statements, failed in discharge of their statutory responsibilities.

104. In view of the foregoing, the misrepresentation of financial statements by recording fictitious purchases and sales transactions allegedly to divert the company funds and to manipulate the financial position of the company materially can be seen as a part of pre-determined and fraudulent scheme/device in terms of Regulation 2(1)(c) of PFUTP Regulations. The relevant extract of Regulation 2(1)(c) of PFUTP Regulations defining fraud is;

2(1)(c) "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;

And “fraudulent” shall be construed accordingly;

105. I also find it pertinent to note that the Resolution Professional in his reply dated August 01, 2023 has submitted a report of the Transaction Audit Report (*hereinafter referred to as “TAR”*). After taking charge of SIL i.e. the Corporate Debtor and as per the provisions of the IBC, the RP was required to conduct a Transaction Audit in line with the provisions of Section 42 (Preferential Transactions), Section 45 (Avoidance Transactions), Section 50 (Extortionate Credit Transactions) and Section 66 (Fraudulent Trading or Wrongful trading) of IBC to identify such transactions. In this regard, the RP appointed M/s Vijay Jain and Associates, Chartered Accountants to conduct the said Transaction Audit which was submitted on March 14, 2023. Based on the observations made in the TAR, an application before the Hon’ble NCLT under Sections 43 and 66 read with Sections 44, 45, 47, 48, 49 and 50 of the Code has been filed seeking necessary directions against the suspended members of the Board of Directors and Board of Directors of the related parties of the Corporate Debtor. The RP has informed that the said application is pending for final disposal.
106. I find it pertinent to reproduce the relevant portions of the TAR which show that the affairs of the company were not being conducted in a manner beneficial to the interest of its shareholders/ investors.

“1.Fixed Assets

Plant and Machinery

1.3. Centring material required for constructing the RCC structure and generators (D.G. Sets) from major part of the plant and machinery. Centring material consists of pre- fabricated or customized material such as centring sheets, spans and props, column boxes, circular wall forms, special tailor-made forms and cup- lock systems, etc. The present written-down value of centring material and generators is INR 95,58,177/- and INR 35,42,425/- respectively. We have been given to understand that these assets were purchased specifically for the contract relating to construction of residential accommodation under the Married Accommodation Project for the Indian Armed Forces at Colaba, Mumbai awarded by the department of Directorate General Married Accommodation Project

(“DGMAO”). This material was stored and installed at the Colaba site. However, due to dispute and financial stress faced by the Corporate Debtor, the contract has been abandoned. Owing to this, DGMAP has confiscated these assets and has prohibited Corporate Debtor’s access to the site. As a result we could not physically verify these assets. Also, the erstwhile management did not provide us with any confirmation from DGMAP to evidence this fact. In light of the above, we are unable to satisfy company’s claim of ownership relating to these assets. We suspect that DGMAP has either appropriated these assets against damages/ costs for nonfulfillment of the obligations by the Corporate Debtor or these assets have been sold/ discarded either by DGMAP the erstwhile management. **Documents available on record are not sufficient to confirm that these assets are held by DGMAP and thus we suspect that these assets have been disposed/ possessed by the erstwhile management and proceeds therefrom (if any) have not flown to the Corporate Debtor.** Thus, we classify this transaction amounting to INR 1.31 crores as a transaction undertaken with a specific intention to defraud the creditors under Section 66 of the Code.

3. **Advances to Creditors (INR 3.59 crores)**

3.1 The Corporate Debtor has made payments to the following parties amounting to INR 3.59 crores. The erstwhile management has represented that these amounts were paid as advance towards purchase of project supplies such as steel, cement, works contract, etc.

Name of Party	Amount	Related/ Unrelated
Ariana Softect Pvt. Ltd. A/c	11500000.00	Unrelated
Avantrade Multitrading Pvt Ltd A/c	5000000.00	Unrelated
Jaydeep Jaiprakash Patil A/c	3750000.00	Unrelated
Keshvi Developers Pvt. Ltd. A/c	7500000.00	Unrelated
Latest Projects Pvt. Ltd. (Adv.) A/c	5693035.00	Unrelated
Navkar Associates (Adv.) A/c	2498900.00	Unrelated

3.2 The erstwhile management has produced copies of sales order from these parties and corresponding purchase orders issued by the Corporate Debtor. However, no balance confirmations were obtained from these parties. Based on our discussion with the erstwhile management we understand that these vendors have failed to supply required material/ services as per the purchase order and this amount is now recoverable from them.

3.3 However, apart from verbal communication and letter correspondence, the erstwhile management has not initiated any legal action against these parties for its timely recovery. These advances have been outstanding for more than 3-4 years now. Considering the quantum of receivable, its ageing and the present state of the Corporate Debtor, we believe that the erstwhile management has not taken sufficient efforts to recover these amounts. We believe timely recourse to legal actions could have helped substantially in realising these amounts.

3.4 Such specific conduct of the erstwhile management to realise the receivables leads us to suspect that these receivables could only be a mechanism to siphon money from the Corporate Debtor with these parties acting as accommodating entities. Based on this suspicion we have classified this transaction amounting to INR 3.59 crores as a transaction undertaken with a specific intention to defraud the creditors under Section 66 of the Code.

4. Work in Progress

4.1 We understand that the Corporate Debtor recognizes revenue in accordance with Ind AS 115- Revenue from Contracts with Customers following percentage completion method. Measurement of work- in- progress as on a reporting date using this method represents the amount of expenditure incurred relating to future activity on the contract and which is due from the customers (unbilled revenue).

4.4 We observed that there were significant deviations in the estimated contract costs and resultant deviation in the stage of completion and work- in- progress in the following cases in a period-to-period basis. The erstwhile management did not provide any documentation to support these variations and thus we are unable to certify the amount of work- in- progress.

4.5 Apart from above, we also observed that in the following circumstances the estimated contract costs have already exceeded the contract revenue. Para 36 of Ind As 115 requires an entity to immediately recognise the expected loss as an expenses. However, instead of recognising this loss as an expenses, the Corporate Debtor has recognized this as work- in- progress in anticipation of escalation claims. However, this treatment is not in line with the accounting standard and pending any approval of escalation claims, this expected loss should have been recognized as an expenses in the respective periods.

4.6 With respect to the amount of work- in- progress stated at point no. 4.4 and 4.5 above, **we suspect that the erstwhile management has intentionally inflated the amount of inventory to the tune of INR 2,54,21,890/- either by changing the estimated without any rationale or by capitalizing the costs incurred on onerous contract only to fulfil the drawing power requirements. This we suspect has been done with a fraudulent intention to defraud the creditors.**

6. Payments to related parties

6.1 For the review period we observed that the Corporate Debtor has paid rental charges to its related parties as under:

Sr. No.	Name of Related Party	Expenses booked in P&L during review period	Payment made during the review period
1.	Aruna P. Laddha	24.53 Lakh	14.59 Lakh
2.	Prakash P. Laddha	36.30 Lakh	5.73 Lakh

6.2 From our examination of the books of accounts and discussion with the erstwhile management we understand that all the contract have been abandon by the Company Debtor since last 2 years. Further, the number of employees has also reduced significantly. In such situation we fail to understand the requirement of office premises with rental as high as 1,60,000 per month. **The related parties seem to be earning revenue at the cost of the increasing the financial burden of the Corporate Debtor.**

6.3 Considering the level of operations and the financial situation being faced by the Corporate Debtor we are of the view that monthly rental of INR 1,60,000/- is on a higher side.

7. **Difference in GST Ledgers**

7.1 During our audit, we observed differences between the credit/ cash ledger maintained in the books of accounts and the credit ledger/ cash as per the GST portal.

7.2 As per our analysis, the total credit/ cash available in the GST portal for the period under review, and the credit/ cash available in the books of accounts is as follows:

Cash/ Credit Balance as per Books	Cash/ Credit Balance as per GST Portal	Difference
4,27,88,264.09	47,14,306.00	3,80,73,958.09

7.3 Recording of incorrect balances may lead to deliberate manipulation of financial records to conceal the actual credit position of the Corporate Debtor. Such manipulation many include recording fictitious credits, adjusting the amounts of actual transactions, and understanding the output liability on in the GST returns.

7.4 It also shows **that the Corporate Debtor is filing incorrect GST returns, resulting in a difference between the credit/ cash available in the books of accounts and the credit/ cash available in the GST portal. This difference also displays the weaknesses in the Corporate Debtor's internal controls, which allowed for the manipulations of financial records and incorrect filing of GST returns.** The lack of adequate internal controls also led to the failure to detect and prevent the observed discrepancies in the credit ledger.”

Role of Mr. Prakash Pusaram Laddha (Noticee No. 2):

107. The SCN has alleged that Mr. Prakash Laddha as Promoter of SIL, chairman/non-independent member of the board of directors and as a member of audit committee, had failed to comply with the provisions of the LODR Regulations and violated the provisions

of PFUTP Regulations with regard to the observations of investigation discussed at Issue no. I to VIII. Therefore, it is alleged that the violations committed by the company were with the consent or connivance of, or is attributable to the neglect on the part of Mr. Prakash Laddha and he is responsible for all the acts of omission and commission by the company in this connection. In view of the observations discussed at Issue no. I to VIII, it is alleged that Mr. Prakash Laddha had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc.

108. Noticee no. 2, Mr. Prakash Laddha vide written submissions dated March 19, 2024 has submitted that he was a non-executive director of SIL from September 14, 2017 to July 28, 2020, and that in this role he was not involved in any day to day operations of SIL. It is further submitted that the transactions in the investigation period overlap with the period when the Noticee was a non – executive director. In this regard, the Noticee has relied on the General Circular no. 1/2020 dated March 02, 2020 issued by the Government of India Ministry of Corporate Affairs on ‘Clarification on prosecutions filed or internal adjudication proceedings initiated against Independent Directors, non- promoter and non-KMP non-executive directors’ (hereinafter referred to as “Clarificatory Circular”) wherein reliance has been placed on Section 149 (12) of the Companies Act to state that Independent Directors should not be arrayed in any criminal or civil proceedings under the Act unless the criteria as mentioned in the said Section is met. It was further submitted that during the investigation period, Noticee no. 4 was the Managing Director and Noticee no. 3 was the Whole Time Director who were involved in the decision making process including the financial decisions.

109. At this stage, I find it pertinent to reproduce Section 149 (12) of the Companies Act and the relevant paragraph of the Clarificatory Circular.

Companies Act:

CHAPTER XI

APPOINTMENT AND QUALIFICATIONS OF DIRECTORS

149. Company to have Board of Directors.—

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(12) Notwithstanding anything contained in this Act,—

(i) an independent director;

(ii) **a non-executive director not being promoter** or key managerial personnel,

shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently. (Emphasis Supplied)

Clarificatory Circular:

*“3. Section 149 (12) is a non-obstante clause which provides that the liability of an independent director (ID) or a non-executive director (NED) not being promoter or key managerial personnel would be only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently. **In view of the express provisions of section 149(12), IDs and NEDs (non-promoter and non-KMP), should not be arrayed in any criminal or civil proceedings under the Act, unless the above mentioned criteria is met.**” (Emphasis Supplied)*

110. From the aforesaid, it is understood that I note from Table no. 2 that Noticee no. 2, Mr. Prakash Laddha was Executive Director of SIL from January 04, 1996 to September 13, 2017. He was a Non- Executive Director of SIL from September 14, 2017 to July 28, 2020. I also note from the IR that based on the disclosures made by the Company on the website of the Stock Exchange, Noticee no. 1, Mr. Prakash Pusaram Laddha and his family members namely, Ms. Aruna Prakash Laddha, Ms. Prachi Laddha and Ms. Rachita Rakesh Laddha were declared as Promoters/ Promoter Group of the Company and continued to remain during the entire investigation period. In view thereof, Section 149 (12) and the Clarificatory Circular is not applicable to Noticee no. 2 as throughout the investigation period, the Noticee was not only a Non-Executive Director but also a Promoter of SIL. It is also pertinent to note that SIL was incorporated in 1996, headquartered in Nashik and was founded by Shri Prakash Pusaram Laddha. I also note from the SCN that Noticee no. 2 was also the Chairman of the company and has attended all the 27 board meetings held

during FY 2016-17 to FY 2019-20, as per annual reports of SIL which has not been disputed by the Noticee.

111. I note that the Independent Directors of SIL during the investigation period were examined on oath and their statements were recorded by the Investigating Authority. The statement of Mr. Prashant Prabhakar Gadkari, Independent Director was recorded on June 21, 2022 wherein he stated the following before the Investigating Authority:

1. When did you join Setubandhan Infrastructure Limited / Prakash Constrowell Limited ("SIL" or "Company")? What was/is your designation, role/ responsibility with respect to SIL? Who referred you? Have you worked in any other companies of the group? If yes, mention the name.

Reply: I was working with various companies as site engineer and experienced in the Civil works. My job was to give solutions / suggestions in land acquisition matters especially involving Government. I joined SIL in 2013 as an Independent Director. I was into Project Management Consultancy (land consultancy). SIL was having some problems in property matters, I joined as Independent Director. I know Mr. Prakash Laddha since 2009.

- 3. Were you one of Audit Committee members during FY 2016-17, 2017-18 and 2018-19.*

Reply: Only now, I came to know about the fact that I was an audit committee member. I was not given any appointment letter or any communication in that connection.

- 4. Who were the other members of the Board and Audit Committee?*

Reply: I know only Mr. Prakash Laddha. I don't know any other members of the Board or Audit Committee.

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- 12. Explain in detail the role of Mr. Prakash Laddha at SIL during FY 2016-17 to 2018-19.*

Reply: He was the chairman of the company. He was the sole decision maker in the company.

112. The statement of Ms. Jyoti Ravindra Rathi, Independent Director was recorded on June 21, 2022 wherein he stated the following before the Investigating Authority:

2. When did you join Setubandhan Infrastructure Limited ("SIL" or "Company")? What was/is your designation, role/ responsibility with respect to SIL? Who referred you? Have you worked in any other companies of the group? If yes, mention the name.

Reply: *Joined in 2015 as Independent Director. Mr. Laddha was known to me before. Mr. Prakash Laddha and my husband are family friends. He approached me to become a Women Director. Before SIL, I was associated with small scale industries in stitching for industrial supply in Aurangabad.*

3. Were you one of Audit Committee members during FY 2019-20. Explain how you discharged your duties as an Audit Committee Member of SIL in terms of LODR regulations.

Reply: *Yes. I have no idea about the requirement of SBEI (LODR) Regulations for an Audit Committee member.*

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6. Were you regular in attending Board Meetings and Audit Committee meetings?

Reply: *I used to attend meeting almost on regular basis. I was getting all notices and agenda of the meetings. Last attended the meeting in November 2021.*

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12. Is SIL into Trading? When you ventured into Trading business? What materials? Why ventured into Trading? What is the Margin?

Reply: *I am not aware.*

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15. Did you know Mr. Prakash Laddha? What was his role at SIL during FY 2016-17 to 2019-20?

Reply: *Yes. He was the one who manages day to day affairs of the company. As far as I remember, he attended all the Board meetings.*

113. In view of the above, as per the statement recording of Mr. Prashant Gadkari (Independent Director) before SEBI, Mr. Prakash Laddha was the sole decision maker in the company

during FY 2016-17 to FY 2018-19. As per the statement recording of Ms. Jyoti Ravindra Rathi (Independent Director) before SEBI, Mr. Prakash Laddha was the one who managed day to day affairs of the company during FY 2016-17 to FY 2019-20.

114. I also find it pertinent to note from the SCN that the promoters of SIL including Noticee no. 2, Mr. Prakash Laddha had offloaded significant portion of their stake in the company during the period in which the financials of the company were misrepresented. The change in promoter shareholding (Mr. Prakash Laddha and family) is as follows:

Table 45

Quarter ended	% of holding (A)	Shareholding Pledged (as a % of A)
March 31, 2016	64.13	47.62
June 30, 2016	64.13	47.62
September 30, 2016	45.76	76.47
December 31, 2016	27.42	0
March 31, 2017	27.42	0
March 31, 2018	27.42	0
March 31, 2019	27.42	0
March 31, 2020	27.42	0

115. In addition to the above, as per Annual reports, Mr. Prakash Laddha was one of the signatories to Directors' Report & audited financial statements for FY2016-17, FY2017-18, FY 2018-19 and FY 2019-20. He is designated as Chairman in these reports except for the FY 2018-19.

116. I note that the Hon'ble Supreme court in *Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602* has observed that "A Director may be shown to be so 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 the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the

affairs of the Company even superficially.” Furthermore, the Hon’ble Supreme Court in *N. Narayanan v. Adjudicating Officer, SEBI*² observed the following:

“32. Responsibility is cast on the Directors to prepare the annual records and reports and those accounts should reflect ‘a true and fair view’. The over-riding obligation of the Directors is to approve the accounts only if they are satisfied that they give true and fair view of the profits or loss for the relevant period and the correct financial position of the company.

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.”

117. I note that the Noticee was a member of the Audit Committee during the investigation period. I note from IR that as per annual reports of the company, following are the details of number of audit committee meetings held and attended by the directors of SIL including the Noticees during the FY 2016-17 to FY 2019-20:

Table 46

FY	Particulars of the meetings	Mr. Prakash Laddha	Mr. Vishal Ahuja (Chairman-Audit committee)	Mr. Prashant Gadkari (till 11.7.2019)	Mr Ramniwas Rathi	Ms. Jyoti Rathi (w.e.f. 11.7.2019)
206-17	Held	7	7	7	7	NA
	Attended	7	3	7	4	NA
2017-18	Held	5	5	5	NA	NA
	Attended	5	5	5	NA	NA
2018-19	Held	5	5	5	NA	NA
	Attended	5	5	5	NA	NA
2019-20	Held	4	4	4	NA	4
	Attended	4	4	1	NA	3
Total Meetings held		21	21	21	7	4
Total Meetings attended		21	17	18	4	3

118. From the above, I note that out of the 21 audit committee meetings held by SIL, all the 21 meetings were attended by Noticee no.2. The role of the Audit Committee is defined in

² Civil Appeal Nos. 4112-4113 of 2013, decided on April 26, 2013.

SEBI (LODR) Regulations, 2015, wherein, the Audit Committee is required to exercise 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.

119. In view of the above, I find that Mr. Prakash Laddha, in his capacity as Executive Director (FY 2016-17), Non-Executive Director (FY 2017-18 to FY 2019-20), as Chairman of the Board of Directors and member of the audit committee of SIL has violated Regulations 3 (c), (d) & 4 (1) , 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1)(c), 48 of LODR Regulations r/w Section 27 of SEBI Act, 1992 and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12), 18(3) read with clause A (1), (4), (11) under Part C of Schedule II of LODR Regulations.

Role of Mr. Prafulla Subhashchandra Bhat (Noticee No. 3)

120. Mr. Prafulla Subhashchandra Bhat (Prafulla Bhat) has been non-executive director from March 04, 2016 to September 13, 2017 and the Whole Time Director of SIL from September 14, 2017 till August 11, 2020. He has attended all the 27 board meetings from FY 2016-17 to FY 2019-20, as per annual reports of SIL.
121. Summons for personal appearance before SEBI were issued to Mr. Prafulla Bhat addressing to multiple addresses available on record. However, all of them returned undelivered. The summons was also sent to his email ids, however no response was received from him.
122. I note that in his statement recorded before the Investigating Authority, SEBI on April 11, 2022, Mr. Vishal Ahuja, Independent Director and Chairman of Audit Committee stated that Mr. Prafulla Bhat took over the company in 2017 and was running the business. Vide letter dated July 21, 2022, Mr. Trichur Ganpat Krishnan, former Managing Director stated that Mr. Prafulla Bhat was looking after all the activities of the company including

supervision of ongoing projects, business expansion, fresh work orders, management of cash flow and fund flow, accounts and audit, etc.

123. As shown hereinabove, INR 94.17 crore was diverted from SIL to two entities viz. Damani and Skyfall where Mr. Prafulla Bhat was a director. I note that Mr. Prafulla Bhat, Whole-Time Director during investigation period.
124. I note that a company acts through its directions and in view of the observations for Issue Nos. I to VIII and the role of Mr. Prafulla Bhat as explained above, I find that Mr. Prafulla Bhat had fraudulently misrepresented and manipulated the financials of SIL by accounting fictitious sale and purchase transactions, misstatement of receivable and payable balances, diversion of funds through vendor payments (to connected entities) towards fictitious purchases and writing off receivables, non-disclosure of related party transactions, etc. as explained in para 3.
125. Therefore, I find that Mr. Prafulla Bhat, former Whole Time Director had violated Regulations 3 (c), (d) & 4 (1), 4(2) (f), (r) of PFUTP Regulations r/w Section 12A (b) and (c) of the SEBI Act and Regulations 4(1)(a),(b),(c),(e),(g),(h),(i),(j), 4(2)(e)(i), 33(1),(c), 48 of LODR Regulations r/w Section 27 of SEBI Act and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1)(3)(6)(12) of LODR Regulations.

DIRECTIONS

126. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4) and 11B (1), 11B (2) read with of Section 19 of the SEBI Act, and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, do hereby pass the following directions:
- (a) The Noticee no. 2, Mr. Prakash Laddha and Noticee no. 3, Mr. Prafulla Bhat are restrained from accessing the securities market in any manner whatsoever, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, in any manner, whatsoever, for a period of two (2) years, from the date of coming into

force of this order;

(b) The Noticee no. 2, Mr. Prakash Laddha and Noticee no. 3, Mr. Prafulla Bhat are prohibited from being associated with the securities market in any manner whatsoever, including as a director or Key Managerial Personnel in a listed company or an intermediary registered with SEBI, for a period of one (1) year, from the date of coming into force of this direction;

(c) The Noticee no. 2, Mr. Prakash Laddha and Noticee no. 3, Mr. Prafulla Bhat, are hereby imposed with, the penalties, as specified hereunder:

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalty Amount (In Rupees)
2	Mr. Prakash Laddha	Section 15HA of the SEBI Act	INR 15,00,000/- (Rupees Fifteen Lakh Only)
		Section 15HB of the SEBI Act	INR 10,00,000/- (Rupees Ten Lakh Only)
4	Mr. Prafulla Bhat	Section 15HA of the SEBI Act	INR 15,00,000/- (Rupees Fifteen Lakh Only)
		Section 15HB of the SEBI Act	INR 10,00,000/- (Rupees Ten Lakh Only)

(d) The said Noticees shall remit / pay the said amount of penalties within 45 days from the date of coming into force of this order. The said Noticees shall remit / pay the said amount of penalties through either by way of Demand Draft in favour of “SEBI -

Penalties Remittable to Government of India”, payable at Mumbai, or 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 Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to "The Division Chief, CFID-SEC-2, 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 in the format as given in table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount/ legal charges along with order details)	

(e) The proceedings emanating from the SCN dated November 28, 2022, against Noticee no. 4, Mr. T. G. Krishnan stands abated.

127. It is hereby clarified that if the Noticees have any open position in any exchange traded derivative contracts, as on the date of this order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The Noticees are permitted to settle the pay in and pay out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

128. This order shall come into force with immediate effect.

129. A copy of this order shall be sent to the Noticees, Mr. Prakash Pusaram Laddha, Mr. Prafulla Subhashchandra Bhat and Legal Representatives of Mr. Trichur Ganpat Krishnan, the relevant banks, Depositories and Registrar and Transfer Agents of mutual funds to ensure that the directions given above are strictly complied with.

Date: May 06, 2024
Place: Mumbai

Sd/-
Dr. ANITHA ANOOP
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA