

SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM : ANANTA BARUA, WHOLE TIME MEMBER

FINAL ORDER

Under Sections 11(1), 11(4), 11A and 11B of the Securities and Exchange Board of India Act, 1992 and Section 12A of the Securities Contracts (Regulation) Act, 1956 in the matter of Ritman Infra Limited

In respect of:

Sr. No.	Name of the Noticee	PAN/ DIN
1.	Ritman Infra Limited	AAACL5238Q
2.	Mr. Parag Majumdar	AEKPM9980R
3.	Mrs. Falguni Majumdar	AHTPM7003M
4.	Mr. Dinesh Majumdar	ADUPM4085C
5.	Mrs. Pushpa Majumdar	AFLPM2418Q
6.	Mrs. Lipika Ray	BAIPR4092Q
7.	Mr. Saibal Bhattacharjee	ALGPS0357M
8.	Mr. Dibyendu Sarkar	DHFPS9442K

The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as “the Noticees”.

BACKGROUND:

1. Ritman Infra Limited (hereinafter referred to as “**the Company/ Ritman**”) was incorporated on May 14, 1984 and listed on Metropolitan Stock Exchange of India Limited (hereinafter referred to as “**MSEI**”) since July 27, 2016.

2. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) vide Interim Order dated October 13, 2017 (hereinafter referred to as “Interim Order”), *inter alia* directed the promoters and directors of the Ritman not to sell the shares of the company till further orders and also directed the MSEI to appoint an independent auditor to conduct forensic audit of Ritman. These directions were subsequently confirmed vide SEBI’s Confirmatory Order dated April 25, 2018.
3. Aggrieved by the Confirmatory Order dated April 25, 2018, the Noticee No. 1 filed an Appeal before the Hon’ble SAT (Appeal No. 202 of 2018) wherein the Hon’ble SAT vide Order dated June 28, 2018 allowed SEBI to issue the show cause notice within eight weeks. Subsequently, the Hon’ble SAT vide order dated August 29, 2018 allowed additional two weeks’ time for issuance of show cause notice.

SHOW CAUSE NOTICE:

4. Based on the observations made in the Forensic Audit Report, a show cause notice dated September 10, 2018 (hereinafter referred to as “SCN”) was issued to all the Noticees for alleging that Noticee No. 1 has violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with regulation 3 (b), (c) and (d) and regulation 4(1), and 4(2) (f) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (**PFUTP Regulations**) and the provisions of regulation 4(1) (a),(b), (c) and (g) and 48 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**LODR Regulations**) and Clause 50 of the erstwhile Listing Agreement read with Section 21 of Securities Contracts (Regulation) Act, 1956 (**SCRA**). Noticee No. 1 was also alleged to have violated the provisions of regulation 6(1), 18(1)(b) and 19(1)(c) of LODR Regulations and Clause 47 of the erstwhile Listing Agreement. By not providing the information and documents sought by the Forensic Auditor, the Noticee No. 1 and 2 were alleged to have violated Section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992. Further, Noticee Nos. 2 to 8 were alleged to have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act, 1992, Regulation 3(b), (c) and (d) and 4(1) and 4(2) (f) and (r) of the PFUTP Regulations and Regulations 4(1) (a), (b), (c) and (g), 4(2)(f)(i)(2), 4(2)(f)(ii)(6) and (7), 4(2)(f)(iii)(1),(3),(6) and (12), 33(2)(a) and 48 of the LODR Regulations, and Clause 49(v) and 50 of erstwhile Listing Agreement read with Section 21 of SCRA. Along with SCN, a copy of Forensic Audit Report along with all its annexures and copies of email dated July 05, 2018 and July 06, 2018 were also provided to the Noticees. The Noticees were called upon to show cause as to why suitable directions under Section

11(1), 11(4), 11A and 11B of the SEBI Act, 1992 and Section 12A of SCRA should not be passed against them.

5. The sum and substance of allegation made in the SCN are as under:

A. **Misrepresentation of the Accounts/ Financial Statements** – The Company was alleged to have misrepresented the Accounts/ Financial Statements of the Company on account of the following:

- i. **Distribution Rights:** As per the balance sheet FY 2015-16, intangible assets amount to Rs.0.08 crores. However, during the FY 2016-17, the company has fully amortized the intangible assets (Distribution rights). It was observed that the Noticee no. 1 had failed to furnish the details like distribution rights for which the payment has been made, the use of distribution right and revenue generated, copy of invoice related to the transaction and other documents as sought by the Auditor. It was also observed that the distribution right was not generating any revenue or value for the auditee, as per Accounting Standard-10, the same should have been written off in the year in which it stopped generating revenue and, by not doing so, the Noticee No. 1 has not complied with the provisions of Accounting Standard-10.
- ii. **Tangible Fixed Assets:** As per the balance sheet FY 2015-16 & FY 2016-17, tangible fixed assets amounts to Rs. 0.28 crores and Rs. 0.36 crores respectively. It is noted that Noticee No. 1 has not provided any details, documents or any other information requested from them in this respect and, therefore, it is observed that the tangible fixed asset being displayed can't be genuine.
- iii. **Investment in Securities (non-current investments) :** The total non-current investments for FY 2015-16 and 2016-17 was Rs.0.82 cr and Rs. 4.12 cr. respectively. The company had made investments in equity shares of subsidiaries and other entities (owned or significantly influenced by key management person), investment in gold and investment in property. The total investments in securities in FY 2015-16 is Rs. 0.72 cr and FY 2016-17 is Rs. 0.65 cr.

It is observed that the Noticee No. 1 has failed to furnish the details like the financial statements of all the companies in which it had made investment during aforesaid period except one Ritman Stara Chem Sdn Bhd (incorporated in Malaysia) for only F.Y. 2015-16. Also noted that the Company has not furnished the required information/ supporting documents as sought by the Auditor and, therefore, observed that the genuineness of investment projected in securities is doubtful.

In respect of investment made in Ritman Stara Chem Sdn Bhd, it was noted that its Net Worth, as on March 31, 2016, was MYR.1,74,301 (in Indian Rs. 29,66,237/-). This amount is much less than the investment value shown in the financial statements of Noticee No. 1 as Rs. 64,17,300/- and there is a difference of Rs. 34,51,063/-. It is observed that by not showing the reduced investment value in the financial statements, the Noticee No. 1 has not complied with the provision no. 17 of Accounting Standard-13.

- iv. **Investment in Gold:** The investment in gold is shown as non-current investment of Rs. 0.10 cr in the annual report 2015-16 and 2016-17. The Forensic Audit Report has noted that the Noticee No. 1 has not provided any information in this regard and, therefore, doubts were raised over the genuineness of investment made in gold in the normal course of business.

- v. **Inventories - Valuation of Stock in Trade:** The valuation of total inventories for FY 2015-16 is Rs. 5.6 cr and FY 2016-17 is Rs. 3.32 cr. Inventory includes stock in trade and construction work in progress. The Auditor has noted the submission of the Noticee No. 1 that most of the inventory items were not in usable condition. In the Forensic Audit Report, it has been observed that, by not showing lower of cost and net realizable value of stock in trade, the Noticee No. 1 has failed to comply with the provision of Accounting Standard – 2. It has also been observed that due to non-submission of information and documents by Noticee No. 1, the quantum of inflation cannot be determined.

B. **Misuse of books of Account/ Funds of the Company -** The Company was alleged to have misused the books of account / funds on account of the following:

- i. Advance received against Properties:** In the Forensic Audit Report, it has been noted that other current liabilities of the Company was shown as Rs. 10.13 cr and Rs. 11.39 cr. for the FY of 2016-17 and 2015-16, respectively. Further, Rs. 9.94 cr. and Rs. 11.25 cr. was towards Advance against properties for FY 2016-17 and 2015-16. It has been observed that information and necessary details were not provided to verify the advances received against properties and that the Company has only submitted a list of fifteen entities for FY 2016-17 from whom advances were stated to have been received and out of the said list, it is noted that the current status of one of the entities; Heartline Estates Pvt. Ltd. shown as *strike off* in August, 2014 on MCA website. Also noted that advances were accepted from one Matra Panagarh Developers where Mr. Parag Majumdar (Noticee No. 2) and Mr. Falguni Majumdar (Noticee No. 3) are directors but the same was not disclosed in the Annual Report for FY 2015-16 and 2016-17. It is noted in the Report that in the absence of necessary information and documents, receipt of advances can't be said to be genuine.
- ii. Investment in securities:** The total investments in securities (Trade investments and other investments) in FY 2015-16 is Rs. 0.72 cr and FY 2016-17 is Rs. 0.65 cr. During 2016-17, the Noticee No. 1 has sold other investments to its subsidiary amounting to Rs. 0.08 cr. In 2016-17, the company has trade investment of Rs. 0.64 cr. in one of the subsidiary Ritman Stara Chem Sdn Bhd (100% owned) shown under non-current investments. In the Forensic Audit Report, it is noted that Noticee No. 1 has not provided the necessary information and details like the financial statements of all the companies in which the company had invested for both FY 2015-16 and FY 2016-17 except that Ritman Stara Chem Sdn Bhd for F.Y. 2015-16 and, therefore, observed that the genuineness of the same is doubtful.
- iii. Investment in Property:** During the FY 2016-17, the company converted the stock into investments of Rs. 3.37 cr. which is shown under non-current investments in the balance sheet. For FY 2015-16, the company had no investments in property. It is noted in the Forensic Audit Report that necessary information and details were not provided by the Company in respect of investment in property - work in progress, and, therefore, observed that the same can't be genuine or in the normal course of business.

iv. Advances given against Properties: As per balance sheet of FY 2016-17, the Company has given short term loans and advances of Rs. 5.60 cr., out of which Rs. 4.75 cr. is given as advance against properties. Similarly, for the FY 2015-16, the total short term loans and advances were Rs. 6.15 cr., out of which Rs. 4.97 cr. was given as advance against properties. From the available documents, the Forensic Audit Report has noted that the advances comprise of payment of Rs. 1 Crore each to Mr. Parag Majmudar (Noticee No. 2) and Mrs. Falguni Majmudar (Noticee No. 3) who were directors of the Company. It has, further, noted that necessary information and details were not provided by the Noticee No. 1 and therefore raised doubt over the genuineness of advances made against properties.

v. Construction work in progress: For 2015-16, the Construction work in progress, appearing as part of inventories, stood at Rs. 5.43 cr and for 2016-17, Rs. 3.03 cr; decrease by Rs. 2.39 cr in the FY 2016-17. The Forensic Audit Report has further noted that the Noticee No. 1 has not provided the necessary information and details and, therefore, observed that the same can't be said to be genuine.

C. Other observations –

- i. The Company has not appointed company secretary for the F.Y. 2015 and F.Y. 2016-17.
- ii. The Company comprised only four directors and one independent director and, therefore, it was not having proper composition of audit committee.
- iii. The Company has not co-operated with the Forensic Auditor and has also failed to provide the information sought under section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992.

6. The SCN was served upon all the Noticees, however, replies were received from two Noticees i.e. Noticee No. 1 replied vide letter dated October 05, 2018 and the Noticee No. 7 replied vide letter dated November 17, 2018. No separate reply was received from Noticee Nos. 2, 3, 4, 5, 6, and 8.

7. In compliance with the principles of natural justice, an opportunity of personal hearing was also afforded to all the Noticees on January 07, 2019 when Ms. Sheetal Prakash and Mr. Vishal Mehta, Advocates appeared along with Mr. Saumil Shah, Vice President of Noticee No. 1, representing all

the Noticees, and submitted that they had provided all the documents sought by the Forensic Auditor. The Advocate further requested two weeks' time for filing detailed submissions and copies of those documents stated to have been provided to the Forensic Auditor. The Noticees have submitted a written submissions dated January 21, 2019 along with copies of various documents.

8. The contents of the reply dated October 05, 2018 by Noticee No. 1 and reply dated November 17, 2018 by Noticee No. 7, the submissions made during the course of hearing on January 07, 2019 and written submissions dated January 21, 2019 are summarized as under:

a. Vide reply dated October 05, 2018, the Noticee No. 1 has submitted that it had provided all the necessary information and supporting documents required by the Forensic Auditor. In para 3 of the SCN dated September 10, 2018, allegations were made in three separate head and, therefore, the Noticee has also made submissions accordingly, which are as under:

A. Misrepresentation:

- i. In respect of distribution rights, it is submitted that the Company had provided the payment related supporting documents as well as the distribution ship agreement entered into between the Company and Fullmark Pvt. Ltd. with covering letter dated February 26, 2018 and March 22, 2018.
- ii. In respect of tangible fixed assets, the Noticee No. 1 has stated that it had provided detailed break up as per balance sheet for the F.Y. 2015-16 and 2016-17 to the Forensic Auditor.
- iii. In respect of investment in securities, the Noticee has submitted that the same was also provided and mentioned in the balance sheet for the F.Y. 2015-16 and 2016-17 to the Forensic Auditor.
- iv. In respect of investment in gold, it is submitted that the same was done in the F.Y. 2010-11 and cheque payment details were also provided to the Forensic Auditor.
- v. In respect of inventories – valuation of stock in trade, it is stated that detail of stock in trade with quantity were provided to the Forensic Auditor.

B. Misuse of books of account/ funds:

- i. In respect of advances received against properties and investment in securities, it

is submitted that the Company had provided all the details and related documents to the Auditor.

- ii. In respect of investment in property, it was stated that the Company had decided not to sell two floors of the property situated at 'Ritman House, 14 Sayed Amir Ali Avenue, Kolkata – 700017 due to adverse market condition and, therefore, the cost of the property was shown as investment.
- iii. In respect of advances given against properties and construction work in progress, it is stated that all the details and related documents were provided to the Auditor.

C. Other observations:

- i. In respect of revenue from operations, it is stated that the same was as per standard industry practice and as per accounting norms as approved by the auditors.
- b. The Noticee in said reply dated October 05, 2018 also alleged that Forensic Auditor was not finding any issue in their Company but due to pressure from the concerned authorities they had to write against their Company.
 - c. The Noticee has also provided a chronology of communications made with the MSEI and Forensic Auditor.
 - d. Vide letter dated January 21, 2019, which was made after opportunity of hearing provided to the Noticees on January 07, 2019, the Noticee No. 1 has mainly submitted as under:
 - i. That, as advised by the Auditor, Mr. Parag Majumdar, Chairman and Mr. Saumil Shah, Vice-President of the Company visited the office of Auditor in Mumbai on March 17, 2018 when Auditor forced them to send an email to themselves (Auditor) and MSEI to the effect that information sought by the Auditor was not provided to them. It is also alleged that after sending one email, the Auditor again insisted for sending another email.
 - ii. That they have produced the evidence of submitting all the documents as and when asked by the Auditor and despite that negative report was given by the Auditor to make

them a scapegoat.

- iii. It is alleged that despite the Noticee has provided the copy of agreement entered into with Fullmark Pvt. Ltd. relating to distribution rights even then the Auditor has made observation that auditee has not provided any information.
- iv. That the Noticee No. 1 has provided documents in more than thousands of pages to Auditor who has taken more than nine months in submitting only twenty pages report.
- v. That there has been no complaint against the Noticee No. 1 either from any investor or any banks.
- vi. That due to non-remittance of money by IndusInd Bank, the Noticee No. 1 was not able to send money or do any transaction with its subsidiary company; Ritman Strata Chem for last three years and in this respect writ petition no. 26891(W) of 2014 is filed and pending before the Hon'ble Calcutta High Court.

9. The Noticee No. 7 vide his reply letter dated November 17, 2018 has submitted the following:

- a. That the entire SCN is based on the Forensic Audit Report for the F.Y. 2015-16 and 2016-17 and the allegations and defaults mentioned therein relate to that period only.
- b. That the SCN and the facts mentioned therein are pertaining to F.Y. 2015-16 and 2016-17 whereas he was inducted in the Board of Directors of the Company as an Independent Director on November 14, 2017 only and, therefore, he is not aware about anything which happened prior to his joining the Company.
- c. That SCN nowhere mention his role nor made any allegation against him. It is also submitted that the SCN has recorded that he is current director of the Company but date of his joining has not been mentioned in the SCN.
- d. That he has not attended any Board meeting of the Company or shareholders meeting not received any payment from the Company for holding the position of directorship. He is not involved in day to day affairs of the Company nor signatory to any of the

documents of the Company and, therefore, he is not in a position to provide any comment.

CONSIDERATION OF ISSUES AND FINDINGS:

10. I have perused the SCN dated September 10, 2018 along with its annexures, the replies dated October 05, 2018 (from Noticee No. 1), dated November 17, 2018 (from Noticee No. 7), submissions made during the course of hearing on January 07, 2019 and written submissions dated January 21, 2019 (from Noticee No. 1). The question now arises as to whether the Noticees have violated the provisions of SEBI Act, 1992, SCRA, 1956, PFUTP Regulations, 2003, LODR Regulations, 2015 and the applicable clause of Listing Agreement, as alleged in the SCN dated September 10, 2018.

11. In the Forensic Audit Report, it has been noted under various heads that Noticee No. 1 has chosen not to provide necessary documents required to substantiate the entries made in their financial statements. The SCN has, therefore, alleged that the Company (Noticee No. 1) and Mr. Parag Majumdar, Managing Director (Noticee No. 2) has failed to provide the information and documents sought by the Forensic Auditor who was acting under the instructions of SEBI and, therefore, the Noticee No. 1 and 2 have violated the provisions of Section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992. In this respect, the Noticee Company in its reply dated October 05, 2018 has provided a chronology of communication made with the Auditor stating that they had provided various documents like MOA and AOA of the Company, details of advances against properties taken and given as on March 31, 2017, bank statements for the F.Y. 2015-16 and 2016-17, share allotment details, Annual Report for the F.Y. 2015-16 and 2016-17 etc. I note that para 2 of the Forensic Audit Report provide a summary of communication made between the Auditor and Noticee No. 1 wherein Auditor has mentioned to have received copies of, *among other*, bank statements of Company for the FY 2015-16 and 2016-17, list of advances, list of construction work in progress, share allotment details, trade receivables, annual reports for the FY 2015-16 and FY 2-016-17, tally data for both of the FY 2015-17. Thus, it is not appropriate to hold that the Noticee No. 1 and Noticee No. 2 have violated the provisions of Section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992, as alleged in the SCN.

12. Before proceeding further, I note that the scrip of the Company is listed on MSEI since July 27, 2016. As per shareholding pattern of the Company, as shown in the Annual Report for the FY 2015-16 and 2016-17, it is noted that for both of the said financial years, the promoter as well as public shareholding percentage was fixed at 73.42% and 26.58%, respectively. In non-promoter shareholding, the list of top ten shareholders, as provided by the Company in the Annual Report, is also same for both of the FY 2015-16 and 2016-17. Further, MSEI vide email dated February 20, 2019 addressed to SEBI, informed that the same shareholding pattern is continued for the FY 2017-18 also, for promoter as well public shareholding. MSEI has also informed that the Company has total 35 shareholders as on March 31, 2017 (2 in promoter category and 33 in public category) which subsequently reduced to 33 shareholders (2 in promoter category and 31 in public category), as on March 31, 2018. MSEI vide its said email dated February 20, 2019 also informed that the scrip of the Company has not been traded on the platform of exchange since its listing on July 27, 2016.
13. Further, as mentioned in above para nos. 4 and 5, based on the observations made in the Forensic Audit Report, allegations have been made in the SCN with regard to inflated entry in the books of accounts on various counts like distribution rights, tangible fixed assets, investment in gold, advances received against properties, investment in securities, investment in property, advances given against properties, construction work in progress, revenue from operations. The Forensic Audit Report has not made any observations whether the above alleged inflated entries in books of accounts have contravened Section 12 A (a), (b) and (c) of the SEBI Act, 1992 and the provisions of SEBI PFUTP Regulations, 2003. I note that the Forensic Audit Report do not specifically bring out any fraud or manipulation in the share price of Noticee Company nor indicate that there was any impact on the price of shares of the company due to alleged inflation in the books of accounts of the Company nor that the investors were induced to invest in the shares of the Company. Thus, considering the fact that the shares of Noticee No.1 is not traded on the stock exchange, as noted in para 12 above, and that Forensic Audit Report does not indicate violation of PFUTP Regulations, 2003 etc., I find that the allegation of violation of Section 12 A (a), (b) and (c) of the SEBI Act, 1992 and the provisions of PFUTP Regulations, 2003 is not substantiated, as alleged in the SCN.
14. The SCN has also alleged that, while preparing and disclosing the financial statements, the Company has not followed the applicable Accounting Standards such as AS-2, AS-10 and AS-13

and thereby violated the provisions of Regulation 4(1)(a),(b),(c) and (g), 48(1) of the LODR Regulations, 2015 and Clause 50 of the erstwhile Listing Agreement read with Section 21 of the SCRA. The Noticee No. 2 to 8, were alleged to have violated Regulation 4(1)(a),(b),(c) and (g), 4(2)(f)(i)(2), 4(2)(f)(ii)(6) and (7), 4(2)(f)(iii)(1),(3),(6) and (12), 33(2)(a)) 48(1) of the LODR Regulations, 2015 and Clause 50 of the erstwhile Listing Agreement read with Section 21 of the SCRA. In respect of allegations made for violation of erstwhile listing agreement, I note that the same was, time to time, modified and amended by various SEBI Circulars. SEBI LODR Regulations, 2015 was notified on September 02, 2015 and made effective from the ninetieth day of the notification. In terms of Regulation 103 of LODR Regulations, from the commencement of these Regulations, all circulars stipulating or modifying the provisions of the listing agreement were rescinded. Further, the requirements prescribed in the listing agreement were suitably incorporated in the LODR Regulations. I note that the Noticee No.1 was listed on MSEI on July 27, 2016 and, therefore, it is not appropriate to hold that the Noticees have violated the provisions of erstwhile listing agreement read with Section 21 of SCRA, as alleged in the SCN.

15. The allegation for non-compliance with the Accounting Standards made in the SCN are as under:
- i. It is referred to in above para 5 (A)(i) that intangible asset in respect of the distribution right was reflected in the balance sheet of FY 2015-16 as Rs. 0.08 Cr. which was fully amortized during the FY 2016-17. It is noted in the Forensic Audit Report that the distribution rights was not generating any revenue and therefore, as per Accounting Standard – 10, the same should have been written off in the year in which it had stopped generating revenue.
 - ii. In above para 5(A)(iii), it is referred to that Noticee No. 1 had made investment in Ritman Stara Chem Sdn Bhd which was having its Net Worth, as on March 31, 2016, MYR.1,74,301 (in Indian Rs. 29,66,237/-). The Forensic Audit Report noted that this amount was much less than the investment value shown in the financial statements of Noticee No. 1 as Rs. 64,17,300/- (having a difference of Rs. 34,51,063/-). In this view, the Forensic Audit Report observed that by not showing the reduced investment value in the financial statements, the Noticee No. 1 has not complied with the provision no. 17 of Accounting Standard-13.
 - iii. In above para 5(A)(v), it is referred to that the valuation of total inventories for FY 2015-16

- and 2016-17 was shown as Rs. 5.6 Cr and Rs. 3.32 Cr., respectively. Based on the submissions made by the Noticee No. 1, the Forensic Audit Report has noted that the inventory items were not in usable condition and, therefore, as per provisions of Accounting Standard – 2, the same had to be shown in lower cost and at net realizable value.
16. I, further, note that in terms of Section 129(1) of the Companies Act, 2013, every company is under an obligation to ensure that its financial statements give a true and fair view of the state of affairs of the company and it complies with the accounting standards notified in Section 133 of the Companies Act, 2013. As per Section 133 of the Companies Act, 2013, the accounting standards are prescribed by the Central Government as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendation by the National Financial Reporting Authority (NFRA). Further, in terms of Section 129(5) of the Companies Act, 2013, where a financial statement do not comply with the accounting standards, the company is required to disclose such deviation and its financial effects in the financial statements. In terms of Section 129(7) of the Companies Act, 2013, in case of contravention of the requirement of Section 129, the Officer of the Company responsible to ensure compliance or all the directors are liable for punishment. As per Section 132(1) of the Companies Act, 2013, NFRA is to be constituted by the Central Government to provide for matters relating to accounting and auditing standards. As per Section 132(2)(a) and (b) of the Companies Act, 2013, the NFRA is to make recommendations to the to the Central Government on the formulation of accounting and auditing policies and standards to be adopted by the Companies or their auditors and NFRA is also entrusted with the duty to monitor and enforce the compliance with the accounting standards by the Company and auditors in such manner as may be prescribed by the Central Government.
17. I note that the Central Government has established the National Financial Reporting Authority (NFRA) in the year 2018 and has also notified National Financial Reporting Authority Rules, 2018 (NFRA Rules) on 13th November, 2018. In terms of Rule 3(1) of the NFRA Rules, 2018, the Authority has the power to monitor and enforce compliance with accounting of the various classes of companies including the companies whose securities are listed on any stock exchange in India or outside India. In terms of Rule 7 of the said Rules, for the purpose of monitoring and enforcing compliance with accounting standards under the Companies Act by a company, the Authority (i.e. NFRA) may review the financial statements of such company, if so required, and direct such company or its auditor to provide further information or explanation or any relevant documents

relating to such company within specified time period. The Authority may also require the personal presence of the officers of the company and its auditor for seeking additional information or explanation in connection with the review of the financial statements of such company. Further, in terms of Rule 7(4) of the NFRA Rules, 2018, where the Authority finds or has reason to believe that any accounting standard has been violated, it may decide on the further course of investigation or enforcement action through its concerned Division.

18. In respect of allegation made in the SCN regarding non-compliance with the Accounting Standard 2, 10 and 13, the Noticee Company in its reply and written submissions, as detailed in para 7 and 8 above, has stated that it had provided all relevant information and documents to the Forensic Auditor. However, the Noticee No. 1 has not refuted the observations made in the Forensic Audit Report in respect on non-compliance with the said Accounting Standards. Regulation 4(1) (a), (b) and Regulation 48 of the LODR Regulations, 2015 provide that a listed company has to comply with all applicable and notified Accounting Standards in letter and spirit. I observe that the Forensic Auditor is a chartered accountant and has found that the Accounting Standards 2, 10 and 13 have not been followed by the Noticee No. 1, as mentioned in para 15 above, and therefore, it may not be open to question such findings made in respect of non-compliance with the Accounting Standards. Thus, as observed in the Forensic Audit Report, *prima facie*, the Company (Noticee No. 1) has failed to comply with the applicable Accounting Standards which has resulted into violation of Regulation 4(1)(a) and (b) and Regulation 48 of the SEBI LODR Regulations, 2015.
19. The SCN also alleged that the Company has not appointed Company Secretary for Financial Year 2015-16 and 2016-17 and also that during the relevant period, the Company comprises of four directors with only one Independent Director and, therefore, the Company could not have proper composition of Audit Committee, Nomination and Remuneration Committee as required under the provisions of the Companies Act, 2013 and thereby the Noticee No. 1 has violated the provisions of Regulation 6(1), 18(1)(b) and 19(1)(c) of LODR Regulations, 2015 which read a sunder:

Compliance Officer and his Obligations.

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

Audit Committee.

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

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

Nomination and remuneration committee

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

(c) at least fifty percent of the directors shall be independent directors.

20. The above provisions require that a listed Company has mandatorily to (i) appoint a qualified company secretary as compliance officer, (ii) constitute independent audit committee consisting of two third members as independent director and (iii) constitute a nomination and remuneration committee wherein at least fifty percent of the directors shall be independent directors. I note that the Noticee No. 1 has not made any offer or explanation in this respect in its reply or written submissions, as detailed in para 7 and 8 above. Thus, by not appointing the company secretary and not having proper composition of the Audit Committee and Nomination and Remuneration Committee, the Noticee No. 1 has violated the Regulation 6(1), 18(1)(b) and 19(1)(c) of LODR Regulations, 2015.
21. In respect of allegations made against the directors (Noticee No. 2 to 7) and Chief Financial Officer (Noticee No. 8), it is noted in paras 7 to 9 above, the reply has been received from Noticee No.1 and Noticee No. 7 and other Noticees have not filed any separate reply. The Noticee No. 7 (an independent director) in its reply dated November 17, 2018 has submitted that the allegations made in the SCN relate to F.Y. 2015-16 and 2016-17 and that he was inducted in the Board of Directors of the Company as an Independent director on November 14, 2017 and, therefore, he is not aware about anything which happened prior to his joining the Company and also that SCN does not mention his role or any specific allegation. I note that the SCN dated September 10, 2019 has been issued mainly based upon the observations made in the Report of Forensic Audit which was conducted for the period of FY .Y. 2015-16 and 2016-17 and it is also noted in the Forensic Audit Report that the Noticee No. 7 has joined the Company on November 14, 2017. Thus, I agree with the submissions made by the Noticee No. 7 that he cannot be made liable for any wrong happened before his joining the Company.

22. The company being legal entity acts through human mind represented by the Board of Directors which is responsible for all the acts of omission and commission by the Company. The directors are expected to take utmost care in dealing with the affairs of the Company and to ensure that all applicable laws are being complied with. In terms of Regulation 4(2)(f)(i)(2) and Regulation 4(2)(f)(ii) (6) and (7) of LODR Regulations, 2015, the Board of Directors are required to conduct themselves as to meet the expectations of operational transparency to stakeholders, managing potential conflict of interest in related party transactions and to ensure the integrity of the listed company's accounting and financial systems. As per Regulation 4(2)(f)(iii)(1),(3),(6) and (12), the Board of Directors is required to ensure effective monitoring of the management, to act in god faith, with due diligence and care and in the interest of the listed company and shareholders. In terms of Regulation 33(2)(a) of the LODR Regulations, 201, the Chief Financial officer is required to certify that the financial results do not contain any false or misleading statement.
23. In this respect, I note that the Hon'ble Supreme Court, in the matter of *N Narayanan v. Adjudicating Officer, SEBI (Civil Appeals No. 4112-4113 of 2013)* has observed a sunder:

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

24. Thus, in view of the above observations made by the Hon'ble Supreme Court, I find that the directors of Noticee No. 1 (Noticee No. 2 to 6) and the Chief Financial Officer (Noticee No. 8) are responsible for non-compliance with the applicable accounting standards which resulted into violation of Regulation 48 of the SEBI LODR Regulations, 2015, as observed in para 18 above. Thus, it is observed that the Noticee No. 2 to 6 and Noticee No. 8 have violated Regulations 4(1)(a) and (b), 4(2)(f)(i)(2), 4(2)(f)(ii)(6) and (7), 4(2)(f)(iii)(1),(3),(6) and (12), 33(2)(a) and 48 of the LODR Regulations, 2015.

DIRECTIONS:

25. In view of the above, I, in exercise of the powers conferred upon me under section 19 read with sections 11(1), 11(4), 11A and 11B of the SEBI Act, 1992 and Section 12A of the SCRA, 1956, hereby direct as under:
- a. Ritman Infra Limited (Noticee No. 1) shall comply with the applicable provisions of Regulation 6(1), 18(1)(b) and 19(1)(c) of LODR Regulations, 2015 within a period of six months from the date this Order and shall inform the compliance to the Metropolitan Stock Exchange of India Limited.
 - b. Ritman Infra Limited (Noticee No. 1) is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a period of six months from the date of this Order. This period of six months shall get extended till the date of compliance of direction given in para 25(a) above.
 - c. Mr. Parag Majumdar (Noticee No. 2), Mrs. Falguni Majumdar (Noticee No. 3), Mr. Dinesh Majumdar (Noticee No. 4), Mrs. Pushpa Majumdar (Noticee No. 5), Mrs. Lipika Ray (Noticee No. 6) and Mr. Dibyendu Sarkar (Noticee No. 8) are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a period of six months from the date of this Order.
 - d. In terms of observations made in para 21 above, the SCN dated September 10, 2018 issued to Mr. Saibal Bhattacharjee (Noticee No. 7) is disposed of without any directions and the restraint imposed on him vide Interim Order dated October 13, 2017 and the Confirmatory Order April 25, 2018 are vacated with immediate effect.
26. This Order shall come into force with immediate effect.
27. A copy of this Order shall be forwarded to the Noticees, Stock Exchanges, Depositories and Registrars and Transfer Agents (RTA) of mutual funds for information and necessary action.

28. A copy of this Order shall also be forwarded to the Ministry of Corporate Affairs along with a copy of the Forensic Audit Report for their information.

Place: Mumbai

Date: May 10, 2019

ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA