

WTM/AB/IVD/ID19/13894/2021-22

**SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER**

Under Sections 11(1), 11(4), 11(4A), 11A, 11B (1), 11B(2) and 15I of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Sections 12A(1), 12A(2) and 23I of Securities Contracts (Regulations) Act, 1956 read with Rule 5 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005.

Noticee No.	Name of Noticees	PAN
1.	Info-Drive Software Limited	AAACi9430R
2.	Mr. Jaffer Sadiq Ameer	AMPPJ4894A
3.	Mr. Pramod Manoharlal Jain	AFHPJ5633E
4.	Ms. Smitha Ramchandran	BCTPS0396F
5.	Ms. Lakshmi Sankarakrishnan	ADYPR6395Q
6.	Mr. Murugavel Karunanidhi	AKIPM9312K
7.	Mr. A. S. Giridhar	AFKPG7553D
8.	M/s K. S. Reddy Associates Chartered Accountants	ACMPS1019F

In the matter of Info-Drive Software Limited

(Aforesaid entities are hereinafter individually referred to as by their respective name or noticee number and collectively as "the Noticees".)

1. The present proceeding emanates from two show cause notices dated August 10, 2020 issued to the Noticees by the Securities and Exchange Board of India



(hereinafter referred to as “SEBI”). The first show cause notice (hereinafter referred to as “SCN 1”) was issued to the Noticees no. 1 to 7 asking them to show cause as to why suitable directions be issued and/or penalty be not imposed, as deemed fit under Section 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) read with Section 15A(a), 15HA and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act, 1992”), Section 12A(1) and 12A(2) read with Section 23E and 23H of Securities Contracts (Regulations) Act, 1956 (hereinafter referred to as “SCRA, 1956”) against them. The second show cause notice (hereinafter referred to as “SCN 2”) was issued by SEBI to the Noticee no. 8 asking them to show cause as to why suitable directions be issued, as deemed fit under Section 11, 11B and 11D of the SEBI Act, 1992 against them. The SCN 1, *inter alia*, alleged that Info-Drive Software Limited (hereinafter also referred to as “ISL” / “the company”) had failed to present true and fair financial statements and had executed transactions which are non-genuine in nature tantamounting to misrepresentation of the accounts/ financials statement and misuse of account/ funds of the company. It was further alleged that Noticee no.1 had misused funds/ misrepresented books of accounts which are detrimental to the interests of genuine investors and are fraudulent in nature. It was also alleged that the directors and the Chief Financial Officer (Noticee nos. 2 to 7) of Noticee no.1 had failed to exercise duty of care, by misrepresenting the financials/misusing the funds. It was observed that the directors and the Chief Financial Officer of Noticee no.1 had failed to discharge their fiduciary responsibility. The SCN 1 also alleged that Noticee no.1 and its directors and the Chief Financial Officer (Noticee nos. 2 to 7) failed to present true and fair financial statements, executed transactions which are non-genuine in nature resulting in misrepresentation of the accounts/ financials statement and misuse of account/ funds of the company and such acts were found to be fraudulent in nature as they induced the investors to trade in the securities of the company and had the potential to mislead the investors. The SCN 2 *inter alia* alleged that the statutory auditor of the Company (Noticee no. 8) has



been negligent in performance of its duties as they have not carried out proper due diligence and have not reported these findings in its audit report. Further, the incorrect, irregular and misleading certification of financial statements by the statutory auditor resulted in the public being misled about the financial health of the company.

2. On the basis of the same, the SCN 1 alleged that that the company has violated Section 12A (a) (b) & (c) and Section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992 and Regulation 3(b), (c) & (d) and Regulation 4(1) and 4(2) (f) & (r) of 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 Regulation, 2003**”), Regulations 4(1) (a), (b), (c), (e) & (g), 4(2)(f)(ii)(6) & (7), 4(2)(f)(iii)(3),(6) & (12), 6(1), 13(3), 16(1)(b)(iv), 17(8), 18(1)(d), 27(2)(a), 30(1), 30(4)(ii), 31(1), 33(1)(d), 33(2)(a), 33(3)(a), 34(1), 46(2)(a)&(b), 46(2)(l) and 48 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “**LODR Regulations**”) read with Section 21 of SCRA, 1956. The SCN 1 further alleged that the directors of the company i.e., (i) Mr. Jaffer Sadiq Ameer (Noticee no. 2), (ii) Mr. Pramod Manoharlal Jain (Noticee no. 3), (iii) Ms. Smitha Ramchandran (Noticee no.4), (iv) Ms. Lakshmi Sankarakrishnan (Noticee no. 5), (v) Mr. Murugavel Karunanidhi (Noticee no. 6), and the Chief Financial Officer (hereinafter referred to as “**CFO**”) of the company i.e. (vi) Mr. A. S. Giridhar (Noticee no. 7) has violated Section 12A(a) (b) and (c) and Section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992 and Regulations 3(b), (c) and (d) and Regulations 4(1) and 4(2) (f) and (r) of the PFUTP Regulations, 2003, Regulations 4(1)(a),(b),(c),(e),(g), 4(2)(f)(ii)(6),(7), 4(2)(f)(iii)(2),(3),(6) and (12), Regulation 6(1) of LODR Regulations read with Section 27 of SEBI Act, 1992, Regulation 13(3), 16(1)(b)(vi), 17(8), 18(1)(d), 27(2)(a), 30(1), 30(4)(ii), 31(1), 33(1)(d), 33(2)(a), 33(3)(a), 34(1), 46(2)(a)&(b), 46(2)(l) and 48 of LODR Regulations read with Section 21 of SCRA, 1956. SCN 2 has alleged that the statutory auditor (Noticee



no. 8) has violated Section 12A (a)(b)(c) of the SEBI Act, 1992 and Regulation 3(b) (c) and (d) and Regulations 4(1) and 4(2), (a), (e), (f) and (r) of the PFUTP Regulation, 2003.

3. The following annexures were provided with the SCN:

Annexure no.	Particulars
Annexure 1	Interim Order
Annexure 2	Confirmatory Order
Annexure 3	Forensic Audit Report

4. The SCN was delivered to the Noticees. An opportunity of personal hearing was granted to the Noticees on December 29, 2020. On December 29, 2020, Noticee no. 1 was represented by its Resolution Professional who appeared via video conferencing and made submissions. Noticees no. 3, 4 and 5 were jointly represented by their common Advocates who appeared via video conferencing and made submissions. Noticee no. 8 (M/s K.S. Reddy Associates) also appeared through its advocates and made submissions. Noticees no. 2, 6 and 7 vide their respective letters sought adjournment for the hearing on December 29, 2020. Accordingly, another opportunity of personal hearing was granted to Noticees no. 2, 6 and 7 on February 09, 2021. On February 09, 2021, Noticees no. 6 and 7 appeared through their respective advocates via video conferencing and made submissions. Noticee no. 2 vide email dated February 09, 2021 sought for an adjournment. Accordingly, a final opportunity of personal hearing was granted to Noticee no. 2 on March 17, 2021. However, on March 17, 2021, Noticee no. 2 did not appear for the scheduled hearing and neither did he file any letter seeking adjournment for the same. Since this was the second opportunity granted for personal hearing granted to Noticee no. 2, no further opportunity of hearing was granted.



5. The Noticees, vide their respective replies have submitted as follows:
- a) Noticee no. 2 (Jaffer Sadiq Ameer) vide letter dated November 06, 2020, has submitted that he has already migrated from Chennai to Pollachi in 2006 and has been doing vegetable agriculture since then. He has submitted that he has not been having any association M/s Info Drive Software Ltd for a long time. He was called for an interview as a marketing head and was told that he was selected due to his educational qualification and experience but was never given any designation or any work of any kind whatsoever and was asked to come for and take part in AGM and EGM meetings and discussions with some officials and directors but most important company affairs and issues were not discussed and addressed in front of him and would mostly kept him in idle.
 - b) Noticee no. 3 (Pramod Manoharlai Jain) vide letter dated September 10, 2020 has submitted that he was appointed an independent director of the company on May 13, 2014 and resigned as a director on December 12, 2017. He had resigned from the directorship due to his poor health and due to non-compliances of the company and not getting any updates from the Company. It was becoming difficult for him to attend board meetings due to his poor health and also due to the fact that he was staying in Mumbai. Further being an Independent Director, he was not involved in day today affairs of the Company nor was he part of any executive decisions. Further, he has submitted that as an independent director he relied upon the report of the statutory auditors as well as the certification given by CEO and CFO in terms of the listing requirements. Noticee no. 4 has submitted that being an independent director, he was not involved in the day to day affairs and running of the Company. Hence, he was not privy to any accounting treatments or any misrepresentations done by the Company.



- c) Noticee no. 4 (Smitha Ramchandran) vide letter dated October 11, 2020 has submitted that she was appointed as a non-executive non-independent director of the company with effect from March 31, 2015 and resigned from the company as director of the company with effect from February 14, 2017. Further, that she attended only one meeting of the Board of Directors during the financial year 2015-16 (evidenced from the Annual Report of FY March 31, 2016) as she was out of India for most of the year. Further she did not attend any meeting of the Board during the year 2016-17 till the date of her resignation. She was not a member of the Audit Committee and was never involved in overseeing/recommendation for approval of the financial results or statements. She was also not a member of the Nomination and Remuneration Committee/Stakeholders Relationship Committee. She has submitted that she was not consulted or asked to provide any information in connection with the forensic audit. The forensic auditors did not even inform her that such a forensic audit was being conducted. Therefore, she has submitted that neither the forensic audit nor the allegations contained therein can be put to her or held against her in any manner whatsoever.
- d) Noticee no. 5 (Lakshmi Sankarakrishnan) vide letter dated August 28, 2020 has submitted that she was appointed as an independent director of the company with effect from March 31, 2015 and resigned from the company as director of the company with effect from April 05, 2018. Further, she has submitted that was not a member of the Audit Committee and was never involved in overseeing/recommendation for approval of the financial results or statements.
- e) Noticee no. 7 (A. S. Giridhar) vide letter dated January 26, 2021 has submitted that he was appointed as the Manager and CFO of the Company with effect from March 31, 2015. However, he resigned as the CFO with effect from August 31, 2016 and the intimation of the same has been sent to the BSE on August



31, 2016 at 16:22:27. He was however associated as a manager to the company and his responsibilities were considerably reduced and did not involve any association with the preparation of financial statements.

- f) The Noticees also submitted detailed response to each allegation in the SCN which is discussed in subsequent paras.

Consideration of submissions and findings:

6. I have considered the SCN, replies received, and submissions made by the Noticees during the personal hearing granted to them. The SCN alleges the violation of the following provisions of law by the Noticees:

Relevant extract of the provisions of SEBI Act, 1992:

"Functions of Board.

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

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

.....

(i) calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market, intermediaries and self-regulatory organisations in the securities market;

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

.....



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

12A. No person shall directly or indirectly-

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

.....

Relevant extract of provisions of SCRA, 1956:

"Conditions for listing.

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

Relevant extract of the provisions of PFUTP Regulations, 2003:

"3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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



4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

.....

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

.....

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

.....

Relevant extract of the provisions of LODR Regulations:

"Principles governing disclosures and obligations.

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

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

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

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

(d)

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

(f) ...



(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.

(2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.

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(f) Responsibilities of the board of directors:

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

.....

(ii) Key functions of the board of directors-

.....

(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.

...

(iii) Other responsibilities:

(2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.

(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.

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Compliance Officer and his Obligations



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

Grievance Redressal Mechanism.

13. (3) The listed entity shall file with the recognised stock exchange(s) on a quarterly basis, within twenty one days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.

Definitions.

16.(1) For the purpose of this chapter , unless the context otherwise requires -

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

(i)

(ii)....

(iii)....

(iv)....

(v)....

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

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

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

(1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

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

(C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or

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



(E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

....

Board of Directors.

17. (8) The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II.

....

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:

.....

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

.....

Nomination and remuneration committee.

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

- (a) the committee shall comprise of at least three directors ;
- (b) all directors of the committee shall be non-executive directors; and
- (c) at least fifty percent of the directors shall be independent directors.

.....

Other corporate governance requirements.

27. (2) (a) The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognised stock exchange(s) within 15 days from the close of the quarter.

Disclosure of events or information.

30. (1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.

(4) (ii) The listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulation, duly approved by its board of directors, which shall be disclosed on its website.



....

Holding of specified securities and shareholding pattern.

31. (1) The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines -

- (a) one day prior to listing of its securities on the stock exchange(s);
- (b) on a quarterly basis, within twenty one days from the end of each quarter; and,
- (c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital:

Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

Financial results.

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

- (d) The listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself /herself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

.....

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

- (a) The quarterly financial results submitted shall be approved by the board of directors: Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

.....

(3) The listed entity shall submit the financial results in the following manner:

- (a) The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within forty-five days of end of each quarter, other than the last quarter.

Annual Report.



34. (1) The listed entity shall submit the annual report to the stock exchange within twenty one working days of it being approved and adopted in the annual general meeting as per the provisions of the Companies Act, 2013.

Website.

46. (2) The listed entity shall disseminate the following information on its website:

(a) details of its business;

(b) terms and conditions of appointment of independent directors;

.....

(l) financial information including:

(i) notice of meeting of the board of directors where financial results shall be discussed;

(ii) financial results, on conclusion of the meeting of the board of directors where the financial results were approved;

(iii) complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;

Accounting Standards.

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

7. Before proceeding on the merit of the matter, it will be relevant to discuss the background of the present proceedings.

8. SEBI received a letter no. F. No. 03/73/2017-CL-II dated June 9, 2017 from the Ministry of Corporate Affairs (hereinafter referred to as "MCA") vide which MCA had annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA had also annexed the letter of Serious Fraud Investigation Office, dated May 23, 2017 which contained the list of shell companies along with their inputs. SEBI, vide its letter dated August 07, 2017, had advised stock exchanges i.e. BSE, NSE and MSEI to identify the companies listed on their respective exchanges from the said list and initiate the surveillance action/measures stated in the letter.



9. Thereafter, BSE vide notice dated August 7, 2017 issued to all its market participants-initiated actions envisaged in the SEBI letter dated August 7, 2017 in respect of all the listed companies, as identified by MCA and communicated by SEBI, with effect from August 8, 2017. On August 09, 2017, SEBI further advised the Exchanges to submit a report after seeking auditor's certificate, from all such listed companies, providing the status of certain aspects of these companies like compliance with Companies Act, whether company is a going concern and its business model, status of compliance with listing requirements, etc. Vide its letter dated August 17, 2017, ISL made a representation to SEBI in respect of surveillance measures initiated by BSE.
10. In the meantime, aggrieved by the aforesaid letters/notice dated August 7, 2017 issued by SEBI and BSE, ISL filed an appeal No. 197 of 2017 before Hon'ble Securities Appellate Tribunal, Mumbai (hereinafter referred to as "SAT"). Hon'ble SAT vide order dated August 23, 2017 directed the following:
- "2. As the appellant has already made a representation to SEBI against the said ex-parte order dated 7th August, 2017, Counsel for the appellant on instruction seeks to withdraw the appeal with liberty to pursue the representation filed before SEBI. Accordingly, we permit the appellant to withdraw the appeal with liberty to pursue the representation pending before SEBI.
3. SEBI is directed to dispose of the representation made by the appellant as expeditiously as possible and in any event within a period of three weeks from today. It is made clear that passing of any order on the representation made by the appellant would not preclude SEBI from further investigating the matter and initiate appropriate proceedings if deemed fit."
11. Pursuant to above mentioned SEBI letter dated August 9, 2017, BSE had submitted its report on August 31, 2017. In compliance with the aforesaid order dated August 23, 2017 passed by Hon'ble SAT, after hearing ISL, SEBI passed an interim order dated September 13, 2017 (hereinafter referred to as "interim order") wherein following directions were issued:



ii.

- i. The trading in securities of ISL shall be reverted to XD group of BSE with applicable price band.
- ii. Exchange shall appoint an independent auditor to conduct forensic audit of ISL for verification, including the credentials/financials of ISL.
- iii. The promoters and directors in ISL are permitted only to buy the securities of ISL. The shares held by the promoters and directors in ISL shall not be allowed to be transferred for sale by depositories.
- iv. The other actions envisaged in SEBI's letter dated August 07, 2017 in para 1 (d) as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against ISL

.....”

12. A forensic auditor BDO India Limited, was appointed by BSE vide letter dated January 09, 2019 to conduct forensic audit of ISL, as directed in the interim order. Vide order dated November 30, 2018 (hereinafter referred to as “**confirmatory order**”), SEBI confirmed the directions issued in the interim order and also directed that the audit shall continue. On July 04, 2019, forensic auditor appointed by BSE submitted a Forensic Audit Report (hereinafter referred to as “**FAR**”) to BSE. Thereafter, based on the FAR which was forwarded by BSE to SEBI on June 17, 2019, SEBI carried out an investigation in the matter. Based on the findings of investigation, SCN was issued and thereafter, the matter was placed before me on November 09, 2020 for giving an opportunity of hearing and passing a final order in the matter.
13. It has been submitted on behalf of Noticee no. 1 that an application had been filed by an operational creditor, under Section 9 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as “**IBC**”) to initiate the Corporate Insolvency resolution process against ISL on the ground that ISL had defaulted in payment of Rs. 50,00,000/- for consultancy services said to have been provided by the



operational creditor to ISL. The Hon'ble National Company Law Tribunal (hereinafter referred to as "NCLT") at Chennai, vide its order dated October 15, 2019 admitted the application and an Insolvency Resolution Professional (hereinafter referred to as "IRP") was appointed. Further, I note that the IRP, Mr. Ashwani Kumar Gupta, vide his email dated November 26, 2020 to SEBI has submitted that the NCLT vide its Order dated October 15, 2019, has imposed a moratorium in terms of Section 14 (1) of IBC prohibiting the institution of suits or continuation of pending suit 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. The proceeding in the present case has been initiated under Section 11B(1) and 11B(2) of the SEBI Act, 1992 against the erstwhile directors of the corporate debtor (Noticee no. 2 to 7), its statutory auditor (Noticee no. 8) and also against Noticee no. 1. The moratorium/ prohibition under IBC is on the pending suits or proceedings which are mainly in the nature of recovery of money from the corporate debtor which may further adversely affect its financial position in resolution process. There is no prohibition under Section 14 or 31 or 32A of IBC from proceeding against the erstwhile directors of the corporate debtor. Further, Section 29A(c) of IBC disallows those entities who managed or controlled or were promoter of an account of the corporate debtor which has been classified as non-performing asset in accordance with the guidelines of the Reserve Bank of India, from submitting a resolution plan. Similarly, Section 32A which prohibits certain proceedings against corporate debtor and the new management of corporate debtor also allows initiation of proceedings inter alia against erstwhile management or director of the corporate debtor who was in the management or control of the corporate debtor prior to the commencement of the CIRP or a related party of such directors. Therefore, action under Section 11B of SEBI Act, 1992 against Noticee nos. 2 to 7 (the directors of Noticee no. 1) which proposes debarment and/or imposition of penalty upon conclusion of the proceedings, which will be possible mainly after the determination of the violation or liability of Noticee



no.1, can be pursued. The liability so determined with respect to Noticee no. 1 by the present proceedings under Section 11B of SEBI Act, 1992 will only be crystallized and the consequent penalty and directions may be liable to be enforced or imposed subject to the Resolution Plan of the Noticee no. 1 and/ or the relevant provisions of the IBC, as applicable, depending upon the outcome of the CIRP. The direction to be issued and/or penalty to be imposed (or consequent demand notice or recovery, etc.) after consummation of these proceedings will be given effect to depending on outcome of resolution process. In the eventuality of failing of resolution plan and consequent initiation of liquidation proceedings, the liability so determined on consummation of these proceedings will stand crystalized and will enable lodging of claim and participation in liquidation estate of corporate debtor as per water fall prescribed for distribution of liquidation estate of corporate debtor.

14. I observe that in the SCNs, the allegations against the Noticee no. 2 to 8 flows from the allegations against Noticee no.1. Noticees no. 2 to 7 have been charged in their capacity as directors of Noticee no.1 and Noticee no. 8 has been charged as the statutory auditor of Noticee no.1. Therefore, in the following paras, various allegations made against Noticee no. 1 in the SCN 1 have been examined to find out as to whether the violations alleged in the SCN 1 against Noticee no. 1 have been made out so as to determine liabilities of Noticees no. 2 to 8 also, which is flowing from violations alleged against Noticee no. 1.
15. The main allegations against the Company as contained in the SCN 1, are discussed below:

I. General Violations of LODR Regulations:

16. The general violations of LODR Regulations as alleged in SCN 1 are as follows:



16.1 Dissemination of information on website:

16.1.1 It is alleged in the SCN 1 that the details of the policy for (i) determination of materiality (ii) familiarization programs to independent directors and (iii) disseminate the financial information like financial results, annual report, shareholding pattern and corporate governance for FY 2016-17 and FY 2017-18 are not available on the company website. This is alleged to be in violation of Regulation 30(4)(ii), Regulation 46(2)(a)&(b) and Regulation 46(2)(I) of LODR Regulations.

16.1.2 The FAR has made the following observations on this subject:

- *The management of ISL failed to disseminate the policy for determination of materiality of event and information which is violation of Regulation-30(4)(ii) of Chapter IV of SEBI LODR 2015.*
- *According to regulation 46 (2) (i) of chapter-IV of SEBI LODR 2015, the management should disseminate the details of familiarization programme to independent director on website. However, we found that such policy was not accessible. This is violation of regulation 46 (2) (i) & (ii) of chapter-IV of SEBI LODR 2015.*
- *The management of ISL has failed to disseminate the financial information like financial results, annual report, shareholding pattern and corporate governance for FY 2016-17 and FY 2017-18 on its website which is violation to Regulation-46(2)(I) of Chapter III of SEBI LODR 2015. Further, this is also in violation to section 136 (1) (para 4) of Companies Act, 2013.*

16.1.3 I note that under Regulation 30(4)(ii) of the LODR Regulations, a listed entity must frame a policy for determination of materiality, based on criteria specified in the regulations, duly approved by its board of directors, which shall be disclosed on its website. Further, as per Regulation 46(2)(a)&(b), the Company shall disseminate the details of its business, the terms and conditions of appointment of independent directors, financial results, complete copy of the annual report including balance sheet, profit and loss



account, directors report, corporate governance report etc, on its website. I note that the Company has not filed any reply to the allegations in the SCN to prove otherwise. Hence, I agree with the observations of the FAR and I find that the Company has failed to comply with Regulation 30(4)(ii), 46(2)(a)&(b) and 46(2)(l) of the LODR Regulations.

16.2 Submission of shareholding pattern:

16.2.1 It is alleged in the SCN 1 that the management of ISL failed to submit shareholding pattern within stipulated time of 21 days for quarter ended December 2017. This is alleged to be in violation of regulation 31(1) of LODR Regulations.

16.2.2 The FAR has made the following observations on this subject:

The management of ISL failed to submit shareholding pattern within stipulated time of 21 days for quarter ended December 2017 which is violation of regulation 33 of chapter-IV of SEBI LODR 2015.

Quarter ended	Due Date	Filing Date	Delay
Dec-17	21-Jan-18	25-Jan-18	4

16.2.3 I note that as per Regulations 31(1)(b) of the LODR Regulations, a listed entity must submit to the stock exchanges a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board on a quarterly basis, within 21 days from the end of each quarter. Since the Company has not filed any reply to contend or prove otherwise, I agree with the observations made in the FAR. Hence, I find that the Company has not complied with Regulation 31(1) of LODR Regulations.

16.3 Submission of Annual Report:



16.3.1 It has been alleged in the SCN 1 that the management of ISL has failed to submit annual report to stock exchange for FY 2016-17 and FY 2017-18. This is alleged to be in violation to Regulation 34(1) of LODR Regulations.

16.3.2 The FAR has made the following observations on this subject:

The management of ISL has failed to submit annual report to stock exchange for FY 2016-17 and FY 2017-18 which is in violation to Regulation-31(1) of Chapter III of SEBI LODR 2015.

16.3.3 I note that under Regulation 34(1) of LODR Regulations, the listed entity must submit the annual report to the stock exchange within twenty one working days of it being approved and adopted in the annual general meeting as per the provisions of the Companies Act, 2013. I note that the Company has not filed any reply to the SCN to counter the allegations made in the SCN. Hence, I agree with the observations made in the FAR that the Company has failed to submit the annual report to the stock exchanges for FY 2016-17 and FY 2017-18 in violation of Regulation 34(1) of the LODR Regulations.

16.4 Filing Summary of grievances:

16.4.1 The SCN 1 alleges that the management of ISL has failed to file summary of grievances to stock exchange for quarter ending Dec-17 & March-18 in the electronic form. This is alleged to be in violation to Regulation 13(3) of LODR Regulations.

16.4.2 The FAR has made the following observations on this subject:



The management of ISL has failed to file summary of grievances/investor complaints to stock exchange for quarter ending Dec-17 & March-18 in the electronic form which is violation to Regulation-13(3) of Chapter III of SEBI LODR 2015.

16.4.3 I note that under Regulation 13(3) of the LODR Regulations, a listed entity must file with the recognised stock exchange on a quarterly basis, within twenty-one days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter. I note that the Company has not filed any reply to the SCN to contest the allegation and has not submitted the said statements till date to prove otherwise. Hence, I agree with the observations made in the FAR that the Company has failed to comply with Regulation 13(3) of the LODR Regulations, as alleged in the SCN.

16.5 Filing of Compliance Report on Corporate Governance:

16.5.1 The SCN 1 alleges that the management of ISL has failed to file a quarterly compliance report on corporate governance for quarter ending March 2018 in the electronic form. This is alleged to be in violation to Regulation 27(2)(a) of LODR Regulations.

16.5.2 The FAR has made the following observations on this subject:

The management of ISL has failed to file a quarterly compliance report on corporate governance for quarter ending March-18 in the electronic form which is violation to Regulation-27(2)(a) of Chapter III of SEBI LODR 2015.

16.5.3 I note that under Regulation 27(2)(a) of the LODR Regulations, a listed company must submit a quarterly compliance report on corporate



governance in the format as specified by the Board from time to time to the recognised stock exchanges within 15 days from the close of the quarter. I note that the Company has not filed any reply to the SCN to contend or prove otherwise. Hence, I agree with the observations made in the FAR that the Company has failed to comply with Regulation 27(2)(a) of the LODR Regulations, as alleged in the SCN.

16.6 Filing of Quarterly Financial Results:

16.6.1 The SCN 1 alleges that the management of ISL has failed to file Quarterly financial result for quarter ending March 2018 in the electronic form. This is alleged to be in violation to Regulation 33(3)(a) of LODR Regulations.

16.6.2 The FAR has made the following observations on this subject:

The management of ISL has failed to file Quarterly financial result for quarter ending March-18 in the electronic form which is violation to Regulation 33(3)(a) of Chapter III of SEBI LODR 2015.

16.6.3 I note that under Regulation 33(3)(a) of LODR Regulations, the Company must submit quarterly and year-to-date standalone financial results to the stock exchanges within forty-five days of end of each quarter, other than the last quarter. I note that the Company has not filed any reply to the SCN to prove otherwise that it has filed the same. Hence, I agree with the observations made in the FAR that the Company failed to comply with Regulation 33(3)(a) of the LODR Regulations.

16.7 Appointment of Statutory Auditor:



16.7.1 The SCN 1 alleged that the statutory auditor of the Company M/s K.S Reddy Associates did not have valid peer review certificate as issued by peer review board of Institute of Chartered Accountants of India (ICAI). This is alleged to be in violation of Regulation 33(1)(d) of LODR Regulations.

16.7.2 The FAR has made the following observations on this subject:

ISL has appointed M/s K.S Reddy Associates as statutory auditor in FY 2015-16. As per details mentioned on ICAI website about valid peer review certificate holders, we noted that M/s K.S Reddy Associates does not have valid peer review certificate as issued by peer review board of Institute of Chartered Accountants of India (ICAI). This is violation of regulation 33 of chapter-IV of SEBI LODR 2015.

16.7.3 I note that in terms of Regulation 33(1)(d) of LODR Regulations, while preparing the financial results, the listed entity must ensure that the limited review or audit reports submitted to the stock exchange on a quarterly or annual basis are to be given only by an auditor who has subjected himself /herself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India. Hence, I note that the Company has not appointed a statutory auditor who has subjected himself /herself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India. In this regard, I note that the Company has not filed any reply to the SCN and thus, has not disputed the same. Hence, I agree with the observations made in the FAR 9 that the Company has failed to comply with Regulation 33(1)(d) of the LODR Regulations.

16.8 Appointment of Company Secretary:



- 16.8.1 The SCN alleges that it was updated on the BSE website that Mr. Ajay Mehta Kantital resigned from the post of Company Secretary on September 14, 2017. The company has not updated information regarding appointment of new compliance officer on the website of the exchange. Hence the company has not appointed compliance officer and is alleged to have violated Regulation 6(1) of LODR Regulations.
- 16.8.2 I note that under Regulation 6(1) of LODR Regulations, a Company must appoint a qualified company secretary as the compliance officer. I note from the BSE website that Mr. Ajay Mehta Kantital had resigned from the post of Company Secretary of ISL on September 14, 2017. However, the company has not updated information regarding appointment of new compliance officer on the website of the exchange. I note that the Company or the other Noticees (Directors/CFO) have not submitted any reply in this regard to show or contend that a Compliance Officer has in fact been appointed. Hence, I find the company has not appointed compliance officer in violation of Regulation 6(1) of LODR Regulations.
17. With regard to the aforesaid allegations of general violations of the LODR Regulations, I note that Noticee no. 3 and 5 have submitted broad replies submitting that the company has filed all the compliances under the LODR Regulations, 2015 up to the quarter ended December 31, 2017 although with a slight delay. Further, Noticee no. 3 has submitted that since the company management was not regular in statutory filings and was not holding AGMs inspite of his repeated requests and hence, he was left with no alternate but to resign as an independent director of the company. Noticee no. 5 has also submitted that it was due to the fact that the company was not holding an AGM/non-preparing the Annual Report and the other non-compliances which the Management did not resolve in spite of her pointing it out to them repeatedly, that she resigned as an



independent director of the company. From the submissions made by the Noticees no. 3 and 5 above with regard to the general violations under LODR Regulations, I note that the Noticees no. 3 and 5 have submitted that the Company had filed all the compliances under the LODR Regulations, 2015 up to the quarter ended December 31, 2017, although with a slight delay. However, I note that the submissions of the Noticees no. 3 and 5 in this regard have made bald statements without any supporting evidence to corroborate their submissions that such compliances under the LODR Regulations, if any, were filed. On the other hand, observations regarding non-compliances have been made in the FAR by the forensic auditor after examining the records as might have been furnished by the Company and information available in public domain. Further, the Company has not furnished any reply in these proceedings. Furthermore, Noticees no. 3 and 5 have submitted that they had resigned from the Company because the company was not holding an AGM/non-preparing the Annual Report and the other non-compliances which the Management did not resolve in spite of them pointing it out to them repeatedly. Therefore, in addition to the findings in the aforesaid paras, I find that the above submissions of Noticees no. 3 and 5, gives further credence to the allegations in the SCN that the Company was not complying with the provisions of the LODR Regulations, 2015.

II. Misrepresentation including of financials and misuse of funds/books of accounts:

18. The allegations made in the SCN 1 with respect to misrepresentation of financials and misuse of funds/books of accounts and my findings therein are given in the following sub-paras.

18.1 Errors in preparation of cash flow statement:



18.1.1 On analysis of cash flow for the financial year 2015-16, various inconsistencies were observed in the FAR and alleged in the SCN, as mentioned below:

18.1.1.1 Misclassification (Inter change of reporting heads):

SCN 1 alleges that Interest income, other income and decrease in short-term loans and advances were shown as inflow from operating activities instead of inflow from investing activities. Similarly increase in long-term loans and advances were shown as an outflow from operating activities instead of an outflow from investing activities. This has resulted in understatement of cash flow from operating activities by Rs. 163.68 lacs and overstatement of cash flow from investing activity by Rs. 163.68 lacs.

I note that interest income, other income and decrease in short term loans and advances forms part of inflow from investing activities. I note that Noticee no. 1 is not an investment company, therefore, showing income from the activities as income from operational activities is not correct.

18.1.1.2 Does not form part of cash flow statement however included:

SCN 1 alleges that the adjustment for miscellaneous expenses written off shown as an outflow in operating activities, the adjustment for exchange fluctuation shown as an inflow in operating activities, exchange difference on foreign currency translation of cash & cash equivalents shown as an inflow in operating activities are not the true representation of figures and result in deceptive representation of cash flow statement. All the above transactions do not trigger any adjustment in cash flow statement. Therefore, it is alleged in the SCN 1 that this has led to overstatement of cash flow from operating activities by Rs. 716.11 lacs.



I note that there have been various transactions which do not form part of the cash flow statement but have been shown as an inflow in the operating activities leading to an overstatement of cash flow from operating activities and thereby, misrepresenting the cash flow statement as none of the transactions trigger any adjustment in the cash flow statement. I note that the Company has failed to reply to the SCN and provide any explanation in this regard. Hence, I find that the Company has misrepresented its cash flow statement.

- 18.1.1.3 The SCN 1 alleges that decrease in deferred tax liabilities (net) amounting to Rs. 4.38 lakhs is shown as an outflow in financing activities and should have been included as an outflow from operating activities. This has led to understatement of cash flow from financing activities by Rs. 4.38 lakhs and overstatement of cash flow from operating activities by Rs. 4.38 lakhs. The FAR has made the following observations on this subject:

“Decrease in deferred tax liabilities (net) amounting to INR 4.38 lakhs was erroneously shown as an outflow in financing activities. Change in deferred tax liabilities (net) does not trigger adjustment in cash flow statement.”

I note that the Company has shown the decrease in deferred tax liabilities (net) amounting to Rs. 4.38 lakhs as an outflow in financing activities when it should have actually been included as an outflow from operating activities. This has led to understatement of cash flow from financing activities and overstatement of cash flow from operating activities by Rs. 4.38 lakhs. I note that the Company has not filed any reply and failed to explain why it has shown the decrease in deferred tax liabilities in the financing activities as that does not trigger adjustment in cash flow statement. Hence, I agree



with the observations made in the FAR that the cash flow statements have been misrepresented.

- 18.1.1.4 It is alleged in SCN 1 that in review of adjustment made in fixed assets, it was observed that assets were sold at profit of Rs. 0.06 lakhs. The profit on sale of fixed assets triggers adjustment in cash flow statement by reducing the same from net profit before taxes in operating activities. However, the Company has not shown the above-mentioned adjustment in cash flow statements for the FY 2015-16. Further, the same was also not shown in the statement of profit & loss for the FY 2015-16 which is incorrect. Hence the net profit of FY 2015-16 is understated by Rs. 0.06 lacs. The FAR has made the following observations on this subject:

“Basis review of adjustment made in fixed assets, it can be comprehended that assets were sold at profit of INR 0.06 lakhs. Profit on sale of fixed assets triggers adjustment in cash flow statement by reducing the same from net profit before taxes in operating activities. However, the Company has not shown the above-mentioned adjustment in cash flow statements for the FY 15-16.”

I note that even though the profit amount on sale of fixed assets is only Rs. 6000/-, as observed in the FAR, the Company has not shown the above-mentioned adjustment in cash flow statements for the FY 2015-16. I note that the Company has failed to file its reply to the SCN and explain as to why it has not shown the above-mentioned adjustment in cash flow statements or statement of profit & loss for the FY 2015-16. Hence, I agree with the observations made in the FAR that the Company has misrepresented the cash



flow statement for the FY 2015-16 by not showing the above mentioned adjustment in its cash flow statement for FY 2015-16.

- 18.1.1.5 It is alleged in SCN 1 that an increase in non-current investment was shown an outflow of Rs. 5953.99 lakhs instead of an outflow of Rs. 2378.35 lakhs in cash flow statement for the FY 2015-16. This has led to understatement of cash flow from operating activities by Rs. 3575.64 lakhs. The FAR has made the following observations on this subject:

"We noted that increase in non-current investment was erroneously shown an outflow of INR 5953.99 lakhs in cash flow statement for the FY 15-16 instead of an outflow of INR 2378.35 lakhs which is different between 9512.92 lakhs and INR 7134.57 lakhs during the FY 15-16 & FY 14-15 respectively."

I note that that increase in non-current investment of the Company in its cash flow statement for the FY 2015-16 was wrongly shown an outflow of Rs. 5953.99 lakhs instead of an outflow of Rs. 2378.35 lakhs. I note that the Company has not filed its reply to contend otherwise. Hence, I agree with the observations made in the FAR that that the cash flow statement of the Company has erroneously shown an understatement of cash flow from operating activities by Rs. 3575.64 lakhs and therefore, I find that the Company has misrepresented its cash flow statements.

- 18.1.1.6 It is alleged in the SCN 1 that withdrawal of depreciation amounting to Rs. 272.34 lakhs was shown as an outflow in investing activities. It was observed that this is an unusual item for which no explanation/disclosure has been provided in the financial statements and therefore, in absence of such explanation/disclosure



genuineness of this line item could not be accessed. It is alleged that the contra entry for the same is not there in notes on depreciation in financial statement. The FAR has made the following observations in this regard:

“Withdrawal of depreciation amounting INR 272.34 lakhs (824% of current years depreciation of INR 33.04 lakhs) was shown as an outflow in investing activities. Withdrawal of depreciation is an unusual item and no explanation/disclosure is provided with respect to such line item. In absence of such explanation/disclosure genuineness of this line item could not be accessed.”

I note that the Company has shown withdrawal of depreciation amounting to Rs. 272.34 lakhs as an outflow in investing activities for the FY 2015-16 without any explanation/disclosure regarding the same. In this regard, I note that the Company has failed to provide any explanation during the forensic audit and neither has it filed any reply to explain the said item in the present proceedings. Hence, I agree with the observations made in the FAR that in absence of such explanation/disclosure, genuineness of this withdrawal of depreciation amounting to Rs. 272.34 lakhs, could not be accessed.

- 18.1.1.7 It is alleged in the SCN 1 that proceeds from issue of capital amounting to Rs. 660.99 lakhs was correctly shown as an inflow in financing activities. However, it is alleged that the effect of the same was not considered while calculating net cash flow from financing activities. Therefore, it is alleged that this has led to understatement of cash flow from financing activities by Rs. 660.99 lakhs. The FAR has made the following observations on this subject:

“Proceeds from issue of capital amounting to INR 660.99 lakhs (10.57% of total share capital) was correctly shown as an inflow in



financing activities. However, the effect of the same was not considered while calculating net cash flow from financing activities.”

I note that proceeds from issue of capital amounting to Rs. 660.99 lakhs was not considered while calculating net cash flow from financing activities and this led to understatement of cash from financing activities by Rs. 660.99 lakhs. I note that the Company has not filed any reply to provide explanation on the same. Hence, I agree with the observations made in the FAR that there has been an understatement of cash flow from financing activities by Rs. 660.99 lakhs and therefore, I find that the Company has misrepresented its cash flow statements.

- 18.1.1.8 It is alleged in SCN 1 that the net cash flow from operating, investing and financing activities which is an outflow of Rs. 6227.94 lakhs does not tally with net decrease in cash & cash equivalents of Rs. 1.67 lakhs. The FAR has made the following observations on this subject: *“We noted that net cash flow from operating, investing and financing activities which is an outflow of INR 6227.94 lakhs does not tally with net decrease in cash & cash equivalents of INR 1.67 lakhs.”*

I note that the net cash flow from operating, investing and financing activities which is an outflow of Rs. 6227.94 lakhs does not tally with net decrease in cash & cash equivalents of Rs. 1.67 lakhs. I note that the Company has not filed any reply to explain this irregularity. Hence, I agree with the observations made in the FAR that the Company has made misrepresentations in the cash flow statements for the FY 2015-16.



- 18.1.2 Considering the above mentioned facts, it was observed in the FAR that “cash flow statement was not prepared correctly and gives an incorrect picture to the users of financial statement”. Hence, it is alleged in the SCN 1 that the Company did not prepare Cash flow statement in accordance with the Accounting Standard 3 as prescribed by the Central Government under Section 133 of the Companies Act, 2013.
- 18.1.3 There is an obligation cast on the company to present true and fair view on the financials in each and every respect and prepare and disclose financial statements in accordance with applicable standards of accounting and financial disclosures. The company must refrain from misrepresentation and ensure that the annual reports presented do not present a misleading picture. Further, the company is entrusted to see that the financial statements are correct and complete in every respect. I note that the Company did not prepare Cash flow statement in accordance with the Accounting Standard 3 as prescribed by the Central Government under Section 133 of the Companies Act, 2013, as observed in the FAR. Further, I note that the Company has not filed any reply to contend otherwise. I also note that the statutory auditor (Noticee no. 8) vide his reply dated October 09, 2020, has submitted that there was printing error in the cash flow statement which was part of the annual report. That this error was noticed and corrected cash flow statement was put forward to the shareholders in the AGM and approved and incidentally, the FAR states that there is a mismatch in cash flow statement compared to the one submitted by the ISL vide their reply dated October 12, 2017. The statutory auditor has submitted that non-reporting of the corrected cash flow on the BSE website immediately after approval in the AGM of ISL is no fault of the statutory auditor. Hence, I agree with the observations of the FAR and, as alleged in the SCN, I find that there has been an error in preparation of the cash flow



statement, and I note that even upon correction by the statutory auditor, the same was not reported to BSE. Hence, I find that the Company has violated Regulation 48 of the LODR Regulations.

18.1.4 In this regard, I note that Noticee no. 3, 4 and 5 have submitted with regard to the aforesaid allegations that it appears that probably it is a case of mistake in the posting to the correct accounting head and not a misstatement or it is not case of falsification of accounts. Noticee no. 3 has submitted that it is the statutory auditor who can explain why the cash flow statement has not been prepared in accordance with AS3, since as an independent director he was not in charge of day to day activities of the company. Noticee no. 4 has submitted that if there was any failure to comply with AS-3, it is at best, the fault of the statutory auditor and as a non-executive non-independent director who is not in charge of the day to day activities of the Company and who is not on the Audit Committee, she cannot be held responsible for the same. Noticee no. 5 has also submitted that if there was any failure to comply with AS-3, it is probably the fault of the statutory auditor and as an independent director who is not in charge of the day to day activities of the Company and who is not on the Audit Committee, she cannot be held responsible for the same. From these submissions of Noticees no. 3, 4 and 5, I note that none of them is contending that financials of Noticee no. 1 were in accordance with AS3 rather they are only contending that it was the responsibility of the statutory auditor to prepare them correctly. Therefore, the findings in the FAR that financials were not in accordance with AS3, still remains. However, the contention of Noticee no. 3, 4 and 5 regarding their liability will be dealt while dealing with the liability of the directors.



18.1.5 Noticee no. 7 (CFO) has submitted that the items are only wrongly posted under various heads and as such there is no allegation that the profits had been wrongly stated. The presentation is a matter of audit and subject and checking up the same with the auditors, he has been given to understand that there is no error in the preparation of the cash flow statement. That the cash flow from operating activities has been determined using indirect approach where the net profit or loss is adjusted to derive the operating cash flow. Further, that the cash flow under this method is derived indirectly by making adjustment for non-cash items and hence there is no violation of AS-3 as alleged by in the SCN 1. In this regard, as noted in the aforesaid para, I note that the statutory auditor (Noticee no. 8) vide his reply dated October 09, 2020, has submitted that there was printing error in the cash flow statement which was part of the annual report. That this error was noticed and corrected cash flow statement was put forward to the shareholders in the AGM and approved and incidentally, the FAR states that there is a mismatch in cash flow statement compared to the one submitted by the ISL vide their reply dated 12.10.2017. The statutory auditor has submitted that non-reporting of the corrected cash flow on the BSE website immediately after approval in the AGM of ISL is no fault of the statutory auditor. Therefore, I note that the submission of Noticee no. 7 that upon checking up with the auditors, he has been given to understand that there is no error in the preparation of the cash flow statement are just bald statements with no evidence to prove otherwise, as the auditor itself has submitted that there was an error in the cash flow statement and the corrected cash flow statement was put forward to the shareholders in the AGM and approved but was not reported to BSE. Hence, the contention of Noticee no. 7 is untenable.



18.2 Long-term & short-term loans and advances are fetching very nominal rate of interest:

18.2.1 The SCN 1 alleges that the long term and short term loans and advances for the FY 2014-15 and the FY 2015-16 of Noticee no. 1 are as under:

Table 1

Details	FY 2015-16	FY 2014-15	Percentage increase/ decrease
Long term loans and advances	1877.65	1583.01	18.61%
Short term loans and advances	6675.75	6692.76	(0.25%)
Total	8553.4	8275.77	

18.2.2 It was alleged that the Long-term & short-term loans and advances are fetching very nominal rate of interest around 1.33% (the interest income earned and other income together is Rs. 113.95 lakhs for an amount of Rs. 8553.4 lakhs) which is unusual and raises concerns over the genuineness of these loans and advances given. Further, that it gives an impression that the company is not diligent in utilization of share-holders funds.

18.2.3 The FAR has made the following observations in this regard:

On review of financial statements for the FY 15-16, we observed that, long-term & short-term loans and advances amounting to INR 8553.40 lakhs are fetching very nominal rate of interest around 1.33% which is unusual. As per industry practice, rate of interest on loans & advances usually ranges around 10-15%. However, Company is fetching very nominal interest rate as presented below. This raise concerns over the genuineness of these loans and advances given.

18.2.4 I note that no reply has been received from the Company or from the Executive Director i.e. Noticee no. 6. I note that the long-term and short-term loans and advances are fetching very nominal rate of interest around



1.33%, thereby earning interest of only Rs. 113.95 lakhs for an amount of Rs. 8553.4 lakhs. I note that the Company nor the directors or the CFO have denied the same and neither have they explained or given reason as to why the loans and advances were given at very nominal rate of interests. It is unusual for a company to offer loans at such minimal rate of interests unless there are material reasons for such decisions. However, since the Company has failed to provide any explanation on the same, I agree with the observations of the FAR that the genuineness of such loans is doubtful.

18.3 Miniscule interest paid on borrowings and non-disclosure regarding purpose of borrowings, rate of borrowings and details of lenders:

18.3.1 The SCN 1 has alleged that during the FY 2015-16 the Company had taken long-term borrowings and short-term borrowings of Rs. 11,526.20 lakhs and Rs. 275.81 lakhs from body corporates and banks respectively. However, the Company has paid very miniscule interest on these borrowings which creates suspicion on the nature of these borrowings (the rate of interest calculated based on the figures is around 0.08%). Further, the Company has not provided any disclosure in financial statements regarding the purpose of borrowings, rate of borrowings and details of lenders.

18.3.2 The FAR has made the following observations on this subject:

"On analysis of expenses of the Company for FY 2015-16 of INR 11518.85 lakhs, we compared finance cost viz-a-viz total amount borrowed and noted the following:

SN	PARTICULARS	FY 2015-16
1	Long term borrowings	11526.20
2	Short term borrowings	275.81
3	Total borrowings (1+2)	11802.01



5	Finance Cost (including bank charges)	9.19
7	Rate of interest (%) (4/3)	0.08%

(Amount in lakhs)

The Company has not provided any disclosure in financial statements with regards to purpose of borrowings, rate of borrowings and details of lenders. Basis above table, we observed that, the Company had taken long-term borrowings and short-term borrowings of INR 11526.20 lakhs and INR 275.81 lakhs from body corporates and banks respectively. As per industry practice, rate of interest charged on such borrowings are usually high. However, Company has paid very miniscule interest at the rate of 0.08% on these borrowings as shown in above table which creates suspicion on the nature of these borrowings.”

18.3.3 I note that the observation in the FAR is that Company has paid very miniscule interest on these borrowings which creates suspicion on the nature of these borrowings and that the Company has not provided any disclosure in financial statements regarding the purpose of borrowings, rate of borrowings and details of lenders. I note that the Company has not filed any reply to address these observations and allegations in the SCN 1. Since, the Company has not provided disclosures in its financial statements regarding the purpose of borrowings, rate of borrowings and details of lenders, I agree with the observations of the FAR that the Company by paying very miniscule interest on its borrowings creates suspicion on the nature of these borrowings.

18.3.4 With regard to the aforesaid allegations against the Company, I note that Noticee no. 3 has submitted that the charges created has been closed except a charge of Rs. 20,00,000/- in favour of United Bank of India, which is there even before he joined the Board. Noticee no. 4 and 5 have submitted that they are unable to understand where the forensic auditor has obtained these numbers from as the latest annual report of March 31, 2016 states that the long term borrowings of the company was Rs. 4366.29 lacs



of which Rs. 3725.58 is on account of FCCBs which had been issued by the Company. Further that the charge details downloaded from the MCA website states that all the charges created have been closed indicating that there are no pending long term loans and advances as stated by the auditor. Noticee no. 7 (CFO) has submitted that all the long term loans/charges on the same had been closed as evidenced by the MCA Master data downloaded from the website.

- 18.3.5 With regard to the contention of Noticees no. 4 and 5 that the latest annual report of March 31, 2016 states that the long term borrowings of the company was Rs. 4366.29 lacs of which Rs. 3725.58 is on account of FCCBs which had been issued by the Company, I note that the same has not been substantiated with any proof or copy of the relevant pages of the Annual Report of March 31, 2016, as claimed by the Noticees. On the contrary, I note from the relevant pages of the Annual Report 2015-16 as annexed to the FAR, that the Company had taken long-term borrowings and short-term borrowings of Rs. 11,526.20 lakhs and Rs. 275.81 lakhs from body corporates and banks respectively. Hence, the contention of Noticees no. 4 and 5 are merely bald statements that are unsubstantiated and thus, untenable. Further, Noticees no. 4, 5 and 7 have submitted that as per the MCA website, all the charges have been closed. However, as also submitted by Noticee no. 3, I note from the MCA website that a charge of Rs, 20,00,000/- in favour of United Bank of India has not been closed till date. Be that as it may, the observation in the FAR is that Company has paid very miniscule interest on these borrowings which creates suspicion on the nature of these borrowings and that the Company has not provided any disclosure in financial statements regarding the purpose of borrowings, rate of borrowings and details of lenders, which have not been addressed by the Noticees in their replies. Hence, the contention by the Noticees that



these charges have been closed is of no avail to allay the observations made in the FAR in this regard.

18.4 Supporting documents not provided for high value bank transactions:

18.4.1 The SCN 1 alleges that the forensic auditor had requested the management to provide all bank accounts maintained by the company in soft format during the review period to ascertain their relevance to the business of the company and to identify the potential round tripping of funds or accommodation transactions. However, the company failed to provide required supporting documents despite multiple follow ups.

18.4.2 The FAR has made the following observations on this subject:

High value bank transactions to ascertain their relevance to the business of the company and to identify the potential round-tripping of funds or accommodation transactions.

We have requested management of ISL to provide Bank statement of all the Bank Accounts maintained by the Company in soft format during review period. However, the company failed to provide required supporting documents despite multiple mail follow up vide email dated 18th February 2019, 13th February 2019

18.4.3 I note that the Company has not filed any reply with regard to the same and has failed to provide the said documents to the forensic auditor despite multiple follow ups. Hence, I agree with the observations of the FAR in this regard and find that the Company has violated Section 11(2)(ia) read with Sections 15A(a) and 15HB of SEBI Act, 1992.

18.4.4 I note that in this regard, Noticees no. 3, 4, 5 and 7 have all submitted vide their respective replies that since they are no more associated with the Company and have resigned, they are unable to comment on the same and



cannot be held responsible for the act of non-co-operation by the management.

18.5 Non-disclosure regarding change of office address:

- 18.5.1 It has been alleged in the SCN 1 that on conduct of a discreet site visit by the forensic auditor at the registered address of ISL as mentioned in the Annual Report of FY 15-16 (Crown Court, Sixth Floor, Office 3, 128 Cathedral Road, Chennai, Tamil Nadu - 600 086), the office of ISL could not be located and they were informed that the Company had shifted its office 3 years back to some unknown place.
- 18.5.2 Further, it is alleged that the Company had filed for change of office address from "Buhari Buildings, Second Floor, No. 3, Moores Road, Chennai 600006, Tamil Nadu, India" to "Crown Court, Sixth Floor, Office #: 3, #: 128, Cathedral Road, Chennai - 600 086, Tamil Nadu, India" on 29th March 2016. Whereas the address mentioned on the website of the company is # 10/44, Thomas Nagar, Littlemount, Saidapet Chennai -600015, Tamil Nadu, India. This raises concerns regarding the existence of company and the genuineness of doing any business. Since address change is considered as material information, the non-disclosure on the part of company is alleged to be in non-compliance of Regulation 30(1) of LODR Regulations, 2015.
- 18.5.3 The FAR has made the following observations on this subject:

"We requested the management of ISL to provide us a date for discussion with the directors, KMP & auditors of the Company to understand the business operations, visit the place of business and discuss the SEBI queries. However, despite our multiple follow ups vide mail dated 18th February 2019, 13th February 2019, 5th February 2019, 16th June



2018 and 14th June 2018 and various call follow ups, the management failed to provide a single opportunity for discussion. In such scenario, we conducted a discreet site visit on 11th June 2019 of the registered address of isl as mentioned in the annual report of fy 15-16. The address was "crown court, sixth floor, office 3, 128 cathedral road, chennai, tamil nadu – 600 086". Following points were noticed:

- There was no office in the name of ISL, instead we found other offices named orchid health care private limited, Shree Sai healing trust (Avalia construction private limited), B&P legal, SI UK and one more room with unreadable name plate on 6th floor of crown court building 128 cathedral road, Chennai, Tamil Nadu – 600 086.
- On asking security guard at the entrance of the building & neighbour offices we were informed that office of info drive software limited was shifted 3 years back to some unknown place.
- On the name plate of building, name of the company was written on a sheet of paper, further we have found only 5 rooms on 6th floor of the building, however by looking at name plate of the building it seems there are 6 rooms on 6th floor.

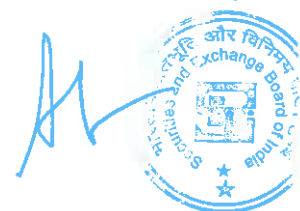
Therefore, based on above facts, it creates suspicions on the genuineness of the business operations of the Company."

18.5.4 I note that as per the MCA website, the address of the Company is given as "Crown Court, Sixth Floor, Office No 3 No.128, Cathedral Road CHENNAI Chennai TN 600086 IN". However, the forensic auditors could not find the office at the said location and was informed by the building guard and neighboring offices that ISL had shifted its office 3 years back to an unknown place. I note that in the FAR, pictorial evidence of the site visit at the registered address have also been provided and from the same it is evident that the office of ISL is not located at the registered address of the Company. Therefore, it is apparent that ISL does not have its office at the address i.e. "Crown Court, Sixth Floor, Office No 3 No.128, Cathedral Road CHENNAI Chennai TN 600086 IN" as provided on the MCA website as its registered address and mentioned in the Annual Report 2015-16. I note that Company has not filed any reply and provided any proof of the existence of



the office at the said registered address. Further, the Company has failed to explain why there is a different address provided on the website of the Company. Therefore, it is not clear where the office of ISL is at present, however, it is clear that it is not located at the registered address provided on the MCA website and also in Annual Report 2015-16 and the office has now shifted elsewhere. I note that change of registered office address is a material information that needs to be disclosed by the Company. Hence, I agree with the observations of the FAR that the Company has failed to disclose its change in address. Thus, I find that the Company has failed to comply with Regulation 30(1) of the LODR Regulations.

18.5.5 In this regard, Noticees no. 3, 4 and 5 have submitted that had the forensic auditor checked the MCA website, he would have seen the changed address already filed with the ROC. Noticees no. 4 and 5 have further submitted that the change of address is not mentioned as a material information to be disclosed to the stock exchange under Regulation 30 of the LODR Regulations, 2015. I note that the contention of the Noticees no. 3, 4 and 5 have already been dealt with in the aforesaid para and they have not provided any further evidence or proof that the Company office is located at the registered address on the MCA as contended by them. Further, with regard to the contention of the Noticees no. 3, 4 and 5 that change of address is not a material information to be disclosed to the stock exchanges under Regulation 30 of the LODR Regulations, 2015, I note that under Section 12 of the Companies Act, 2013, "*A company shall, within thirty days of its incorporation and at all times thereafter, have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it*". Hence, for the purpose of shareholders sending all communications and notices to the company and its acknowledgement by the Company, it is an important information that has



to be disclosed to the stock exchange for the shareholders to know where to communicate with the company. Further, under Section 12(5) of the Companies Act, 2013, it is stated that the registered office of the company shall not be changed except on the authority of a special resolution passed by the company. Therefore, the fact that a special resolution is required to be passed by a company for a change in registered address, makes it evident that the change in registered office of a company is a material information. In this regard, Regulation 30(1) of the LODR Regulations states that *“Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material”*. I Therefore, as discussed above, since change in address is a material information, the Company was required under Regulation 30 of the LODR Regulations to make disclosure of the same to the Stock Exchanges. I note that Regulation 30 read with Schedule II does not provide an exhaustive list of material events but *inter alia* specifies certain events which are deemed to be material and also specifies criteria for determination of materiality of events/information. In view of the above, I find the submissions of the Noticees that change of address is not mentioned as a material information to be disclosed to the stock exchange under Regulation 30 of the LODR Regulations, 2015, is untenable.

18.6 Non-disclosure of Corporate Guarantee under contingent liabilities in financial statements:

18.6.1 The SCN 1 alleges that the company has mentioned the following under contingent liabilities at Para 33 of consolidated financial statements (page 102 of annual report 2015-16):

“SBLC (stand by letter of credit) renewed in favour of Indian Overseas Bank, Singapore has been pre-maturely invoked resulting in reduction of entire security of fixed deposits.



However corporate guarantee (CG) issued would be nullified after settlement of all dues by the subsidiary company in Singapore."

18.6.2 However, in Para m of standalone financial statements under the head of related parties, the Company has mentioned that it has executed a corporate guarantee for Infodrive Enterprises Pte. Ltd, Singapore for an amount of SGD 5.925 Mio (Rs. 27,09,50,300 as on 31/03/2016). Para 68 of Accounting standard 29 Provisions, Contingent Liabilities and Contingent Assets, provides as under:

"Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable: (a) an estimate of its financial effect, measured under paragraphs 35-45; (b) an indication of the uncertainties relating to any outflow; and (c) the possibility of any reimbursement."

18.6.3 Therefore, it is alleged that the company should have mentioned complete information regarding corporate guarantee under the head contingent liability in notes to accounts in consolidated financial statement. Also the entity has not mentioned it under standalone financial statements for FY 2015-16. Hence, it is alleged that the entity has violated Accounting standard 29 Provisions, Contingent Liabilities and Contingent Assets.

18.6.4 I note that Company has failed to mention the complete information regarding corporate guarantee under the head contingent liability in notes to accounts in consolidated financial statement, as alleged in the SCN. I note that the Company has not filed any reply to contend otherwise or explain why the Company has not mentioned it under standalone financial statements for FY 2015-16. Therefore, I find that the company has failed to disclose the corporate guarantee under contingent liabilities in its financial statements as required under Accounting Standard 29.



18.6.5 I note that Noticee no. 7 (CFO), in this regard, has submitted that the contingent liability to be determined in respect of guarantees would be net of cash margins and in this case even though the guarantee was executed the contingent liability was nil consequent to 100% cash margin being offered and hence there is no violation of AS-29. However, I note that if the contingent liability, as submitted by Noticee no. 7, was nil consequent to 100% cash margin being offered, then the Noticee no. 7 has failed to explain why SBLC renewed in favour of Indian Overseas Bank, Singapore was pre-maturely invoked resulting in reduction of entire security of fixed deposits. If 100% cash margin was being offered then the SLBC should not have been pre-maturely invoked. Since there is no further submission or explanation given by Noticee no. 7 in this regard, I find that the same are just bald statements with no explanation or evidence to prove otherwise and therefore, untenable.

18.7 Mismatch in cash flow statements with respect to investment in subsidiaries:

18.7.1 The SCN 1 has alleged that there were discrepancies between the consolidated cash flow statement for FY 2015-16 submitted by ISL vide its reply dated October 12, 2017 and the consolidated cash flow statement for FY 2015-16 available in public domain i.e. on BSE website. Cash flow statements prima facie show discrepancies in accounting of items such as “investment advance in subsidiary companies”, “Purchase / Advance for fixed assets”, etc. Further, the cash flow statements available on the BSE website and that submitted by ISL with its reply use different nomenclature for various heads. It is alleged that the company, during the forensic audit, has not given satisfactory reply regarding the said observation and has only



provided a copy of the cash flow statement. Thus, it is alleged that there has been misrepresentation of financial statements by ISL.

18.7.2 The FAR has made the following observations on this subject:

Regarding the mismatch in consolidated financial statement and cash flow statement with respect to investment in subsidiaries:

ISL provided only a copy of cash flow statement and has not made any satisfactory submissions w.r.t the observation raised in interim order. It is also observed that there have been discrepancies between the consolidated cash flow statement for FY 2015-16 submitted by ISL vide its reply dated October 12, 2017 and the consolidated cash flow statement for FY 2015-16 available on public domain i.e. BSE website.

The items heads highlighted in the cash flow statements as given in SEBI Confirmatory order dated 30 November 2018 (page 20 to 22) prima facie show discrepancies in accounting of items such as "investment advance in subsidiary companies", "Purchase / Advance for fixed assets", etc. Further, the cash flow statements available on the BSE website and that submitted by ISL with its reply use different nomenclature for various heads. Thus, there is prima facie evidence of misrepresentation of financial statements by ISL.

18.7.3 In this regard, I note that as per the FAR, ISL provided only a copy of the cash flow statement and has not made any satisfactory submissions w.r.t the observation raised in the interim order. As alleged in the SCN, I note that there have been discrepancies between the consolidated cash flow statement for FY 2015-16 submitted by ISL vide its reply dated October 12, 2017 and the consolidated cash flow statement for FY 2015-16 available on public domain i.e. BSE website. I note that the item heads highlighted in the cash flow statements as given in Confirmatory Order dated November 30, 2018 shows discrepancies in accounting of items such as "investment advance in subsidiary companies", "Purchase / Advance for fixed assets", etc. Further, the cash flow statements available on the BSE website and those submitted by ISL with its reply, have used different nomenclature for



various heads. In this regard, I note that the Company has not filed any reply to the SCN to contend otherwise. In view of the above, I agree with the observations of the FAR, that there was mismatch in the cash flow statements submitted by the Company. Thus, I find that ISL has made misrepresentation of its financial statements and has failed to comply with Regulation 4(1)(c) of the LODR Regulations.

18.8 Lack of supporting documents for loans given to subsidiary companies:

18.8.1 As stated in the interim order, the company had informed that the advances given to the subsidiary companies are interest free and given to wholly owned subsidiaries and not to third parties and since these loans are repayable on demand there is no repayment schedule. From the tables provided in the FAR (as given below in the succeeding sub-paras), it was observed that advance balance of 4 subsidiaries i.e. Singapore, USA, Mauritius & Canada have increased and for UAE subsidiary the advance balance has decreased. It is alleged that ISL has not provided any documentary evidence such as resolutions passed by Board of Directors and/or minutes of the respective meetings, terms of loans, bank statements highlighting receipt / payment to the subsidiaries, agreements, etc., for granting the loans to subsidiaries along with its reply. This raises a doubt regarding the genuineness of the loans given to subsidiaries. Hence, it is alleged that these transactions seem to be non-genuine and there is no intention on the part of company and its directors to prove otherwise.

18.8.2 The FAR has made the following observations on this subject:

Regarding the loans given to subsidiary companies:



I note ISL's submission that has given interest free advances to wholly owned subsidiaries and not to third parties and since these loans are repayable on demand there is no repayment schedule. Consequently, the auditor has stated the absence of repayment schedule and there is no adverse conclusions as to whether there loans are prima facie prejudicial to the interest of the company. The figures reported for long term loans & advances and short-term loans & advances in standalone financial statements (page no.70) are as follows:

(Amount in lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Long Term Loans and Advances	5,783.63	4740.12
Short Term Loans and Advances	249.42	656.64

Further, ISL on notes to standalone financial statements (page no. 76) disclosed that it has given advances to 5 of its subsidiaries. The details of advances given to the subsidiaries are as follows:

Subsidiary Location	As at March 31.03.2016 (A) (Amt in INR)	As at March 31.03.2015 (B) (Amt in INR)	Increase / (Decrease) (A-B) (Amt in INR)	Remark
Singapore	30,61,31,363	30,02,91,002	58,40,361	Wholly Owned
USA	6,49,37,431	6,40,44,075	8,93,356	Wholly Owned
Mauritius	4,81,03,731	4,74,20,664	6,83,067	Wholly Owned
UAE	4,61,22,153	5,34,71,434	(73,49,281)	Wholly Owned
Canada	69,463	68,323	1,140	Wholly Owned
Total	46,53,64,141	46,52,95,498	68,643	

ISL has not provided any documentary evidence such as resolution{s} passed by Board of Directors and/or minutes of the respective meeting{s}, terms of loans, bank statements highlighting receipt / payment to the subsidiaries, agreements, etc., for granting the loans to subsidiaries along with its reply. This raises a doubt regarding the genuineness of the loans given to subsidiaries.

18.8.3 I note from the FAR that the Company has given substantial loans to its subsidiary companies and has not provided any documentary evidence such as resolutions passed by Board of Directors and/or minutes of the respective meetings, terms of loans, bank statements highlighting receipt /



payment to the subsidiaries, agreements, etc., for granting the loans to its subsidiaries either to the forensic auditor or in the present proceedings. For a listed company to be unable to provide documentary evidence such as the resolutions passed by the Board, agreements, terms of loans or bank statements for such substantial amount of loans raises serious question on the genuineness of the loans given to its subsidiaries. In view of the above, I agree with the observations made in the FAR that the failure of the Company to provide any documentary evidence of the loans given by the Company to its subsidiaries raises a doubt regarding the genuineness of the loans given to subsidiaries. Further, I find that the company has not cooperated with the forensic auditor and failed to provide any documentary evidence with regard to the loans granted to its subsidiaries.

18.8.4 In this regard Noticees no. 3, 4 and 5 have also submitted that they are not responsible for day to day activities of maintenance of records/files/reports, which is the duty of the management. Noticees no. 4 and 5 have also submitted that the details of the loans given are however included in the annual report/audited accounts of 2015-16, and it must have been included after due verification. Noticee no. 7 has denied the allegation that the loans advances to the subsidiary companies were not genuine. In this regard, I note that the submissions made by Noticee no. 4 and 5 that since the details of the loans given are included in the annual report of 2015-16 it must have been included after due verification are merely bald statements and surmises without any evidence/material to support the same and hence, untenable. Further, Noticee no. 7, the CFO, has merely denied the allegation without any further contention or explanation for denial of the same and therefore is untenable.



18.9 No provision for diminution in the value of investment in the US Subsidiary:

18.9.1 It is alleged in the SCN 1 that ISL in its reply to the forensic auditor submitted that the operations of the US subsidiary were suspended temporarily, and the company is confident in reviving the operations in ensuing financial year. Further, the Directors Report in Annual Report 2015-16 (page no.15) has also clarified that "*in view of revival of operations of subsidiary provision for diminution in the value of investments is not considered as per accounting standard- 13*". However, ISL has failed to furnish any document to support their claim of revival of operations of its US subsidiary. Para 32 of Accounting Standard-13 - Accounting for Investment states that, "*Investments classified as long-term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognize a decline, other than temporary in the value of the investments, such reduction being determined and made for each investment individually.*" It is therefore, alleged that the fact that the company was not able to submit any evidence in support of their claim raises doubt on the genuineness of the disclosure regarding revival and thus resulted in misuse / non-effective utilization of shareholder's funds.

18.9.2 The FAR has made the following observations on this subject:

Regarding the diminishing of value of investment in the US Subsidiary:

Para 32 of Accounting Standard-13 (revised in 2016) (Accounting for Investment) states that " Investments classified as long-term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognize a decline, other than temporary. in the value of the investments, such reduction being determined and made for each investment individually.

ISL in its reply submitted that the operations of the US subsidiary were suspended temporarily, and the company is confident in reviving the operations in ensuing financial year. Further, the Directors Report in Annual Report 2015-16 (page no.15) has also



clarified that "in view of revival of operations of subsidiary provision for diminution in the value of investments is not considered as per accounting standard- 13".

However, ISL has failed to furnish any document to support their claim of revival of operations of USA subsidiary.

18.9.3 I note that the Company has failed to furnish any document to support their claim of revival of operations of its US subsidiary before the forensic auditor. Further, I note that the Company has not submitted any reply or any evidence to support the Companies claims of revival of operations of its US subsidiary in the present proceedings. Hence, I agree with the observations of the FAR, and find that ISL has failed to furnish any document to support their claim of revival of operations of its US subsidiary. Further, since the Company failed to furnish any document to claim their support of revival of operations of its US subsidiary, I find the Company has made misrepresentation of their claim of revival of operations of its US subsidiary in the Annual Report 2015-16 in violation of Regulation 4(1)(c) of the LODR Regulations.

18.9.4 I note that Noticee no. 3, 4, 5 and 7, with regard to the aforesaid allegations, have submitted that the statutory auditor has qualified the non-provisioning of diminution of investment and the management has given its reply as to why the provisioning has not been done as per the standard practice and hence, the shareholders are aware of the qualification and there is no question of misleading the shareholders. In this regard, I note that the allegation in the SCN is not whether the shareholders are aware of the qualification made by the statutory auditor on the non-provisioning of diminution of investment. The allegation is that the Company has failed to submit any evidence in support of their claim of revival of operations of its US subsidiary and this raises doubt on the genuineness of the disclosure regarding revival and thus resulting in misuse / non-effective utilization of



shareholder's funds. Therefore, I find that the Noticees no. 3, 4, 5 and 7 have simply made bald statements by merely reiterating what the Company had earlier stated in its replies to the interim order without any further explanation or evidence and hence, their submissions are untenable.

18.10 Mismatch in closing and opening balance(s) of reserves & surplus:

18.10.1 The SCN 1 alleges that it was observed in the reserves & surplus note (4) point (c) of consolidated financial statements that the closing surplus i.e. on 31.03.2015 & opening surplus as at 01.04.2015 are not matching. A difference of Rs.388.89 lacs was observed. ISL had replied to the interim order that the said difference is due to "*adjustment arising out of fluctuation in exchange rates affecting the previous year's figures when the assets and liabilities of the current year drawn up based on the exchange rate prevailing as at the year end.*". As per Accounting Standard -11 (The Effects of Changes in Foreign Exchange Rates) "*all resulting exchange differences should be accumulated in a foreign currency translation reserve until the disposal of the net investment.*" However, on review of Annual Report 2015-16 available on BSE, it is observed that there is no information available/balance shown with respect to foreign currency translation reserve in consolidated financial statements.

18.10.2 It is alleged that the justification provided by ISL does not appear to be in line with the accounting standard mentioned above and is insufficient to clarify the discrepancy highlighted in the interim order with regard to mismatch in opening and closing balance of reserve and surplus. Further, it is alleged that the figures i.e. exchange fluctuation and/or exchange difference on foreign currency translation cash and cash equivalents shown in consolidated cash flow statements for the year ended March 31, 2016 (which is available on BSE website) are not matching with the figures



provided in the cash flow statement as submitted by company vide reply dated October 12, 2017 to the interim order.

18.10.3 As per Para 15 of Accounting Standard -11 (The Effects of Changes in Foreign Exchange Rates)

“Exchange differences arising on a monetary item that, in substance, forms part of an enterprise’s net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise’s financial statements until the disposal of the net investment, at which time they should be recognised as income or as expenses in accordance with paragraph 31.”

18.10.4 Further Para 29 of Accounting Standard -11 (The Effects of Changes in Foreign Exchange Rates) states that

“The incorporation of the financial statements of a non-integral foreign operation in those of the reporting enterprise follows normal consolidation procedures, such as the elimination of intra-group balances and intra- group transactions of a subsidiary. However, an exchange difference arising on an intra-group monetary item, whether short-term or long-term, cannot be eliminated against a corresponding amount arising on other intra-group balances because the monetary item represents a commitment to convert one currency into another and exposes the reporting enterprise to a gain or loss through of the reporting enterprise, such an exchange difference continues to be recognised as income or an expense or, if it arises from the circumstances described in paragraph 15, it is accumulated in a foreign currency translation reserve until the disposal of the net investment.”

18.10.5 Thus SCN 1 alleges that the company has violated AS 11 by not showing balance of foreign currency translation reserve in consolidated financial statements.

18.10.6 The FAR has made the following observations on this subject:



Regarding mismatch in closing and opening balance(s) of reserves & surplus

ISL has submitted that mismatch in closing and opening balance(s) of reserves & surplus is due to adjustment arising out of fluctuation in exchange rates affecting the previous year's figures when the assets and liabilities of the current year drawn up based on the exchange rate prevailing as at the year end.

Para 24 of Accounting Standard -11 (revised in 2003) (The Effects of Changes in Foreign Exchange Rates) states that "in translating the financial statements of a non-integral Foreign Operation for incorporation in its financial statements, the reporting enterprise should use the following procedures:

- (a) the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation should be translated at the closing rate;
- (b) income and expense items of the non-integral foreign operation should be translated at exchange rates at the dates of the transactions; and
- (c) all resulting exchange differences should be accumulated in a foreign currency translation reserve until the disposal of the net investment. "

.....

As per above para, ISL has to disclose (a) the amount of exchange differences included in the net profit or loss for the period; and (b) net exchange differences accumulated in foreign currency translation reserve as a separate component of shareholders' funds, and a reconciliation of the amount of such exchange differences at the beginning and end of the period. Prima facie, it appears that ISL has not appropriately disclosed the above adjustment in consolidated financial statements as at 31st March 2016.

Further, the figures i.e. exchange fluctuation and/or exchange difference on foreign currency translation cash and cash equivalents shown in consolidated cash flow statements for the year ended March 31, 2016 (which is available on BSE website) are not matching with the figures provided in the cash flow statement as submitted by company vide reply dated October 12, 2017.

Thus, the justification provided by ISL does not appear to be in line with the Accounting Standard mentioned above and is insufficient to clarify the discrepancy highlighted in the interim order in that regard.

18.10.7 As alleged in the SCN 1, I note that in the reserves & surplus note (4) point (c) of consolidated financial statements that the closing surplus i.e. on 31.03.2015 and opening surplus as at 01.04.2015 are not matching and a



difference of Rs.388.89 lacs was observed. I note that ISL had replied to the interim order that the said difference is due to adjustment arising out of fluctuation in exchange rates affecting the previous year's figures when the assets and liabilities of the current year drawn up based on the exchange rate prevailing as at the year end. In this regard, as per Accounting Standard -11 (The Effects of Changes in Foreign Exchange Rates) "all resulting exchange differences should be accumulated in a foreign currency translation reserve until the disposal of the net investment." However, on review of Annual Report 2015-16 it is noted that there is no information available/balance shown with respect to foreign currency translation reserve in consolidated financial statements and even the justification provided by ISL does not appear to be in line with the accounting standard 11 and is insufficient to clarify the discrepancy highlighted in the interim order with regard to mismatch in opening and closing balance of reserve and surplus. Further, I note that the figures i.e. exchange fluctuation and/or exchange difference on foreign currency translation cash and cash equivalents shown in consolidated cash flow statements for the year ended March 31, 2016 are not matching with the figures provided in the cash flow statement as submitted by company vide reply dated October 12, 2017. I note that the Company has not filed any reply to explain the same or contend otherwise. In view of the above, I agree with the observations of the FAR that there is mismatch in the opening and closing balance of reserves and that the Company has violated AS 11 by not showing balance of foreign currency translation reserve in consolidated financial statements. Hence, I find that the Company has violated Regulation 48 of the LODR Regulations.

18.10.8 I note that Noticee no. 7, with regard to the aforesaid allegation, has submitted that the statutory auditor who has audited the financial statements has done so after considering the explanation given by the Company and has not qualified the report and therefore, has denied the



allegations as baseless. However, I find that the submissions of Noticee no. 7 are merely bald statements and Noticee no. 7 is trying to abdicate the responsibility upon the statutory auditor when the responsibility and liability is in fact upon the Company.

18.11 Contradictory statements with respect to provision for payment of gratuity:

18.11.1 The SCN 1 alleges that ISL had submitted that the payment of Gratuity Act is applicable only in India. However, it was observed during the forensic audit that the provision made for gratuity in standalone financial statement was Rs. 6.76 lacs vis-à-vis Rs.124.71 lacs shown in consolidated financial statements of FY 2014-15. The gratuity amount of Rs.124.71 shown in FY 2014-15 arose on account of consolidation of financials of Malaysian subsidiary in FY 2014-15. Whereas for the year ended March 31, 2016, the financials of Malaysian subsidiary were not considered for consolidation and consequently the same does not form part of the consolidated financial statements.

18.11.2 From the above, it was alleged that ISL on one side is stating that gratuity is applicable only in India and on other side stating that the decrease in provision of gratuity in FY 2015-16 was due to non-consolidation of financial statements of Malaysian subsidiary. Thus, it was alleged that ISL has made contradictory submissions to the said observation. It is alleged that the fact that there is lack of consistency on the part of the company with respect to consolidation of subsidiaries in conjunction with the fact that unaudited figures have been used for consolidation raises doubt on the accuracy of the figures along with the contradictory statements made by the company,



shows that the company has not furnished a true and fair picture of the financials.

18.11.3 The FAR has made the following observations on this subject:

Regarding the provision for payment of gratuity:

ISL submitted that the payment of Gratuity Act is applicable only in India. It is submitted that the provision made for gratuity in standalone financial statement was RS.6.76 vis-à-vis RS.124.71 in lacs shown in consolidated financial statements of FY 2014-15. The gratuity amount of Rs.124.71 shown in FY 2014-15 arose on account of consolidation of financials of Malaysian subsidiary in FY 2014-15. Whereas for the year ended 31.3.2016, the financials of Malaysian subsidiary were not considered for consolidation and consequently the same does not form part of the consolidated financial statements.

From the above, it is observed that ISL on one side is stating that gratuity is applicable only in India and on other side stating that the decrease in provision of gratuity in FY 2015-16 was due to non-consolidation of financial statements of Malaysian subsidiary. Thus, prima facie, ISL has made contradictory submissions to the said observation.

18.11.4 I note that ISL on one side is stating that gratuity is applicable only in India and on other side is stating that the decrease in provision of gratuity in FY 2015-16 was due to non-consolidation of financial statements of Malaysian subsidiary. Hence, I note that the Company is making contradictory submissions and this raises doubts on the financial statements of the Company as there is no consistency in the financial statements made by the Company and the explanation given by the Company with respect to its financials. I note that neither the Company nor its CFO have filed any reply or explanation to the contradictory statements made by the Company. Hence, I agree with the observations of the FAR that the Company has misrepresented its financials in the Annual Report 2015-16 in violation of Regulation 4(1)(c) of the LODR Regulations.

18.12 Inconsistencies in treatment of accounting of impairment of goodwill across years:



18.12.1 As per the SCN 1 it is alleged that Goodwill was shown as Nil as on 31st March 2016 as against Rs.1706.41 lakhs as on 31st March 2015. In this regard, ISL had submitted that the goodwill of Rs.1706.41 lakhs arose on account of consolidation of Malaysian subsidiary for the year ended March 31, 2015. The financials of the Malaysian subsidiary were not consolidated for the year ended March 31, 2016 and consequently the assets and liabilities and the consequent goodwill on consolidation did not form part of the consolidated financial statements for the year ended March 31, 2016.

18.12.2 SCN 1 alleges that, the Annual Report of ISL for FY 2016-17 is not available on BSE website and on company's website at www.infodriveservices.com. Since, the Annual Report for 2016-17 is not available, the submission of ISL can't be verified at this stage. Further, it has not been justified as to why the consolidation of financials of the Malaysian subsidiary was not done for the FY 2015-16. Therefore, SCN 1 alleges that inconsistencies on the part of the company under various heads indicates that the final figures cannot be relied upon and does not reflect the true and fair picture of financial position of the company.

18.12.3 The FAR has made the following observations on this subject:

Regarding the accounting of impairment of goodwill:

As at 31st March 2016, the Intangible asset i.e. goodwill was shown as Rs. Nil as against of Rs.1706.41 lacs as at 31st March 2015. In this regard, ISL had submitted that the goodwill of RS.1706.41 lakhs arose on account of consolidation of Malaysian subsidiary for the year ended 31.3.2015. The financials of the Malaysian subsidiary were not consolidated for the year ended 31.3.2016 and consequently the assets and liabilities and the consequent goodwill on consolidation did not form part of the consolidated financial statements for the year ended 31.3.2016.



It is mentioned that, the Annual Report of ISL for FY 2016-17 is not available on BSE website and on company's website at www.infodrivservices.com. Since, the Annual Report for 2016-17 is not available, the submission of ISL can't be verified at this stage. Further, it has not been justified as to why the consolidation of financials of the Malaysian subsidiary was not done for the FY 2015-16.

18.12.4 In this regard, I note that the Company has not filed any reply to explain the inconsistencies in treatment of accounting of impairment of goodwill across years. Hence, I agree with the observations made in the FAR that the financials of the Malaysian subsidiary were not consolidated for the year ended March 31, 2016 and consequently the assets and liabilities and the consequent goodwill on consolidation did not form part of the consolidated financial statements for the year ended March 31, 2016. I note that in addition to there being inconsistencies in treatment of accounting of impairment of goodwill across years, the Company and its directors have also failed to provide an explanation for the same or even provide a copy of the Annual Report 2016-17 for verifying the submissions of the Company. Thus, I find that the Company has failed to comply with Regulation 4(1)(a) and (c) of the LODR Regulations.

18.13 Independency of Independent Directors:

18.13.1 The SCN 1 alleges that in the annual reports, it was observed that Mr. V. N. Seshagiri Rao was director in the year 2012-13, whereas he is independent director in FY 2015-16. Also he was chairman of the audit committee for FY 2015-16.

18.13.2 The above said observation is alleged to be in violation of provisions of Companies Act, 2013 including as under:



- 1) Section 149(6)(e) of the Companies Act, 2013 where in its stated as under
"(e) who, neither himself nor any of his relatives—
 - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;"*
- 2) Section 149(12) of Companies Act, 2013 states that "Notwithstanding anything contained in this Act,—
 - (ii) an independent director;*
 - (iii) 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."*
- 3) As per Section 166 of Companies Act, 2013, which prescribes the Duties of the directors, all the directors have been obligated with same duties and there is no differentiation on the basis of the positions of executive or non-executive or independent directors. The same is represented as under:
 - (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.*
 - (2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.*
 - (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.*
 - (4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.*
 - (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.*
 - (6) A director of a company shall not assign his office and any assignment so made shall be void.*



(7) *If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.*

18.13.3 Further, Regulation 16(1)(b)(vi) of the LODR Regulations states that “*who, neither himself, nor whose relative(s) — (A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.*” As per Regulation 18(1)(d) of the LODR Regulations, 2015, it states that “*The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.*”

18.13.4 Since the independent director Mr. V. N. Seshagiri Rao has been mentioned as director in the annual reports for FY 2012-13, SCN 1 alleges that the said independent director is having pecuniary relationship with the company and cannot be considered independent as per the definition provided under Regulation 16(1)(b)(vi) of LODR Regulations. Hence, it is alleged that ISL has not complied with the provisions of Regulations 16(1)(b)(vi) of LODR Regulations 2015. Mr. V. N. Seshagiri Rao was also the chairperson of the audit committee for FY 2015-16, hence it is alleged that ISL has violated Regulation 18(1)(d) of LODR Regulations 2015.

18.13.5 In this regard, I note that it is alleged in the SCN that Mr. V. N. Seshagiri Rao has been mentioned as director in the annual reports for FY 2012-13 and hence, it has been alleged that the said independent director is having “pecuniary relationship” with the company and cannot be considered independent as per the definition provided under Regulation 16(1)(b)(vi) of LODR Regulations. In this regard, I note that Regulation 16(1)(b)(vi) of the LODR Regulations does not *inter alia* envisage or pertain to the condition of a director having “pecuniary relationship” with the listed company for him



to be an independent director. I note that it is Regulation 16(1)(b)(iv) which provides that "independent director" means a non-executive director, other than a nominee director of the listed entity who, *inter alia*, apart from receiving director's remuneration, has or had no material "pecuniary relationship" with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year. Accordingly, since Mr. V. N. Seshagiri Rao has been mentioned as director in the annual reports for FY 2012-13, he cannot have been appointed as an independent director as he was in a "pecuniary relationship" with the Company in the FY 2012-13. Hence, I find that the Company has violated Regulation 16(1)(b)(iv) of the LODR Regulations by appointing Mr. V. N. Seshagiri Rao as an Independent director in the Company for the FY 2015-16.

18.13.6 Consequently, I find that the Company has also violated Regulation 18(1)(d) which stipulates that the chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries. Therefore, since Mr. V. N. Seshagiri Rao was not an independent director and was appointed as the chairperson of the audit committee, I find that the Company has also violated Regulation 18(1)(d) of LODR Regulations, as alleged in the SCN.

18.14 Irregularity in depositing of income tax dues:

18.14.1 The Company is not regular in depositing the Income Tax dues and Tax Deducted at Source (TDS) in to the Government Account. As per the Companies (Auditor's Report) Order, 2016 for FY 2015-16, "*The Company is not regular in depositing the Income Tax dues and Tax Deducted at Source (TDS) in to the Government Account.*"



- 18.14.2 Thus, the SCN 1 alleges that the directors of the company should have been diligent and should have ensured that the company deposits its income tax dues in time so that it shall set a right corporate culture and ensure compliance of law of land.
- 18.14.3 I note that the Company has not filed any reply to the SCN, however, I note that the Company in its reply to the Interim Order had submitted that *“there has been a delay in depositing the tax deducted at source due to the working capital crunch faced by the company and the same is in the normal course of business as there has been delay in recovering the receivables from customers. The delays were also compounded by the fact that the bank accounts of the company were frozen by the Income Tax Department, which paralyzed the operations of the company.”*
- 18.14.4 I note that the Company has failed to ensure that the company deposits its income tax dues in time and therefore, has failed to comply with the relevant provisions of the Income Tax laws. Further, I note that failure in payment of tax led to the bank accounts of the company being frozen by the Income Tax Department, which paralyzed the operations of the company and therefore, it is apparent that such failure by the Company has not been in the interest of the shareholders. In this regard, I note that as per Regulation 4(1)(g) of the LODR Regulations, *“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”*. Therefore, it is the obligation of the Company to comply with all applicable laws, which includes the Income Tax laws. Hence, I find that the Company has violated Regulation 4(1)(g) of the LODR Regulations by failing to ensure that the company deposits its income tax dues in time in compliance with the relevant Income Tax laws applicable to the Company.



18.15 Gross margin of company less as compared to industry margins:

18.15.1 The SCN 1 alleges that the gross margins % for FY 2015-16 was found to be far less than the normal industry margins. This gives an impression that Company's operations are not yielding any benefit to shareholders. Further, the PE ratio of the peer companies is ranging from 20 to 30. The PE of Info Drive software limited is 0.83 (0.10/0.12) (EPS = 0.12 (2015-16), MPS = 0.10) and as it is seen, it is very much less than the peers and as per the market trends.

18.15.2 Noticee no. 3, 4, 5 and 7 have submitted that it is an issue pertaining to the management of the Company, and its decisions on how to charge and market its products/services and hence, they are not in a position to comment on these allegations. I note that the Company nor the Executive Director (Noticee no. 6) have filed any reply to the SCN.

18.15.3 In this regard, I note that the SCN does not specify what provision of the LODR Regulations that the Company has violated for having its gross margin percentage for FY 2015-16 far less than the normal industry margins or having a much lesser PE ratio compared to its peers. Hence, I find that the allegation does not hold.

18.16 MCA, vide its letter dated 10.01.2019 had forwarded relevant extracts its inspection report vide letter F.No. 13(11)/2018:

18.16.1 The following observations have been made in its inspection report:



"In the financial year 2014-15, the company issued 91 zero coupon FCCB through that company raised fund around Rs 46 crores from unknown sources. As already observed, analysis of company's financial statement 2015-16 shows that 56% of company's asset is under non-current investment and 27% of the company's asset is under long term loans and advances. These non-current investments and long term loans and advances are given to Company's foreign subsidiary without the same being utilized for the growth of the company which raises serious suspicion on the operations of the company."

- 18.16.2 Inspection report conclusion also indicates that the Company has violated about 23 provisions of Companies Act, 2013 including SEBI disclosure requirements. As per the inspection report "A close analysis of company's business activity based on the information raises suspicion of money laundering, round tripping and siphoning of funds. Issue of FCCB and later on conversion as equity raises serious doubt about source of funds, it looks like case of violation of Foreign Exchange Management Act and Prevention of Money Laundering. Without investigating the foreign subsidiary/associate/joint venture of this company, several suspicious transactions cannot be established without fact. This company should be treated as vanishing company.
- 18.16.3 Noticees no. 5, 7 have submitted that since this is a part of regulatory action, they have nothing to submit except that since they are no longer associated with this company, they are unaware of the current state of affairs and operations of the company. From a perusal of the relevant paras pertaining to the MCA inspection report in the SCN, it appears that there is no allegation per se arising from the MCA inspection report and merely the observations of the MCA inspection report have been stated in the SCN. Hence, I find that the same does not need any further consideration.
19. The SCN, further, alleges that ISL has violated Regulations 4(1)(a),(b),(c),(e),(g), 4(2)(f)(ii)(6),(7), 4(2)(f)(iii)(2),(3),(6) and (12) and Regulations 33(2)(a) of LODR



Regulations. From the discussions above, I find that ISL, has already been found to be in violation of Regulation 4(1)(c), 4(1)(g), Regulation 16(1)(b)(iv), 18(1)(d), 30(1) and Regulation 48 of the LODR Regulations. Regarding the violations of Regulation 4, I note that Regulation 4 of LODR Regulations, lays down principles governing disclosures and obligations of the listed entity under the LODR Regulations. Specific clauses of Regulation 4(1), the violation of which has been alleged in the SCN, provides that 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.



20. In para 18, it has already been found that ISL has failed to comply with Regulation 16(1)(b)(iv), 18(1)(d), 30(1) and Regulation 48 of LODR Regulations of the LODR Regulations, therefore, its disclosures were not in accordance with the principles laid down in the aforesaid clauses of Regulation 4(1) and hence, ISL is also in violation of 4(1)(a), (b), (c), (e) and (g) of LODR Regulations. Regarding the violations of Regulations 4(2)(f)(ii)(6),(7), 4(2)(f)(iii)(2),(3),(6) and (12) of the LODR Regulations by ISL, as alleged in the SCN, I find that Regulation 4(2)(f) enlists the responsibilities of board of directors of listed entities. Clause (ii) of Regulation 4(2)(f) deals with key functions of the board of directors and Clause (iii) deals with other functions of the board of directors. Any liability arising out of the violation of these principles because of violation of disclosure or other obligation of the listed entity under the LODR Regulations, is of the board of directors of the listed entity. Therefore, I find that ISL cannot be said to be in violations of Regulation 4(2)(f)(ii)(6),(7), 4(2)(f)(iii)(2),(3),(6) and (12) of the LODR Regulations which pertain to obligations of the board of directors. Further, Regulation 17(8) of the LODR Regulations pertains to the responsibility of the chief executive officer and the chief financial officer to provide the compliance certificate to the board of directors as specified in Part B of Schedule II. Therefore, since the liability is upon the chief executive officer and the chief financial officer and not the Company, I find that ISL cannot be said to be in violation of Regulation 17(8) of the LODR Regulations.
21. SCN further alleges that ISL has violated Section 21 of SCRA, 1956. In this regard, I note that Section 21 of SCRA, 1956 provides that where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange. I note that securities of ISL are listed on BSE. The relevant extract of the two of the conditions, as contained in uniform listing agreement, as mandated by SEBI Circular No. CIR/CFD/CMD/6/2015 dated October 13, 2015, is as under:



“.....1. That the Issuer shall comply with the extant provisions of all the applicable statutory enactments governing the issuance, listing and continued listing of securities.

2. That without prejudice to the above clause, the Issuer hereby covenants and agrees that it shall comply with the following:—

i. the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 and other applicable regulations /guidelines/circulars as may be issued by SEBI from time to time.

ii. the relevant byelaws / regulations / circulars / notices / guidelines as may be issued by the Exchange from time to time.

iii. such other directions, requirements and conditions as may be imposed by SEBI/Exchange from time to time.....”

22. Above two are the conditions of listing agreement which every issuer company, whose securities are listed on a recognised stock exchange, is required to comply. As can be seen from the above-quoted conditions, one of the conditions is compliance with LODR Regulations. In the present case, ISL is a company whose securities are listed on BSE Ltd. which is a recognised stock exchange. ISL being a company having its securities listed on BSE was also required to sign the said uniform listing agreement with BSE and in view of the provisions of Section 21 of SCRA, 1956, ISL was bound to comply with the conditions of the uniform listing agreement, as extracted above. ISL has been found to be in violation of the provisions of the LODR Regulations, as discussed above, therefore, ISL is in violation of the condition of the listing agreement and hence, is also in violation of Section 21 of SCRA, 1956.

III. Violations of PFUTP Regulations, 2003:

23. Noticees no. 3, 4, 5 and 7 in their respective replies have submitted that there is no data anywhere in the SCN to indicate the number of investors supposedly



induced to invest in the company and hence have denied the allegations of violations of the PFUTP Regulations.

24. In this regard, I note that the scope of work, as was assigned to the forensic auditor by BSE, as stated in the FAR, was as follows:

"1. Possible misrepresentation including its financials and / or businesses and / or violation of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as "LODR Regulations") and/or

2. Possible misusing of books of accounts/funds of the Company including facilitation of accommodation entries and/ or entering into transaction to the detriment of minority shareholders and controlling shareholders and key management person (KMP)

For the aforesaid reasons, the audit inter alia should cover the following:

- a. Suspicious transactions/items as provided in the SEBI / Exchange Orders passed on the Company*
- b. To examine the Books of Accounts and backup records of the Company for the period of two years including the year of transactions referred in SEBI / Exchange Order to:*
 - I. Cash flow analysis to review major inflows and outflows during the financial years. (as per annual report for last 2 years)*
 - II. Assess genuineness of the debtors/ receivables and creditors / payables,*
 - III. Reconciliation of debtors / creditors as stated by the Company vis-à-vis the actual position and the prospects of recovery (focus on top debtors).*
 - IV. Analysis of related party transactions.*
 - V. High value bank transactions to ascertain their relevance to the business of the company and to identify the potential round-tripping of funds or accommodation transactions.*
 - VI. Assess genuineness of expenditure (capex as well as other goods and services) and review of top vendors / suppliers / customers.*
 - VII. Investments made by the company in subsidiary companies along with the relevant fund flows, if any.*
 - VIII. Assess genuineness of investments both listed and unlisted with appropriateness of valuation and flow of funds.*
 - IX. Assessment of utilization of funds lying as share premium, if any, in terms of provisions of Companies Act.*



- X. *Comment on the shareholding pattern.*
- XI. *Wherever applicable, the relevant funds flow including analysis of relevant bank statements (also source and utilization of funds).*

c. *Verification / discussions:*

- I. *Independent and / or physical verification of the underlying transactions*
- II. *Background / reputation checks based on public domain information related to promoters, nature/ line of business, genuineness of business activities of the Company.*
- III. *Discussions with key stakeholders like promoters/ senior management/ HODs, vendors, customers, Company auditors, entities/persons involved in day to day affairs of the Company, etc.*
- IV. *Business history, directorship searches and litigations.*
- V. *Assessment of size and scope of business.*
- VI. *Site visit as may be applicable for verifying existence of the Company's functional/ registered office, assets, place of execution of services, etc. In case of doubt, site visit to be carried out at plants / factories."*

25. From a reading of the scope of work of the FAR, I note that it was mainly limited to examination of possible violation of LODR Regulations by ISL and the misuse of books of accounts/ funds by ISL. The conclusion of the FAR was summarized therein as follows:

A. *Misrepresentation of financial statements and its business and violation of SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015 as evident from the following observations:*

- *The management should disseminate the details of familiarization programme to independent director. However, we found that such policy was not accessible. This is a violation of regulation 46 (2) (i) & (ii) of chapter-IV of SEBI LODR 2015.*
- *We noted that statutory auditor of the Company M/s K.S Reddy Associates does not have valid peer review certificate as issued by peer review board of Institute of Chartered Accountants of India (ICAI). This is violation of regulation 33 of chapter-IV of SEBI LODR 2015.*



- ISL has not registered themselves with the SCORES platform (SEBI Complaint Redress System) which is in violation to Regulation-13(2) of Chapter III of SEBI LODR 2015.
- The management of ISL failed to submit shareholding pattern with in stipulated time of 21 days for quarter ended December 2017 which is violation of regulation 33 of chapter-IV of SEBI LODR 2015.
- The management of ISL failed to disseminate the policy for determination of materiality which is violation of Regulation-30(4)(ii) of Chapter IV of SEBI LODR 2015.
- The management of ISL has failed to submit annual report to stock exchange for FY 2016-17 and FY 2017-18 which is in violation to Regulation-31(1) of Chapter III of SEBI LODR 2015
- The management of ISL has failed to file summary of grievances to stock exchange for quarter ending Dec-17 & March-18 in the electronic form which is violation to Regulation-13(3) of Chapter III of SEBI LODR 2015.
- The management of ISL. has failed to file a quarterly compliance report on corporate governance for quarter ending March-18 in the electronic form which is violation to Regulation-27(2)(a) of Chapter III of SEBI LODR 2015.
- The management of ISL has failed to file Quarterly financial result for quarter ending March-18 in the electronic form which is violation to Regulation-33(3)(a) of Chapter III of SEBI LODR 2015.
- The management of ISL has failed to disseminate the financial information like financial results, annual report, shareholding pattern and corporate governance for FY 2016-17 and FY 2017-18 which is violation to Regulation-46(2) (I) of Chapter III of SEBI LODR 2015.

B. Misuse of books of accounts / funds of the Company including facilitation of accommodation entries to the detriment of minority shareholders and therefore renegeing on the fiduciary responsibility cast on the board, controlling shareholders and key management person (KMP) as evident from the following findings:

- The adjustment for preliminary expenses written off amounting to INR 14.49 lakhs was also erroneously shown as an outflow in operating activities in cash flow statement.
- The adjustment for exchange fluctuation amounting to INR 418.16 lakhs was also erroneously shown as an inflow in operating activities in cash flow statement.
- Exchange difference on foreign currency translation of cash & cash equivalents amounting INR 462.71 lakhs was erroneously shown as an inflow in operating activities. Exchange difference on foreign currency translation does not triggers adjustment in cash flow statement.



- Interest income and other income of INR 19.52 lakhs & INR 94.43 lakhs respectively was incorrectly shown as an inflow in operating activities instead of an inflow in investing activities in cash flow statement.
- Basis review of adjustment made in fixed assets, it can be comprehended that assets were sold at profit of INR 0.06 lakhs. Profit on sale of fixed assets triggers adjustment in cash flow statement by reducing the same from net profit before taxes in operating activities. However, the Company has not shown the above-mentioned adjustment in cash flow statements for the FY 15-16.
- Further, the same was also not shown in the statement of profit & loss for the FY 15-16 which is incorrect.
- Increase in non-current investment was erroneously shown an outflow of INR 5953.99 lakhs instead of an outflow of INR 2378.35 lakhs in cash flow statement for the FY 15-16.
- Withdrawal of depreciation amounting INR 272.34 lakhs was shown as an outflow in investing activities. Withdrawal of depreciation is an unusual item and no explanation/disclosure is provided with respect to such line item. In absence of such explanation/disclosure genuineness of this line item could not be accessed.
- Proceeds from issue of capital amounting to INR 660.99 lakhs was correctly shown as an inflow in financing activities. However, the effect of the same was not considered while calculating net cash flow from financing activities.
- Decrease in deferred tax liabilities (net) amounting to INR 4.38 lakhs was erroneously shown as an outflow in financing activities. Change in deferred tax liabilities (net) does not trigger adjustment in cash flow statement.
- Decrease in short-term loans and advances amounting to INR 17.01 lakhs was shown as an inflow in operating activities instead of an inflow in investing activities for the FY 15-16.
- Increase in long-term loans and advances amounting to INR 294.64 lakhs was shown as an outflow in operating activities instead of an outflow in investing activities for the FY 15-16.
- Decrease in provision for gratuity and provision for taxation amounting to INR 122.82 lakhs & INR 27.45 lakhs respectively was incorrectly shown in operating activities in cash flow statement for the FY 15-16. Decrease in provision for gratuity and provision for taxation does not triggers adjustment in cash flow statement.
- Net cash flow from operating, investing and financing activities which is an outflow of INR 6227.94 lakhs does not tally with net decrease in cash & cash equivalents of INR 1.67 lakhs.
- Company shown "NIL" inventories in the balance sheet of FY 15-16 which is unusual.



- The gross margins % for FY 15-16 was found to be far less than the normal industry margins. This prima facie gives an impression that Company's operations are not yielding any benefit to shareholders.
- Long-term & short-term loans and advances are fetching very nominal rate of interest around 1.33% which is unusual and gives an impression that the Company is not diligent in utilisation of share-holders funds.
- The Company had taken long-term borrowings and short-term borrowings of INR 11526.20 lakhs and INR 275.81 lakhs from body corporates and banks respectively. As per industry practice, rate of interest charged on such borrowings are usually high. However, Company has paid very miniscule interest on these borrowings which creates suspicion on the nature of these borrowings.
- The Company has not provided any disclosure in financial statements with regards to purpose of borrowings, rate of borrowings and details of lenders.

C. Other observations

- On conducting a discreet site visit on 11th June 2019 of the registered address of ISL as mentioned in the Annual Report of FY 15-16. The address was "Crown Court, Sixth Floor, Office 3, 128 Cathedral Road, Chennai, Tamil Nadu - 600 086". Following points were noticed:
- There was no office in the name of ISL, instead we found other offices named Orchid Health Care Private Limited, Shree Sai Healing Trust (Avalia Construction Private Limited), B&P Legal, SI UK and One more room with unreadable name plate on 6th Floor of Crown Court Building 128 Cathedral Road, Chennai, Tamil Nadu - 600 086.
- On asking security guard at the entrance of the building & neighbour offices we were informed that office of Info Drive Software Limited was shifted 3 years back to some unknown place.
- On the name plate of building, name of the Company was written on a sheet of paper, further we have found only 5 rooms on 6th floor of the building, however by looking at name plate of the building it seems there are 6 rooms on 6th floor.

26. It is observed that the Investigating Authority, after examining the FAR, incorporated the findings of FAR as part of investigation report, and consequently, the same was reproduced in the SCN 1. However, the SCN 1 additionally states, "From the above, it was observed that the company (Noticee no.1), its directors



and the Chief Financial Officer (Noticee no. 2 to 7) have failed to present true and fair financial statements, executed transactions which are non-genuine in nature thereby resulting in misrepresentation of the accounts/financial statements and misuse of account/funds of the company and such acts were found to be fraudulent in nature, as they induced the investors to trade in the securities of the company and had the potential to misled the investors." Consequently, the SCN 1, *inter alia*, additionally, includes allegation of violation of provisions of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d), 4(1) and 4(2)(f) & (r) of PFUTP Regulations, 2003. I observe that while including the above violations in the findings of the stated SEBI investigation and consequently, in the SCN 1, there is no additional facts or findings provided, which is not in the FAR. It is observed that these Noticees have been charged with the violation of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) of PFUTP Regulations, 2003 which can be in relation to dealing in securities. However, no details of trading by these Noticees viz: name of the scrip traded, number of shares traded, price at which shares were traded, date of the trading, etc., have been provided. Nor is there any analysis as to how each of the finding of FAR such as non-compliance with provisions of LODR Regulations or related party transactions without approval or misrepresentation such as of loans as trade receivables, income from interest as operating income, attract each of the PFUTP Regulations, 2003 as alleged.

27. I note that Section 12A(a), (b), (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d), 4(1) and 4(2)(f) & (r) of PFUTP Regulations, 2003 deals with fraud/manipulation/unfair trade practices while dealing in securities and in relation to securities market. Section 12A (a), (b) & (c) of the SEBI Act, 1992 may be invoked in cases where there exists any manipulative or deceptive device or contrivance, any device, scheme or artifice to defraud or any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, purchase or sale of any securities. In the SCN 1, there



are no trading or order data or details of any purchase, sale or issue or subscription of securities by any of the Noticees.

28. It is further observed that Regulation 4(1) of PFUTP Regulations, 2003, at the relevant time, dealt with fraudulent and unfair trade practices relating to securities while Regulation 4(2) is nothing but an enumeration of specific instances of fraudulent and unfair trade practices relating to securities. The common thread through these provisions is that the ingredients of fraud or manipulation or unfair trade practices must be satisfied. In this regard, I note that the Explanation inserted to Regulation 4(1) of PFUTP Regulations, 2003 with effect from October 19, 2020 clarifies as follows:

"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."

Thus, as per the aforesaid explanation also any device, scheme or artifice to manipulate the books of accounts or financial statement of a company, in order to be termed as manipulative, fraudulent and an unfair trade practice in the securities market must directly or indirectly result into manipulation of the price of securities of that company. In the present case, there is no allegation of manipulation of price shares of ISL such as from any issue of securities or siphoning off of assets or earnings of ISL. I note that FAR does not allege any diversion/misutilisation of funds which as per the aforesaid explanation can be termed as manipulative, fraudulent and an unfair trade practice in the securities market without there being any direct or indirect manipulation of the price of the securities of the Company. I note that there is no bar on taking action by SEBI on the basis of a FAR, invoking



provisions of PFUTP Regulations, 2003 and other similar provision of SEBI Act, 1992 related to fraud, if, after examination of the matter, including the FAR, SEBI finds that there was impact on the securities market or the price of the scrip, which are ingredients to prove violations of PFUTP Regulations, 2003. I further observe that the definition of fraud as given under Regulation 2(1) (c) and as interpreted by the Hon'ble Supreme Court of India in **Securities and Exchange Board of India and Ors. v. Kanaiyalal Baldevbhai Patel and Ors. (2017) 15 SCC 753**, makes it clear that 'inducement' is required to constitute 'fraud' under PFUTP Regulations 2003 and must be made while 'dealing in securities' and must be made for the purpose 'to induce others to deal in securities'. The allegations made in the SCN 1 does not bring out findings or any facts relating to trading in securities by Noticees or these essential ingredients of 'fraud' such as 'manipulation in securities', 'dealing in securities', 'inducement', etc.

29. Therefore, I find that violations of PFUTP Regulations, 2003, as alleged in the SCN 1, are very general and vague in nature without making out any specific case containing necessary ingredients required to constitute these violations. In my view, due to the aforesaid reasons, under the facts and circumstances of the present case, I find that the allegations of violation of Section 12A(a), (b & (c) of the SEBI Act, 1992 and provisions of PFUTP Regulations, 2003 is not tenable against the Noticees. However, SEBI is at liberty to issue fresh show cause notice to pursue violations of PFUTP Regulations, 2003 by bringing out specific case/ingredients under PFUTP Regulations, 2003.

IV. Non furnishing of information/Non-cooperation by the company:

30. The SCN 1 has alleged that the company failed to co-operate with the forensic auditor during the course of the forensic audit. The details of the allegation are as follows:



- (i) Despite multiple follow ups and requests (vide mail dated 18th February 2019, 13th February 2019, 5th February 2019, 16th June 2018 and 14th June 2018 and various call follow ups) to provide a date for discussion with the directors, KMP & auditors of the Company to understand the business operations, visit the place of business and discuss the SEBI queries, the management failed to provide a single opportunity for meeting with KMPs, Directors & Auditors for discussion to initiate the Audit.
 - (ii) Also the company failed to provide details of bank accounts and documentary evidence for borrowings.
31. I note that it is alleged in the SCN 1 and also stated in the FAR that the Forensic Auditor had requested management of ISL to provide them a date for discussion with the directors, KMP & auditors of the Company to understand the business operations, visit the place of business and discuss the SEBI queries. However, despite their multiple follow ups vide email dated 18th February 2019, 13th February 2019, 5th February 2019, 16th June 2018 and 14th June 2018 the management failed to provide a single opportunity for discussion to initiate the audit and failed to provide any data sought via information requirement list. I note that the Noticees no. 3, 4, 5 and 7 have through their respective replies submitted that since they are no longer associated or involved with the activities of the Company, they cannot be held responsible for the same. I note that BSE was directed to appoint a forensic auditor for carrying out forensic audit of ISL vide SEBI order dated September 13, 2017. Thus, the forensic audit was being carried out pursuant to a direction of SEBI. Being a listed entity, non-cooperation with such an audit cannot be accepted. I also find that CIRP was initiated against ISL in October, 2019, i.e. after the forensic audit took place in June 2019. Thus, the company cannot take the plea that the relevant documents were in the custody of IRP during the forensic audit. In view of the same, I find that ISL has failed to furnish information sought from it by SEBI as well as the forensic auditor. I also note that Section 11(2) (i) and



11(2) (ia) of the SEBI Act, 1992 has been invoked against the Noticees 1 to 7. On a reading of these Sections, I observe that Section 11(1) of the SEBI Act, 1992 lays down the functions of SEBI, and in carrying out the said functions, SEBI is empowered, under 11(2) (i) and 11(2) (ia) of the SEBI Act, 1992, to call for records from intermediaries and other entities. In the facts and circumstances of the present case, a forensic auditor appointed through an order of SEBI who seeks information from an entity must be treated with the same seriousness as if the information is being sought by SEBI. In view of the non-furnishing of the information sought by the forensic auditor, I find that ISL has violated Sections 11(2)(i) and (ia) of SEBI Act, 1992.

32. SCN 1 further alleges that by virtue of the provision of Section 27 of the SEBI Act, 1992, Noticee no. 2 to 7, who were the directors/CFO of ISL at the relevant time, are liable for the violations alleged to be committed by ISL viz: Section 12A (a) (b) & (c) and Section 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992 and Regulation 3(b), (c) & (d) and Regulation 4(1) and 4(2) (f) & (r) of the PFUTP Regulations, 2003, Regulations 4(1) (a), (b), (c), (e) & (g), 4(2)(f)(ii)(6) & (7), 4(2)(f)(iii)(3),(6) & (12), 6(1), 13(3), 16(1)(b)(iv), 17(8), 18(1)(d), 27(2)(a), 30(1), 30(4)(ii), 31(1), 33(1)(d), 33(2)(a), 33(3)(a), 34(1), 46(2)(a)&(b), 46(2)(l) and 48 of LODR Regulations read with Section 21 of SCRA, 1956. Thus, SCN 1 imputes all the allegations which are levelled against ISL, automatically, on the directors of ISL, including independent directors. As already discussed in the forgoing paras, as regards the violations of Section 12A (a), (b) and (c) of the SEBI Act, 1992, Regulations 3(b), (c) & (d) and 4(1) and 4(2) (f) & (r) of the PFUTP Regulations, 2003, as alleged in the SCN 1, liberty has been given to SEBI to further investigate and proceed with the matter and the role of directors/CFO qua these violations may also be examined by SEBI. In the previous paras, it has been found that ISL was in violation of Sections 11(2)(i), 11(2)(ia) of SEBI Act, 1992, Section 21 of SCRA, 1956, Regulation 4(1)(a), (b), (c), (e) and (g), 6(1), 13(3), 27(2)(a), 30(1), 30(4)(ii), 31(1), 33(2)(a),



33(3)(a), 33(1)(d), 34(1), 46(2)(a)&(b), 46(2)(l) and 48 of the LODR Regulations. Therefore, in the context of Noticees no. 2 to Noticee no. 7, it has to be determined whether these Noticees are liable for those violations for which ISL has been found to be in violation, either by virtue of Section 27 of the SEBI Act, 1992 or otherwise. Regarding applicability of the Section 27 of the SEBI Act, 1992, I note that during the relevant period (i.e. Financial Years 2015-16 to 2017-18), Section 27 provided for the vicarious liability of certain persons who were in charge of and was responsible to the company where an offence is committed by a company. Section 27 at that time did not provide for the vicarious liability in respect of the civil liability of the company arising out of the violations committed by such company. However, after amendments made to Section 27 with effect from March 08, 2019, by the Finance Act, 2018, vicarious liability for civil liability of the company has been introduced by replacing the word "offence" with the word "contravention" in Section 27 of the SEBI Act, 1992. Therefore, Section 27 of the SEBI Act, 1992, at the relevant time, did not create any vicarious liability of these Noticees for the violations committed by ISL, with reference to LODR Regulations for which proceedings under Section 11, 11A, 11B and monetary penalty has been proposed, which are civil in nature.

33. Now, the question remains whether these Noticees can be held independently liable for the violations without any reference to vicarious liability under Section 27 of the SEBI Act, 1992. I note that amongst the violations of Regulations alleged against these Noticees, the Regulations 4(2)(f)(ii)(6) & (7) and 4(2)(f)(iii)(2), (3), (6) & (12) create specific and direct liability of the board of directors. As discussed above, Clause (ii) of Regulation 4(2)(f) deals with key functions of the board of directors and Clause (iii) deals with other functions of the board of directors. Thus, board of directors is responsible for complying with these principles. Any liability arising out of the violation of these principles because of violation of disclosure or other obligation of the listed entity under the LODR Regulations, is fastened on the



board of directors of the listed entity. In the previous paras, it has been found that ISL was in violation of Sections 11(2)(i), 11(2)(ia) of SEBI Act, 1992, Section 21 of SCRA, 1956, Regulation 4(1)(a), (b), (c), (e) and (g), 6(1), 13(3), 27(2)(a), 30(1), 30(4)(ii), 31(1), 33(2)(a), 33(3)(a), 33(1)(d), 34(1), 46(2)(a)&(b), 46(2)(l) and 48 of the LODR Regulations. In view of these violations by ISL, the principles contained in Regulation 4(2)(f)(ii)(6) & (7) and 4(2)(f)(iii)(2), (3), (6) & (12) stood violated for which Noticee no. 2 to 6, being part of the board of directors of ISL are liable. Similarly, in terms of Regulation 33(2)(a) of LODR Regulations, the quarterly financial results are to be approved by the board of directors of the listed entity after being certified by the chief executive officer and chief financial officer. As the financials of ISL were misrepresented, as discussed above, therefore, Noticee no. 2 to 6 who approved the quarterly financial results of ISL for the financial year 2015-16 are in violation of Regulation 33(2)(a) of LODR Regulations. SCN alleges that Noticee no. 7 who was CFO of ISL during FY 2015-16, has also violated all those provisions which have been violated by the directors of ISL. I note that out of the violations alleged against the Noticee no. 7, only the violation of Regulation 17(8) and 33 of LODR Regulations is attributable to CFOs, as amongst the alleged violated provisions only Regulation 17(8) and 33 of LODR Regulations creates a liability on CFOs. In this regard, I note that Regulation 17(8) of the LODR Regulations pertains to the responsibility of the chief executive officer and the chief financial officer to provide the compliance certificate to the board of directors as specified in Part B of Schedule II. Hence, Noticee no. 7, as the CFO of ISL during the FY 2015-16, having issued untrue certificates with respect to the financial statements of ISL, as discussed above, has violated Reg. 17(8) r/w. Part B of Schedule II of LODR Regulations. I note that proviso to Regulation 33(2)(a) provides that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures



contained therein misleading. As the financials of ISL were misrepresented, as discussed above, therefore, Noticee no. 7, who was the CFO of the ISL for the financial year 2015-16, is also in violation of Regulation 33(2)(a) of LODR Regulations. I note that Noticee no. 7 has submitted that he was appointed as the Manager and CFO of the Company with effect from March 31, 2015 and resigned as the CFO with effect from August 31, 2016. Further, he has submitted that as CFO he has exercised due care and judgement and there has been no fabrication or misstatement of any of the financial statements for the FY 2015-16. However, as discussed in para 18 above, it has been found that there have been various misrepresentations and misleading statements in the financial of the Company in the FY 2015-16 and the submissions of Noticee no. 7 in this regard have also been dealt with in the aforesaid paras. Hence, the submission of the Noticee no. 7 that there has been no misstatement of any of the financial statements of ISL for the FY 2015-16 is untenable.

34. With regard to the directors of the Company, it is observed that as per the Annual Report 2015-16 of ISL, the details of the Board of Directors and CFO of ISL during the investigation period are as follows:

Noticee no.	Name	Designation
2	Mr. Jaffer Sadiq Ameer	Independent Director
3	Mr. Pramod Manoharlal Jain	Independent Director
4	Ms. Smitha Ramachandran	Non-Executive Director
5	Ms. Lakshmi Sankarakrishnan	Independent Director
6	Mr. Murugavel Karunanidhi	Executive Director (w.e.f. 31.08.2016)
7	Mr. A. S. Giridhar	Chief Financial Officer (CFO)

Source: Annual report

*As per annual report 2015-16 Mr. V N Seshagiri Rao, a Director on the Board of the Company, expired on 27 June 2016.

35. Noticee no. 2, who was an independent director, has submitted that he had no idea that he was shown as director of the Company and was not involved in any activities, operations, administration or handling accounts or any critical or confidential documents or date of any kind. Noticees no. 3 and 5, who were



independent directors, have vide their respective replies submitted that they were non-executive directors who were not responsible for the day to day running of the Noticee no. 1. Noticee no. 4, who was a non-executive non-independent director submitted that she attended only one meeting during the financial year 2015-16 and did not attend any meeting of the Board during the year 2016-17 and had resigned from the Company on February 14, 2017. Further, Noticee no. 4 has submitted that she was not a member of the Audit Committee and was never involved in overseeing/recommendation for approval of the financial results or statements and she was also not a member of the Nomination and Remuneration Committee/Stakeholders Relationship Committee. Noticee no. 6 was an Executive Director of the Company and I note that he has not filed any reply to the SCN.

36. In this regard, as discussed above, I note that Regulations 4(2)(f) and Regulation 33 creates specific duty on the board of directors without making any distinction with independent directors. As per the Annual report of the company for the FY 2015-16, five meetings of the Board of Directors were held on May 29, 2015, August 14, 2015, November 13, 2015, February 03, 2016 and February 12, 2016. The following are the details of directors and the meetings attended by them during the investigation period, as stated in the Annual Report 2015-16:

Name of directors	Category	No. of Board meetings during the year 2015-16	
		Held	Attended
Mr. V.N. Seshagiri Rao	Non-executive Independent Director	5	5
Ms. Smitha Ramachandran (Noticee no. 4)	Non-executive Director	5	1
Mr. Jaffer Sadiq Ameer (Noticee no. 2)	Non executive Independent Director	5	5
Mr. Pramod Manoharlal Jain (Noticee no. 3)	Non executive independent Director	5	5



Mrs. Lakshmi Sankarakrishnan (Noticee no. 5)	Non executive Independent Director	5	5
Mr. Alavur Lakshmi Narasimhan Madhavann*	Non executive Non Independent Director	5	0

*Vacated as director of the Company w.e.f. 13th November 2015.

37. Further, as per the Annual report of the company for the FY 2015-16, four meetings of the Audit Committee were held on May 29, 2015, August 14, 2015, November 13, 2015, and February 12, 2016. The following are the details of independent directors who were members of Audit Committee and the meetings attended by them during the investigation period, as stated in the Annual Report 2015-16:

Name of directors	Category	No. of meetings	
		Held	Attended
Mr. V.N. Seshagiri Rao	Non-executive Independent Director (Chairman)	4	4
Mr. Jaffer Sadiq Ameer (Noticee no. 2)	Non executive Independent Director	4	4
Mr. Pramod Manoharlal Jain (Noticee no. 3)	Non executive Independent Director	4	1
Mr. Alavur Lakshmi Narasimhan Madhavann*	Non executive Non Independent Director	4	0

*Mr Alavur Lakshmi Narasimhan Madhavann vacated as director of the Company w.e.f. 13th November 2015 and ceased to be member of the Committee.

38. In this regard, from the above, I note that Noticee no. 2 had attended all the board meeting during the financial year 2015-16 and had also attended all the audit committee meetings, which he was a member of, for the financial year 2015-16. Hence, the contention of the Noticee no. 2 that he had no idea that he was shown as a director of the company, is untenable. With regard to the submission of



Noticee no. 4, I note that Noticee no. 4 has attended only one out of the five board meetings of the Company during the financial year 2015-16 and she was not a member of the audit committee. Further, I note that she had resigned from the Company on February 14, 2017 and therefore, cannot be liable for not filing of the Annual Report for the FY 2016-17 and 2017-18. Therefore, liability of Noticee no. 4 for misrepresentations of financial statements of ISL for the FY 2015-16 remains limited to the extent of attending only one Board Meeting of the Company.

39. Regarding the liability of the independent directors for the acts of commission and omission of a company reference may be made to Regulation 25(5) of the LODR Regulations which provides that an independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations. As discussed in previous paragraphs, the company has *inter alia* not prepared cash flow statement in accordance with Accounting standards, charged very little interest on long and short term loans, not provided supporting documents for high value bank transactions, failed to disclose the change of address, failed to mention complete information regarding corporate guarantees under the head contingent liability in notes to accounts in its consolidated financial statements, mismatch in cash flow statements with respect to investment in subsidiaries, failed to provide supporting documents for loans given to subsidiary companies, mismatch in closing and opening balances of reserves and surplus and made contradictory statements with respect to provision for payment of gratuity. The company has been found to be in violation of Sections 11(2)(i), 11(2)(ia) of SEBI Act, 1992, Section 21 of SCRA, 1956, Regulation 4(1)(a), (b), (c), (e) and (g), 6(1), 13(3), 27(2)(a), 30(1), 30(4)(ii), 31(1), 33(2)(a), 33(3)(a), 33(1)(d), 34(1), 46(2)(a)&(b), 46(2)(l) and 48 of the LODR Regulations. In respect of the aforesaid violations by the Company, I note that



Notices no. 2, 3, 4, 5 and 6 have already been found to have violated Regulation 4(2)(f)(ii)(6) & (7) and 4(2)(f)(iii)(2), (3), (6) & (12) of the LODR Regulations. I note that Noticee nos. 2, 3, 4, 5 and 6, being directors of ISL and Notices no. 2 and 3 being part of the audit committee of ISL, approved the financials of ISL, as part of the board of directors of ISL. Failure to raise any concern regarding the financials of ISL, as member of the audit committee as well as the board of directors of ISL, shows that these directors did not act diligently with respect to the provisions contained in the LODR Regulations. Therefore, the contention raised by Notices no. 2, 3 and 5 that they were independent directors and not involved in the day to day functions of the Company and relied upon the report of the statutory auditors as well as the certification given by CEO and CFO, is not tenable.

40. I note that Noticee no. 8, being the statutory auditor of ISL during investigation period, have also been issued separate show cause notice i.e. SCN 2, alleging that the statutory auditor has been negligent in performance of their duties and have not been diligent in issuance of unqualified audit opinion for ISL for the FY 2015-16, thereby, violating provisions of Section 12A (a) (b) & (c) of the SEBI Act, 1992 and Regulations 3(b) (c), (d) and 4(1) and 4(2), (a), (e), (f) & (r) of the PFUTP Regulations, 2003. In this regard, before dealing with the liability of the statutory auditor, it would be appropriate to refer to the judgment of Hon'ble Bombay High Court in Writ Petition No. 5249 of 2010 (filed by Price Waterhouse, Bangalore) and Writ Petition No. 5256 of 2010 (filed by 10 CA firms alongwith their partners), dated August 13, 2010, wherein Hon'ble Bombay High Court, with respect to SEBI's jurisdiction over auditors has held as follows:

"25.

.... In our view, the jurisdiction of SEBI would also depend upon the evidence which is available during such inquiry. It is true, as argued by the learned counsel for the petitioners, that the SEBI cannot regulate the profession of Chartered Accountants. This proposition cannot be disputed in any manner. It is required to be noted that by taking remedial and preventive measures in the



interest of investors and for regulating the securities market, if any steps are taken by the SEBI, it can never be said that it is regulating the profession of the Chartered Accountants. So far as listed Companies are concerned, the SEBI has all the powers under the Act and the Regulations to take all remedial and protective measures to safeguard the interest of investors and securities market. So far as the role of Auditors is concerned, it is a very important role under the Companies Act. As posited in Section 227 of the Companies Act, every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the Company, whether kept at the head office of the company or elsewhere, and shall be entitled to require from the officers of the Company such information and explanations as the auditor may think necessary for the performance of his duties. The auditors in the Company are functioning as statutory auditors. They have been appointed by the shareholders by majority. They owe a duty to the shareholders and are required to give a correct picture of the financial affairs of the Company.

.....

With a view to safeguard the interests of such investors, in our view, it is the duty of the SEBI to see that maximum care is required to be taken to protect the interest of such investors so that they may not be subjected to any fraud or cheating in the matter of their investments in the securities market. Normally, an investor invests his money by considering the financial health of the Company and in order to find out the same, one will naturally bank upon the accounts and balance-sheets of the Company. If it is unearthed during inquiry before SEBI that a particular Chartered Accountant in connivance and in collusion with the Officers/Directors of the Company has concocted false accounts, in our view, there is no reason as to why to protect the interests of investors and regulate the securities market, such a person cannot be prevented from dealing with the auditing of such a public listed Company. In our view, the SEBI has got inherent powers to take all ancillary steps to safeguard the interest of investors and securities market.”

41. From the above-mentioned judgment of Hon'ble Bombay High Court, it is observed that for SEBI to exercise jurisdiction over an auditor, it has to be shown that the case pertains to an auditor who in connivance and in collusion with the officers or directors of a company has concocted false accounts. I note that in the present matter SCN 2, as issued to Noticee no. 8, only alleges that the statutory auditor was not diligent enough in the issuance of an unqualified audit opinion for the financial statements of ISL. The SCN 2 does not allege that the statutory auditor was in connivance with the promoters/ directors / management of ISL to fudge the



financial statements of ISL. Moreover, as discussed in previous paras, I note that the charges of violation of provisions of SEBI Act, 1992 and PFUTP Regulations, 2003, pertaining to fraud, have not been made out even against the Noticee no. 1 to 7. Therefore, in view of the judgment of the Hon'ble Bombay High Court in PWC matter (supra) and allegation made in SCN against Noticee no. 8 is not made out.

42. In view of the aforesaid violations committed by ISL and its directors/CFO i.e. Noticees no. 1 to 7, I find that directions under Sections 11(1), 11(4), 11A and 11B (1) of the SEBI Act, 1992 and Section 12A (1) of SCRA, 1956, needs to be issued.
43. SCN 1 in the matter, also calls upon the Noticees no. 1 to 7 to explain as to why appropriate penalty be not imposed upon them under Sections 15A(a), 15HA and 15HB of SEBI Act, 1992 and Section 23E of and 23H SCRA, 1956, for the violations alleged in the SCN 1. Relevant extract of these penalty provisions, as existing at the time of violations, is reproduced, hereunder:

Relevant extract of Section 15A (a) and 15HB of SEBI Act, 1992:

“Penalty for failure to furnish information, return, etc.

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

(a) to furnish any document, return or report to the Board, fails to furnish the same he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.



Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”

Relevant extract of Sections 23E and 23H of SCRA, 1956:

Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.

23E. If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.

Penalty for contravention where no separate penalty has been provided.

23H. Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

44. From the analysis of the aforesaid penalty provisions, I find that penalty under Sections 15A(a) and 15HB of the SEBI Act, 1992, only, is attracted and not the penalties under Section 15HA of SEBI Act, 1992 and Sections 23E and 23H of SCRA, 1956. I note that Section 15HA of the SEBI Act, 1992 provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. As in the present case, it has been found that violations of Section 12A(a), (b) & (c) of SEBI Act, 1992 and provisions of PFUTP Regulations, 2003 have not been made out, therefore, penalty under Section 15HA of SEBI Act, 1992



is not attracted against the Noticees (i.e. Noticees no. 1 to 7). I also not that Section 23E of SCRA, 1956 provides for penalty for failure to comply with, *inter alia*, listing conditions by “a company or any person managing collective investment scheme or mutual fund”. In the present case, it has been found that ISL is in violation of listing conditions, however, ISL is not managing any collective investment scheme or mutual fund, so as to attract penalty under Section 23E of SCRA. I also find that penalty under Section 23H of SCRA, 1956 is not attracted in the case of Noticees no. 2 to 7, as Section 23H provides for penalty for failure to comply with any provision of SCRA, 1956, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the SEBI for which no separate penalty has been provided. As the Noticees no. 2 to 7, being directors and CFO of ISL, have been found to be in violation of LODR Regulations, which is a regulation framed under the SEBI Act, 1992 and SCRA, 1956 by SEBI and not the “regulation” of stock exchange, as contemplated under Section 23H, and there is no violation of direction of SEBI directions alleged against these Noticees, therefore, Section 23H is not attracted in the case of Noticees no. 2 to 7.

45. I find that for non-furnishing of information to forensic auditor, as found above, ISL is liable for imposition of penalty under Section 15A(a) of the SEBI Act, 1992 which provides penalty for failure to furnish information, *inter alia*, sought by SEBI under the provisions of SEBI Act, 1992. For the violation of LODR Regulations, ISL is liable for imposition of penalty under Section 15HB of the SEBI Act, 1992 which provides for penalty for failure to comply with any provision of SEBI Act, 1992, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided. Since, LODR Regulations are framed under SEBI Act, 1992 also and penalty provisions under SEBI Act, 1992 (i.e. 15A to 15HB) does not separately provide for any penalty for violation of LODR Regulations, therefore, for violation of LODR Regulations by ISL, as found in this order, penalty under Section 15HB is attracted against ISL. Similarly, Noticees no.



2 to 7 who are the directors and CFO of ISL are liable for imposition of penalty, for the violations of LODR Regulations which are found to be committed by them, under Section 15HB of the SEBI Act, 1992.

46. For imposition of penalty under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act, 1992 provides as follows:

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

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- (b) the amount of loss caused to an investor or group of investors as a result of the default;
- (c) the repetitive nature of the default.

Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

47. I find that material available on record does not mention the amount of disproportionate gain or unfair advantage made as a result of the default. I find that the material available on record does not indicate the amount of specific loss caused to investors or group of investors as a result of the default by the Noticees. However, I note that the violations have occurred over a period of three financial years. I also note that Noticee no. 2, 3 and 5 were the independent directors, Noticee no. 6 was an Executive Director and Noticee no. 7 was the CFO of the Company. I also note that Noticee no. 4 has attended only one out of the five board meetings of the Company during the financial year 2015-16 and she was not a



member of the audit committee and had resigned from the Company on February 14, 2017.

Directions:

48. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) of SEBI Act, 1992 and Section 12A(1) of SCRA, 1956 read with Section 19 and Section 11(2)(j) of SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, direct as under:
- (i) For the violations committed by Noticee no. 1 (Info-Drive Software Limited), as discussed in the previous paras of this order, Noticee no. 1 is liable to be restrained from accessing the securities market and further liable to be prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of one (1) year, from the date of this direction becoming effective against Noticee no.1, in accordance with observations made in para 13 of this order;
 - (ii) The Noticees no. 6 (Mr. Murugavel Karunanidhi) and 7 (Mr. A. S. Giridhar), are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of one (1) year, from the date of coming into force of this order;



- (iii) The Noticee no. 2 (Mr. Jaffer Sadiq Ameer), 3 (Mr. Pramod Manoharlal Jain) and 5 (Ms. Lakshmi Sankarakrishnan), are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of six (6) months, from the date of coming into force of this order;
- (iv) The Noticees no. 1 to 7, are hereby imposed with, the following penalties as specified:

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalties
1.	Info-Drive Software Limited *	Section 15A(a) of SEBI Act, 1992	Rs. 10,00,000/- (Rupees Ten Lakh).
		Section 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956.	Rs. 30,00,000/- (Rupees Thirty Lakh).
2.	Mr. Jaffer Sadiq Ameer	Section 15HB of SEBI Act, 1992	Rs. 3,00,000/- (Rupees Three Lakh)
3.	Mr. Pramod Manoharlal Jain	Section 15HB of SEBI Act, 1992	Rs. 3,00,000/- (Rupees Three Lakh)
4.	Ms. Smitha Ramchandran	Section 15HB of SEBI Act, 1992	Rs. 1,00,000/- (Rupees One Lakh)
5.	Ms. Lakshmi Sankarakrishnan	Section 15HB of SEBI Act, 1992	Rs. 3,00,000/- (Rupees Three Lakh)
6.	Mr. Murugavel Karunanidhi	Section 15HB of SEBI Act, 1992	Rs. 15,00,000/- (Rupees Fifteen Lakh)
7.	Mr. A. S. Giridhar	Section 15HB of SEBI Act, 1992	Rs. 6,00,000/- (Rupees Six Lakh)

*The said penalty shall stand payable by Noticee no. 1 as per observations mentioned in para 13 of this order.



- (v) The Noticees are directed to pay their respective penalties within a period of forty-five (45) days, from the date of receipt of this order, 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, Investigation Department, ID-19, 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)	

- (vi) Noticee no.1 shall pay the penalty determined with respect to it within a period of forty-five (45) days, from the date the penalty become payable by Noticee no. 1.
- (vii) The proceedings against Noticee no. 8 is disposed of for reasons stated in paras 40 and 41 above.



49. During the period of restraint, as directed in para 48 above, the existing holding of securities including the units of mutual funds, of the concerned Noticees, shall remain under freeze.
50. The obligation of the Noticees, restrained/prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/prohibited in the present Order, in the F&O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.
51. This Order comes into force with immediate effect.
52. This Order shall be served on all the Noticees, Resolution Professional of Noticee no. 1, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

Place: Mumbai

Date: October 26, 2021

ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

