

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BS/KH/2025-26/31506]**

**UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992
READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA
(PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

**In the matter of:
Fredun Pharmaceuticals Ltd
(PAN: AAACF0581A)**

BACKGROUND

1. Securities and Exchange Board of India (hereinafter being referred to as “**SEBI**”), conducted an examination in the matter of Fredun Pharmaceuticals Ltd. (**Company/ Noticee**). Pursuant to the examination, SEBI observed the following instances of alleged non-compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR Regulations) by the Noticee:
 - a. Failure to prepare Financial Statements for FY 2017-18 as per applicable accounting standards i.e. Indian Accounting Standards (hereinafter referred to as “IAS”)
 - b. Failure to ensure that the limited review or audit reports submitted to the stock exchange are given by a peer reviewed auditor.
 - c. Submission of wrong certificate to the Stock Exchange stating non-applicability of Corporate Governance (hereinafter referred to as “CG”) provisions from FY

2019-20 to FY 2021-22, while CG provisions were applicable during the said period.

- d. Failure to comply with the requirement of prescribed quorum in Audit Committee meeting held on July 29, 2020.
 - e. Failure to annex Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance with the Directors' Report for the financial year ended March 2022.
2. In view of the above, SEBI initiated adjudication proceedings against the Noticee for the aforesaid alleged violations by it.

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide Order dated March 13, 2024, the undersigned was appointed as the Adjudicating Officer (“**AO**”) under Section 19 read with Section 15-I of the SEBI Act, and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”) to inquire into and adjudge under the provisions of:
- a) Section 15HB of the SEBI Act, 1992, the alleged violations of provisions of
 - i. Regulation 33(1)(b) and Regulation 48 read with Regulation 4(1)(b) of LODR Regulations
 - ii. Regulation 33(1)(d) of LODR Regulations
 - iii. Regulation 18(2)(b) of LODR Regulations
 - iv. Regulation 34(3) read with Para E of Schedule V of LODR Regulations
 - v. Regulation 15(2)(a) read with Regulation 4(1)(e) and 4(1)(g) of LODR Regulations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice no. SEBI/EAD-1/BS/14771/1/2024 dated April 19, 2024 (hereinafter referred to as “**SCN**”) was issued by the undersigned to the Noticee via Speed Post Acknowledgement Due (SPAD) and e-mail under the provisions of Rule 4(1) of the Adjudication Rules and section 15-I of the Securities and Exchange Board of India Act 1992(SEBI Act 1992), calling upon the Noticee to show cause as to why an inquiry should not be held against it for the aforesaid alleged violations of provisions of LODR Regulations by it, and why penalty, if any, should not be imposed on it under Section 15 HB and Section 15A(b) of SEBI Act, 1992.
5. The allegations levelled in the SCN against the Noticee are summarized as under:
 - 5.1 BSE (formerly Bombay Stock Exchange) vide its email dated May 30, 2023 and June 02, 2023 submitted Examination Report in the matter of Fredun Pharmaceuticals Limited to SEBI.
 - 5.2 Based on the findings from Examination Report and from the relevant extracts from the Annual Report for FY ending March 2022, it was alleged that Noticee has violated certain provisions which are enumerated in the following paragraphs:
 - 5.3 On examination of email dated March 23, 2023 received from BSE and email received from Noticee dated March 10, 2023, it was observed that Noticee has failed to prepare Financial Statements for FY 2017-18 as per applicable accounting standards i.e. Indian Accounting Standards. Therefore, on account of the aforesaid violations, it is alleged that Noticee has failed to comply with Regulation 33(1)(b) and Regulation 48 read with Regulation 4(1)(b) of LODR Regulations.
 - 5.4 On examination of the BSE email dated March 23, 2023, email dated March 14, 2023 received from the auditor and email dated March 13, 2023 from The

Institute of Chartered Accountants of India (hereinafter referred to as "ICAI"), it was found that Noticee has failed to ensure that the limited review of audit reports submitted to the stock exchange were given by peer reviewed auditors. Therefore, it is alleged that the Noticee has violated Regulation 33(1)(d) of LODR Regulations.

5.5 On examination of the Examination Report submitted to SEBI by BSE and Annexure H to the said Report and copy of Attendance sheet of Audit Committee meeting held on July 29, 2020, it was found that Noticee has failed to comply with requirement of prescribed quorum in the Audit Committee meeting held on July 29, 2020. Therefore, it is alleged that the Noticee has violated Regulation 18(2)(b) of LODR Regulations.

5.6 On examination of BSE Examination Report and Annexure H to the said Report and from the relevant extracts of the Annual report for FY ended March, 2022, it was concluded that Noticee has failed to annex Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance with the Directors' Report for the FY ended March, 2022. Therefore, it is alleged that the Noticee has violated Regulation 34(3) read with Para E of Schedule V of LODR Regulations.

5.7 On examination of the email dated March 23, 2023 received from BSE, Copies of Net worth Certificates and Copies of certificates for Corporate Governance, it was found that, Noticee has submitted wrong certificate to BSE stating non-applicability of CG provisions from FY 2019-20 to FY 2021-22, whereas CG provisions were applicable during the said period. Therefore, it is alleged that the Noticee has violated Regulation 15(2)(a) read with Regulation 4(1)(e) and 4(1)(g) of LODR Regulations.

6. Vide email dated May 08, 2024, Noticee submitted its reply to the SCN. The main contentions made by the Noticee are summarized below:

a. *With reference to first allegation as stated in your above SCN, we hereby submit that the requirement of preparing the Financial Statements in accordance with INDIAN ACCOUNTING STANDARDS (Ind AS) is applicable to the Company from the Financial Year 2018-19. Hence, the Company presented the Financial Statements in the INDIAN ACCOUNTING STANDARDS (Ind. AS) format since 2018-19". Though the company failed to report the Financial Statements in accordance with INDIAN ACCOUNTING STANDARDS (Ind AS) in the Financial Year 2018-19 but the accounting standard was duly complied with and there were no allegation of any mis-statement. It was purely of reporting for the first time as per the format and suggested as per IGAAP for Financial Year 2017-2018 AS compliance. The Financials of the company duly complied the requirements of Financial Statements in accordance with INDIAN ACCOUNTING STANDARDS (Ind AS) read with IGAAP for Financial Year 2017-2018 from the Financial Year 2019-20 onwards. Now the matter is historic in nature and has hardly any impact on the securities market or on any other manner. Note that none of the stakeholders complained about any loss or misrepresentation on account of the said disclosures.*

b. *With reference to Second allegation as stated in your above SCN about the Statutory Auditor of the Company not holding peer review certificate from the Institute of Chartered Accountants of India (ICAI) as required under Reg 33(1)(d) of the LODR Regulation.*

The Auditor has submitted that the Peer review certificate is awaited from the auditor. However, the Auditor has been regularly following-up with the Institute of Chartered Accountants of India (ICAI) for the same. The members were duly informed about the same.

The Company has not renewed his appointment and appointed a peer review auditor from FY 2022-2023. Now the matter is historic in nature and has hardly any impact on the securities market or on any other manner. Note that none of the stakeholders complained about any loss or misrepresentation on account of the said disclosures.

c. *With reference to third allegation as stated in your above SCN about Failure to submit quarterly compliance report on corporate governance to Stock Exchange as required under Reg. 27(2) and statement of related party transactions under Reg. 23(9) to Stock Exchange for FY 2021-22. We hereby submit that the disclosures pursuant to the provisions of Regulation 23(9) and Regulation 27(2) of SEBI (LODR) Regulations, 2015 with the Stock Exchange in the month of February 2023. However, it was interpreted that the provisions of Corporate Governance are not applicable to the Company as both the stipulated conditions as mentioned in Regulation 15 of the SEBI LODR 2015. It was an honest error of interpretation of the said regulation. Hence, the Company failed to submit the Corporate Governance Report and disclosures on Related Party transactions to the Stock Exchange within the due date.*

d. *We hereby further submit that:*

GROSS AND UNEXPLAINED DELAY IN ISSUANCE OF SCN

i. *In exercise of powers under Section 11A(2) of the SEBI Act, 1992 read with Section 9 and 21 of the Securities Contracts (Regulation) Act, 1956 and read with regulation 98 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), SEBI had issued a Circular bearing reference number SEBI/HO /CFD /CMD /CIR/P/2018/77 dated May 3, 2018 specifying the uniform structure for imposing fines as a first resort for non-compliance with certain provisions of the Listing Regulations, freezing of entire shareholding of the promoter and promoter group and the standard operating procedure for suspension of trading in case the non-compliance is continuing and/or repetitive.*

This direction only applicable if the stock exchange complied with the requirements of the Circular bearing reference number SEBI/HO/CFD/CMD/CIR/P/2018/77 dated May 3, 2018 by issue of Notice after 15-days period of filing of the documents.

ii. *As per SEBI SOP circular SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 as per clause 5:*

"Every recognized stock exchange shall review the compliance status of the listed entities and shall issue notices to the non-compliant listed entities within 30 days from the due date of submission of information. Non-compliant listed entity shall ensure compliance with the requirement(s) and pay fines as per the circular within 15 days from the date of such notice. If the non-compliant listed entity fails to comply with the aforesaid requirement(s) and/or pay fine levied within the stipulated period as per the notice stated above, the concerned recognized stock exchange(s) shall, upon expiry of the period indicated in the notice, shall issue notices to the promoter(s) of such non-compliant entities, to ensure compliance with the requirement(s) and pay fines within 15 days from the date of such notice. While issuing the aforementioned notices, the recognized stock exchange shall also send intimation to other recognized stock exchange(s) where the shares of the non-compliant entity are listed.

You have not issued any notices to the non-compliant listed entities within 30 days from the due date of submission of information. Non-compliant listed entity shall ensure compliance with the requirement(s) and pay fines as per the circular within 15 days from the date of such notice. If the non-compliant listed entity fails to comply with the aforesaid requirement(s) and/or pay fine levied within the stipulated period as per the notice stated above. So you cannot impose any fine nor have a right to freeze any shares of the Promoters.

e. Conclusion:

- i. We further would like to inform you that the inquiry in terms of Rule 3 of Adjudicating rules read with section 19 of the SEBI Act to inquire and to adjudge under section 15A(b) and 15HB and 15-I of SEBI Act for the alleged aforesaid violation of provision of LODR Regulations to the above Show cause notice (SCN) and monetary penalty cannot levied on the company for the following reasons:*

The Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015 (Listing

Regulations) lays down the provisions for effective corporate governance and fair disclosures by listed companies in India.

The SEBI from time to time framed the Non-compliances with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities which includes imposition of fines.

It has mandated by the Regulator(SEBI) that :- " Every recognized stock exchange shall review the compliance status of the listed entities and shall issue notices to the non-compliant listed entities within 30 days from the due date of submission of information.

Non-compliant listed entity shall ensure compliance with the requirement(s) and pay fines as per the circular within 15 days from the date of such notice. If the non-compliant listed entity fails to comply with the aforesaid requirement(s) and/or pay fine levied within the stipulated period as per the notice stated above, the concerned recognized stock exchange(s) shall, upon expiry of the period indicated in the notice, shall issue notices to the promoter(s) of such non-compliant entities, to ensure compliance with the requirement(s) and pay fines within 10 days from the date of such notice. While issuing the aforementioned notices, the recognized stock exchange shall also send intimation to other recognized stock exchange(s) where the shares of the non-compliant entity are listed.

- ii. In the present above referred matters as mentioned, the non-compliances referred to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities which includes imposition of fines is completely silence about the impositions of any mode of proceedings, fines and adjudications for the stated delay/violations, what is the reason for the AO to issue the above SCN under section 15A(b) and 15HB and 15-1 of SEBI Act for the alleged aforesaid violation of provision of LODR Regulations.*

iii. *It is surprising to note that the AO (1) after a long and inordinate delay on part of Stock Exchange and (2) without specifying any reasons that when the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities which includes imposition of fines which with proper deliberation has not specified any mode of proceedings, fines and adjudications for the stated delay/violations initiated the proceedings under section 15A(b) and 15HB and 15-I of SEBI Act for the alleged aforesaid violation of provision of LODR Regulations, (3) not justifying how the equilibrium of the market affected and (4) reason how the proceedings for non-event based and historic matter now needs adjudication. The AO also in his SCN silent about the Stock Exchange role as per the SOP in this matter.*

iv. *We hereby submit that in the present case the Non-compliances referred to from the year 2018 to 2022, which is 6 years old. As per our record we never received any notice from the Stock Exchange informing the Company about the above SEBI LODR, 2015 violation(s) and any imposition of the monetary fine. Hence, the Adjudication proceedings today is ultra vires the scope and regulation and that after an inordinate delay.*

7. In the interest of natural justice, the Noticee was provided an opportunity of personal hearing in the matter and vide notice dated May 10, 2024, the Noticee was advised to appear before the undersigned for the hearing on May 30, 2024. The Noticee, represented by their Authorised Representative (hereinafter being referred to as "AR") appeared on the scheduled date and time and reiterated the submissions already made vide its email dated May 08, 2024. The AR further undertook to file additional reply in the said matter by June 07, 2024.

8. Vide letter dated June 07, 2024, Noticee submitted additional reply to the SCN. The main contentions made therein are summarized below:

- i. With reference to first allegation as stated in your above SCN, we hereby submit that the requirement of preparing the Financial Statements in accordance with INDIAN ACCOUNTING STANDARDS (Ind AS) is applicable to the Company from the Financial Year 2017-18. But the Company presented the Financial Statements in the INDIAN ACCOUNTING STANDARDS (Ind. AS) format since 2018-19. Though the company could not report the Financial Statements in accordance with INDIAN ACCOUNTING STANDARDS (Ind AS) in the Financial Year 2017-18 but the accounting standard was duly complied with and there was no allegation of any mis-statement or material deviations. It was purely of reporting for the first time as per the format and suggested as per IGAAP for Financial Year 2017-2018 Ind AS compliance. The Financials of the company duly complied the requirements of Financial Statements in accordance with INDIAN ACCOUNTING STANDARDS (Ind AS) read with IGAAP from the Financial Year 2018-19 onwards. We submit that considering the facts that the matter is historic in nature and no prejudice is caused to any stakeholder neither any impact on the securities market or on any other manner. Note that none of the stake holders complained about any loss or misrepresentation on account of the said non-disclosures for the FY 2017-18, the company needs your kind consideration as it was one and only one issue (Purely unintentional).*
- ii. With reference to Second allegation as stated in your above SCN about the Statutory Auditor of the Company not holding peer review certificate from the Institute of Chartered Accountants of India (ICSI) as required under Reg, 33(1)(d) of the LODR Regulation. The Auditor has submitted that the Peer review certificate is awaited from the auditor. However, the Auditor has been regularly following-up with the Institute of Chartered Accountants of India (ICAI) for the same. The copy of the email communications with ICAI is enclosed herewith for your reference. The members were duly informed about the same. The Company has appointed a peer review auditor from FY 2023-2024 as its statutory Auditor. Now the matter is historic in nature and the default already been complied with.*

iii. With reference to 3rd allegation as stated in your above SCN about Failure to submit quarterly compliance report on corporate governance to Stock Exchange as required under Reg. 27(2) and statement of related party transactions under Reg. 23(9) to Stock Exchange for FY 2021-22. We hereby submit that the disclosures pursuant to the provisions of Regulation 23(9) and Regulation 27(2) of SEBI (LODR) Regulations, 2015 with the Stock Exchange in the month of February 2023. However, it was interpreted that the provisions of Corporate Governance are not applicable to the Company as both the stipulated condition as mentioned in Regulation 15 of the SEBI LODR 2015. It was an honest error of interpretation of the said Regulation. Hence, the Company defaulted in submitting the Corporate Governance Report and disclosures on Related Party transactions to the Stock Exchange within the due date.

9. Vide email dated December 26, 2024, Noticee was provided with another opportunity for submitting additional submissions in the matter if any. However, no response was received from the Noticee. Therefore, based on the available information on record, the instant matter is being proceeded with.

10. Before proceeding in the matter on merits, I first deal with a preliminary objection raised by the Noticee.

ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS

11. After perusal of the material available on record, I note that the following issues arise for consideration :-

ISSUE I: Whether Noticee has violated the provisions of

- Regulation 33(1)(b) and Regulation 48 read with Regulation 4(1)(b)
- Regulation 33(1)(d)
- Regulation 15(2)(a) read with Regulation 4(1)(e) and 4(1)(g)
- Regulation 18(2)(b)

- **Regulation 34(3) read with Para E of Schedule V of LODR Regulations?**

ISSUE II: Do the violations, if any, on part of the Noticee attract penalty under Section 15HB and Section 15A(b) of the SEBI Act, 1992?

ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act, 1992?

12. Before moving forward it is pertinent to refer to the relevant provisions of LODR Regulations which are produced as under:

SEBI (LODR) Regulations, 2015

Financial Results.

- *Regulation 33(1)(b) of SEBI (LODR) Regulations:*

33. (1) While preparing financial results, the listed entity shall comply with the following:
(b) The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ Ind AS 34 –Interim Financial Reporting), as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable.

- *Accounting Standards.*

Regulation 48 of SEBI (LODR) Regulations:

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

- *Principles governing disclosures and obligations.*

Regulation 4(1)(b) of SEBI (LODR) Regulations:

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:

(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.

➤ *Financial Results:*

Regulation 33(1)(d) of SEBI (LODR) Regulations:

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.

➤ *Applicability.*

Regulation 15(2)(a) of SEBI (LODR) Regulations:

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

(a) listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty five crore, as on the last day of the previous financial year: [Provided that where the provisions of regulations 17 to 27, clauses (b) to (i) and (t) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V become applicable to a listed entity at a later date, it shall ensure compliance with the same within six months from such date:] [Provided further that once the above regulations become applicable to a listed entity, they shall continue to remain applicable till such time the equity share capital or the net-worth of such entity

reduces and remains below the specified threshold for a period of three consecutive financial years.]

➤ *Principles governing disclosures and obligations.*

Regulation 4(1)(e) and 4(1)(g) of SEBI (LODR) Regulations:

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:

(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.

➤ *Audit Committee.*

18(2)(b) of SEBI (LODR) Regulations:

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

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

➤ *Annual Report.*

Regulation 34(3) of SEBI (LODR) Regulations:

34. (3) The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.

Para E of Schedule V of SEBI (LODR) Regulations:

Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.

FINDINGS

13. On perusal of the material available on record and having regard to the facts and circumstances of the case and the submissions made by the Noticee vide email dated May 08, 2024 and vide letter dated June 07, 2024, I record my findings hereunder:

ISSUE I: Whether Noticee has violated provisions of

- **Regulation 33(1)(b) and Regulation 48 read with Regulation 4(1)(b)**
 - **Regulation 33(1)(d)**
 - **Regulation 15(2)(a) read with Regulation 4(1)(e) and 4(1)(g)**
 - **Regulation 18(2)(b)**
 - **Regulation 34(3) read with Para E of Schedule V**
- of LODR Regulations?**

14. I now proceed with my findings in each of the alleged violations against the Noticee.

Failure to prepare Financial Statements for FY 2017-18 as per applicable accounting standards i.e. Indian Accounting Standards

15. It has been alleged that the Noticee has violated the provisions of Regulation 33(1)(b) and Regulation 48 read with Regulation 4(1)(b) of LODR Regulations by not preparing Financial Statements for FY 2017-18 as per applicable accounting standards i.e. Indian Accounting Standards.

16. From the response submitted by the Noticee, at paragraphs 6(a) and 8(i) above, I note that the Noticee has submitted that the requirement of preparing financial statements in accordance with Indian Accounting Standards (Ind AS) is applicable to the Company from the Financial Year 2017-18. However, it has stated that it could not report the

financial statements for the Financial Year 2017-18 in accordance with Ind AS, and reported the financial statements for the financial year 2017-18 as per IGAAP format as it was reporting for the first time. Further, it has also submitted that the financials of the company duly complied the requirements of Financial Statements in accordance with Ind AS read with IGAAP from the Financial Year 2018-19 onwards.

17. I note that, it has been alleged in the SCN that the Noticee failed to prepare its financial statements for the FY 2017-18 as per Ind AS. In response to the above allegation, Noticee, vide its replies dated May 08, 2024 and June 07, 2024 has admitted that it has not submitted the Financial statements for the Financial Year 2017-18 as per Ind AS, however, it has submitted the same as per IGAAP format.

18. I note that the Noticee has failed to prepare its financial statements for the FY 2017-18 in accordance with the Ind AS. The Noticee further submitted that though the company failed to report the financial statements in accordance with the new accounting standards, but the standards were duly complied with and there were no allegation of any mis-statement . In this regard, the terms of reference for the adjudication does not state any specific instance of mis statement which resulted in any clear deviation from the accounting standards to represent a misleading picture or statement of facts. Further there is no allegation of the continuing nature of the violation. In the absence of any specific instance highlighting the violation, the allegation appears to be non –adherence in the general form than substance or contents of accounting entries. Considering the same, I am inclined to accept the contention of the Noticee that , it has generally followed the accounting standards.

Failure to ensure that the limited review or audit reports submitted to the stock exchange are given by a peer review auditors

19. It has been alleged that the Noticee has violated the provisions of Regulation 33(1)(d) of LODR Regulations by not ensuring the limited review or audit reports submitted to the stock exchanges are given by a peer review auditor.

20. From the response submitted by the Noticee, I note that the auditor of the company is awaiting Peer review certificate from the Institute of Chartered Accountants of India (ICAI) and the auditor has been regularly following up with the ICAI for the same. Further, the Noticee submitted that it had appointed a peer review auditor from FY 2023-2024 as its statutory Auditor.
21. From the available records, I note that ICAI in its email dated March 13, 2024, stated that *"we wish to inform you that the firm has not been peer reviewed and hence is not having a peer review certificate"*. From the reply received from the ICAI, I observe that the auditor has subjected himself to the peer review process of ICAI and does not hold a valid certificate issued by the peer review Board of ICAI.
22. In view of the foregoing, I find that Noticee has violated the provisions of Regulation 33(1) (d) of LODR Regulations by not ensuring that the limited review or audit reports submitted to the stock exchange are given by a peer review auditor. In this regard the Noticee submitted that it has not renewed the appointment of the Auditor post 2023 and has appointed a peer reviewed Auditor subsequently. This can only be considered as a mitigating factor as the violation is a matter of record.

Failure to comply with requirement of prescribed quorum in Audit Committee meeting held on July 29, 2020

23. It has been alleged in the SCN that the Noticee has violated the provisions of Regulation 18(2)(b) of LODR Regulations by not complying with the requirement of prescribed quorum in its Audit Committee meeting held on July 29, 2020.
24. I note that from Annexure H of Examination report of BSE and the attendance sheet of the Directors of the Noticee at the 26th Meeting of the Audit Committee held on July 29, 2020 at the registered office of the Noticee that only one Non – Executive Independent Director was present at the meeting. As per Regulation 18 (2) (b) of LODR Regulations, *"the quorum for audit committee meeting shall either be two member or*

one third of the members of the audit committee, whichever is greater, with at least two independent directors.”

25. In this regard, I note that the Noticee has not submitted any explanation or defence. The documents on record, i.e., Annexure H and attendance sheet of the of the Directors of the Noticee at the 26th Meeting of the Audit Committee held on July 29, 2020 clearly show that only one Non – Executive Independent Director was present at the said meeting. Hence, I find that Noticee has violated provisions of Regulation 18(2)(b) of LODR Regulations by not complying with the requirement of prescribed quorum in Audit Committee meeting held on July 29, 2020.

Submission of wrong certificate to the Stock Exchange stating non-applicability of corporate governance (CG) provisions from FY 2019-20 to FY 2021-22, while CG provisions were applicable during the said period.

26. It has been alleged that the Noticee has violated the provisions of Regulation 15(2)(a) read with Regulation 4(1)(e) and Regulation 4(1)(g) of LODR Regulation by submitting wrong certificate to the Stock Exchange stating non-applicability of corporate governance (CG) provisions from FY 2019-20 to FY 2021-22, while CG provisions were applicable during the said period.

27. In its response, the notice has submitted that, *“as stated in your SCN about Failure to submit quarterly compliance report on corporate governance to Stock Exchange as required under Reg. 27(2) and statement of related party transactions under Reg. 23(9) to Stock Exchange for FY 2021-22. We hereby submit that the disclosures pursuant to the provisions of Regulation 23(9) and Regulation 27(2) of SEBI (LODR) Regulations, 2015 with the Stock Exchange in the month of February 2023. However, it was interpreted that the provisions of Corporate Governance are not applicable to the Company as both the stipulated condition as mentioned in Regulation 15 of the SEBI LODR 2015. It was an honest error of interpretation of the said Regulation. Hence, the Company defaulted in submitting the Corporate Governance Report and disclosures on Related Party transactions to the Stock Exchange within the due date.”*

28. On perusal of the Annual Report and copy of Net worth Certificate obtained from the Company for the Financial Years from 2014-15 to 2021-22 (As on March 31 of each Financial Year), duly certified by an independent Chartered Accountant, I find the paid up capital and net worth of the Company to be as under:

FY	Paid up Capital as March 31 of each FY (INR in Crores)	Net Worth as March 31 of each FY (INR in Crores)
2014-15	2.35	3.08
2015-16	2.35	3.96
2016-17	2.35	7.26
2017-18	3.43	22.16
2018-19	3.99	38.99
2019-20	3.99	41.32
2020-21	3.99	43.07
2021-22	4.43	68.06

29. From the above table, I note that the net worth of the Company exceeded Rs. 25 Crores as on March 31, 2019. Therefore, there was no further exemption available to the Company from Regulations 17, 17A, 18, 19, 20, 21, 22, 23, 24, 24A, 25, 26, 27 and clauses (b) to (i) and (t) of sub-regulation (2) of Regulation 46 and para C, D and E of Schedule V Company pursuant to Regulation 15(2)(a) of the LODR Regulations, and the company was required to ensure compliance with the corporate governance provisions pursuant to Regulation 15(2)(a) of the LODR Regulations within six months of the quarter ended March, 2019. In this regard it is noted that the Noticee has submitted the non-applicability certificate of Corporate Governance to the Stock Exchange from FY 2019-20 to FY 2021-22 despite the Provisions being applicable to the Company for the said period. The Noticee has submitted that the two conditions stipulated in the provision were not fulfilled so as to make the provision applicable. The word used in the said provision is “and” and not “or”. This being the case, the conditions have to be read conjunctively. I therefore, find merit in the contentions raised by the Noticee that such an interpretation is reasonable viewed in the light of the facts and circumstances of the case.

Failure to annex Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance with the directors' report for the FY ended March 2022.

30. It has been alleged in the SCN that the Noticee has violated the provisions of Regulation 34(3) read with Para E of Schedule V of the LODR Regulation for failure to annex Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance with the directors' report for the FY ended March 2022.

31. On perusal of the relevant extract of the Annual Report of the company Fredun Pharmaceuticals Limited related to Compliance Certificate for FY 2021-22, I note that the Company has mentioned in the Annual Report that, "*Since Corporate Governance was not applicable for 2021-22, the certificate was not applicable and the same is not provided*".

32. From the response submitted by the Noticee, I note that the Noticee has not submitted any comments in respect of the aforementioned allegation. Hence, based documents on records, I conclude that Noticee has violated provisions of Regulation 34(3) read with Para E of Schedule V of the LODR Regulation.

33. In its reply, Noticee has contended that the non – compliances referred to from the year 2018 to 2022, which is 6 years old, and the SCN was issued after an inordinate delay. In this regard, I note that the examination in the matter was undertaken from June 2019 to March 2022. I note that the examination generally is a detailed process involving analysis of various data, gathering of evidences, etc. that shall stand the test of legal scrutiny before the judicial fora. This generally consumes considerable time and effort depending on the number of entities involved, the complexity of the transactions, correspondences with the entities involved etc. Pursuant to completion of examination, enforcement actions in the present matter were approved in June 2023. Pursuant to the same, SCN in the matter was issued to the Noticee. Thus, I note that there is no inordinate delay in the matter as contended by the Noticee.

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty under Section 15HB and Section 15A (b) of the SEBI Act?

34. I note that the above violations make the Noticee liable for monetary penalty under Section 15HB and Section 15A(b) of the SEBI Act, 1992, the text of which are reproduced hereunder:

SEBI Act, 1992

“15HB. Penalty for contravention where no separate penalty has been provided. -

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.]

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

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefore in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less”;

ISSUE III - If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

35. While determining the quantum of penalty under Section 15HB and Section 15(A)(b) of the SEBI Act, 1992, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992, which read as under:

SEBI Act, 1992

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

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

36. I note that the material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of the violations committed by the Noticee. I also note that for certain violations of similar nature, the Stock Exchange has already imposed monetary penalty on the Noticee. Considering the same, I am of the view that no monetary penalty is warranted in the facts and circumstances of the present case.

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

Place: Mumbai

Date: June 30, 2025

BIJU S

Adjudicating Officer