

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AK/RK/2025-26/ 31647-31657]

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND SECTION 23-I OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 4(1) OF THE SECURITIES CONTRACTS (REGULATIONS) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005, IN RESPECT OF:

S.No	Name of the Noticees	PAN
1.	Rajasthan Tube Manufacturing Company Limited	AABCR1642P
2.	Mr. Harish Chand Jain	ABFPJ7588Q
3.	Ms. Rajshree Jain	ATCPP4599C
4.	Mr. Pradeep Jain	ADIPJ0462E
5.	Ms. Deepika Jain	ACEPJ7192A
6.	Mr. Saurabh Jain	AFCPJ5870N
7.	Rajendra Steel Company	CSHPS3967F
8.	Jain Impex	ADCPJ3259R
9.	Mr. Deepesh Jain	AGQPJ9415L
10.	Mr. Mahendra Kumar Jain	ACAPJ1335M
11.	Mr. Sunil Kumar Jain	ABOPJ9538R

In the matter of “**Rajasthan Tube Manufacturing Company Limited**”

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as ‘**SEBI**’) received a letter dated March 03, 2023 from the O/o Principal Commissioner, Central Goods and Services Tax and Central Excise Commissionerate, Jaipur (**CGSTCEC**) in respect of Rajasthan Tube Manufacturing Company Limited (hereinafter referred to as the ‘**Company**’ or ‘**RTMCL**’ or ‘**Noticee 1**’). Vide the said letter, CGSTCEC informed its findings related to movement of goods-less invoices by Noticee 1 to avail and pass on input tax credit

fraudulently and also inflated turnover in fraudulent manner by rotating the goods-less invoices amongst its related firms in contravention of the provision of Central GST Act, 2017.

2. Based on the above, SEBI conducted an investigation to ascertain whether the books and accounts of the Noticee 1 were inflated using artificial sales through a circuitous web of transactions, thereby allegedly misrepresenting sales and profits in its books of accounts and violations, if any, of provisions of SEBI Act, 1992 (hereinafter referred to as the '**SEBI Act**'), Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the '**SCRA**'), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as '**LODR Regulations**'). The period of investigation was from April 01, 2017 to March 31, 2020 (hereinafter referred to as '**Investigation Period**' or '**IP**').
3. During the investigation, it was observed that Noticee 1 and its officials viz, Mr. Harish Chand Jain (**Noticee 2**), CMD and promoter, Ms. Rajshree Jain (**Noticee 3**), Executive director & Audit committee member, Mr. Pradeep Jain (**Noticee 4**), Chief Financial officer (CFO), Ms. Deepika Jain (**Noticee 5**), Promoter and wife of Noticee 4, Mr. Saurabh Jain (**Noticee 6**), Promoter and Son of Noticee 2, Mr. Deepesh Jain (**Noticee 9**), Independent director and member of audit committee, Mr. Mahendra Kumar Jain (**Noticee 10**), Independent director and member of audit committee and Mr. Sunil Kumar Jain (**Noticee 11**), Independent director and member of audit committee and others viz, Rajendra Steel Company ("**RSC**") (Proprietor - Mr. Rajendra Singh) (**Noticee 7**), Jain Impex ("**JI**") (Proprietor - Mr. Atul Jain) (**Noticee 8**) (Notiees 1 to 11 shall hereinafter be jointly referred to as the '**Noticees/You**') had allegedly violated the provisions of SEBI Act, SCRA, PFUTP Regulations and LODR Regulations, as applicable, during the IP.

APPOINTMENT OF ADJUDICATING OFFICER

4. Upon being satisfied that there were sufficient grounds to inquire into and adjudicate upon the violations of provisions of SEBI Act, SCRA, PFUTP Regulations and LODR Regulations by the Noticees, as applicable, Ms Asha Shetty was appointed as the Adjudicating Officer (AO) in the matter by SEBI. Subsequently, undersigned was appointed as AO, vide order dated November 22, 2024 u/s 19 r/w Section 15-I(1) of SEBI Act and

Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “ **SEBI Adjudication Rules**”) and Section 23-I of the SCRA r/w Rule 3 of the Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as “**SCR Adjudication Rules**”), to inquire into and adjudge u/s 15HA and 15HB of the SEBI Act and Section 23H of the SCRA, as applicable, the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A common Show Cause Notice (**SCN**) dated December 03, 2024 was issued to the Noticees in terms of Section 15-I of the SEBI Act, r/w Rule 4(1) of the SEBI Adjudication Rules And Section 23-I of the SCRA r/w Rule 4(1) of SCR Adjudication Rules to show cause as to why an inquiry should not be held against them and why penalty, if any, u/s 15HA and 15HB of the of the SEBI Act and Section 23H of the SCRA, as applicable, be not imposed upon the Noticees for the alleged violations as stated in the SCN. The material available on record shows that barring Noticee 7, the said SCN was duly served upon all the Noticees through SPAD and digitally signed email.
6. In response to the SCN, Noticees 1-6 and 8-11 submitted their replies, vide email on various dates.
7. In the interest of natural justice, an opportunity of personal hearing in the matter was given to the Noticees on January 30, 2025, vide hearing Notice dated January 23, 2025. The same was delivered to Noticees vide digitally signed email and also by SPAD to Noticees 1-6 and 8-11. Vide letter received through email dated January 27, 2025, Noticee 8 and Authorized Representative(AR) of the Noticees 1-6 and 9-11, informed that they do not wish to avail the opportunity of hearing and requested that the submission made in the matter, may be considered for passing the order.
8. Therefore, I find it appropriate to decide the matter on the basis of facts/material available on record and replies submitted by the Noticees.

CONSIDERATION OF ISSUES AND FINDINGS

Issue No. I: Whether Noticees are in violation of the provisions of SEBI Act, SCRA, PFUTP Regulations and LODR Regulations as mentioned in SCN?

Issue No. II: If yes, do the violations, on the part of the Noticees attract monetary penalty u/s 15HA and 15HB of the SEBI Act and Section 23H of the SCRA, as applicable?

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of the SCRA?

9. Before moving forward, it is pertinent to look at relevant provisions, which are alleged to have been violated by the Noticees. The same are reproduced hereunder:

Relevant provisions of SEBI Act, 1992:

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 there under;*

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

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

Relevant provisions of SCRA, 1956

21A. (1) *A recognised stock exchange may delist the securities, after recording the reasons therefor, from any recognised stock exchange on any of the ground or grounds as may be prescribed under this Act : Provided that the securities of a company shall not be delisted unless the company concerned has been given a reasonable opportunity of being heard.*

(2) A listed company or an aggrieved investor may file an appeal before the Securities Appellate Tribunal against the decision of the recognised stock exchange delisting the securities within fifteen days from the date of the decision of the recognised stock exchange delisting the securities and the provisions of sections 22B to 22E of this Act, shall apply, as far as may be, to such appeals:

Relevant provisions of PFUTP Regulations:

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;
- (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 manipulative, fraudulent or an unfair trade practice in securities markets.

“4(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following: —

.....

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

.....

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

.....

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

Relevant provisions of 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:

- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.*
- (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.*
- (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.*
- (d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.*
- (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.*
- (f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investor.*
- (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.*
- (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.*
- (i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.*
- (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.*
- (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.*

.....

- (e) **Disclosure and transparency:** The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:*
- (i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.*
- (f) **Responsibilities of the board of directors:** The board of directors of the listed entity shall have the following responsibilities:*

(i) Disclosure of information:

(1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

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

(ii) Key functions of the board of directors-

(1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.

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

.....

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

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

(8) Overseeing the process of disclosure and communications.

(iii) Other responsibilities:

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

.....

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

.....

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

(7) The board of directors shall exercise objective independent judgement on corporate affairs.

.....

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

(13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.

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.”

PART B: COMPLIANCE CERTIFICATE

[See Regulation 17(8)]

The following compliance certificate shall be furnished by chief executive officer and chief financial officer:

A. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

(1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of their knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity's code of conduct.

C. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

D. They have indicated to the auditors and the Audit committee

(1) significant changes in internal control over financial reporting during the year;

(2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(3) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

Audit Committee.

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

SCHEDULE II: CORPORATE GOVERNANCE

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

BY AUDIT COMMITTEE [See Regulation 18(3)]

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

- (1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;*
- (4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:*
- (e) compliance with listing and other legal requirements relating to financial statements;*
- (5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;*
- (11) evaluation of internal financial controls and risk management systems;*
- (12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;*

Financial results.

33. (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.

Relevant provisions of Ind AS 1:

Paragraph 15 of Ind AS 1 – “Presentation of financial statements”, inter-alia, provides that financial statements shall present a true and fair view of the financial position, financial performance and cash flows of an entity. Presentation of true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.

Paragraph 17 (b) of the Ind AS 1, inter-alia, provides that presentation of a true and fair view also requires an entity to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.

Issue No. I: Whether Noticees are in violation of the provisions of SEBI Act, SCRA, PFUTP Regulations and LODR Regulations as mentioned in the SCN?

10. I note that Noticee 7 neither filed any reply nor availed the opportunity of personal hearing despite service of notices upon it. In the facts and circumstances of this case, I am of the view that the Noticee 7 has admitted the charges levelled against it.
11. In this regard, it is pertinent to note that Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Sanjay Kumar Tayal & Others vs SEBI** (Appeal No. 68 of 2013 decided on

February 11, 2014), had, inter alia, observed that: “..... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices...”

12. In view of the observations made by the Hon'ble SAT, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against the Noticee 7 ex parte, in terms of Rule 4(7) of SEBI Adjudication Rules, on the basis of material available on record.
13. Before I proceed to deal with the matter on merits, it is important to settle preliminary issue raised by the Noticees 1-6 and 8-11 with respect to delay in issuance of SCN, wherein it has been submitted that the IP pertains to the period April 01, 2017 to March 31, 2020 and the SCN was issued on December 03, 2024, after an inordinate delay. In this regard, I note that SEBI had conducted an investigation against the Noticees, pursuant to letter dated March 03, 2023 from the CGSTCEC. Considering the nature of alleged frauds and findings of CGSTCEC, thorough investigation in the matter was carried out by SEBI, wherein statements of all the Noticees were recorded. I note that the investigation is a time-taking process and relevant Annual reports, financial statements of the various financial years have to be analyzed to assess whether the financial statements have been misrepresented or manipulated. Further, the entire process becomes cumbersome when there are number of entities and the same cannot be concluded in a haphazard manner. I note that reasonable time has to be taken to complete the investigation and subsequently SCN was issued to the Noticees on December 03, 2024, which shows that the there was no delay in initiation of the instant proceedings.
14. I now proceed to the deal with the issues on merit.

15. **Background & Financial results of the Company:**

- 15.1 The Board of directors of the Noticee 1, during the IP are as mentioned in the table below:

Sr No.	Name of the director	Designation	Date of appointment	Date of cessation
1	Harish Chand Jain	Promoter, CMD	July 29, 1995	Continued during IP
2	Rajshree Patni*	Executive Director	September 27, '14	
3	Sunil Kumar Jain	Independent Director	June 26, 2000	September 28, '19
4	Deepesh Jain	Independent Director	September 27, '03	Continued during IP

Sr No.	Name of the director	Designation	Date of appointment	Date of cessation
5	Mahendra Kr Jain	Independent Director	January 29, 2011	
6	Pradeep Jain	Promoter and CFO	October 01, 2014	
7	Komal Jain	Company Secretary	-	April 14, 2018
8	Anshu Gupta	Company Secretary	May 02, 2018	Continued during IP

(*) Designation changed from Executive director to non-executive director w.e.f. October 01, 2019. Ms.

Rajshree Patni is the daughter in law of Shri Harish Chandra Jain.

15.2 The financials of Noticee 1, during FY 2017-20, are tabulated as under:

(Amount in Rs. crore)

Particulars	2017-18	2018-19	2019-20
Revenue from operations (Sale of Products)	77.25	76.7	41.41
Other Income	0.02	0.03	0
Total Revenue	77.27	76.74	41.41
Cost of materials consumed	64.16	77.77	33.80
Net Profit/ (Loss) after Tax	0.38	0.05	(2.99)
Total Assets/Liabilities	28.58	34.34	23.21

16. Findings of the investigation and allegation in the SCN of misrepresentation of financials/ fictitious sales and purchase transactions by Noticee 1, through circuitous web of transactions, allegations levelled against the Noticees and findings thereon, considering the submission of Noticees, are as under;

16.1 Quantity of goods sold and purchased by Noticee 1 during the IP to/from its Connected entities

16.1.1 From the information submitted by Noticees 1,8, and M/s. S S Trading Company (SSTC), with respect to quantity of ERW pipes sold and purchased, it was observed that during each financial year of the IP, the goods sold by Noticee 1 to its one connected entity, was sold by the said connected entity to another connected entity and the latter in turn had sold those goods back to Noticee 1.

16.1.2 From the information provided by Noticee 1, it was observed that the total quantity of goods sold and purchased by it to/from its connected entities, during the IP, was as under:

Particulars	2017-18	2018-19	2019-20	Total
Quantity of goods sold by RTMCL (MT)	1,974	2,652	1,270	5,896
Value of sales (Amount in Rs. crore)	9.75	14.84	6.57	31.16
Quantity of goods purchased by RTMCL (MT)	1,973	2,652	1,270	5,895

Value of purchase (Amount in Rs. crore)	10.10	15.30	6.68	32.08
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16.1.3 From above table, it was observed that Noticee 1 had sold and purchased back almost same quantity of goods from Noticee 7, 8 and SSTC

16.2 Findings in respect of goods sold and purchased by Noticee 7:

16.2.1 Summary of quantity of goods sold and purchased by Noticee 7 to/from Noticees 1, 8 and SSTC is tabulated below:

Sales

(Quantity MT)

Sales by RSC (Noticee 7)	2017-18	2018-19	2019-20	Total sales
To RTMCL (Noticee 1)	189	1,200	1,270	2,659
To SSTC	1,372	1,231	-	2,602
To JI (Noticee 8)	-	-	-	-

Purchase

(Quantity MT)

Purchase by RSC (Noticee 7)	2017-18	2018-19	2019-20	Total purchase
From RTMCL (Noticee 1)	1,372	1,231	-	2,603
From SSTC	-	1,200	1,066	2,266
From JI (Noticee 8)	189	-	204	393

Summary of sales and purchase

Particulars	2017-18	2018-19	2019-20	Total
Purchase by RSC (Quantity in MT)	1,561	2,431	1,270	5,262
Invoice value of purchase (Amount in Rs. crore)	7.74	13.66	6.64	28.04
Sold by RSC (Quantity in MT)	1,561	2,431	1,270	5,262
Invoice value of sales (Amount in Rs. crore)	7.95	14.01	6.68	28.64

16.2.2 From the above table, it was observed that Noticee 7 had purchased 5,262 MT goods for an amount of Rs. 28.04 crore from Noticees 1, 8 and SSTC during the IP. Further, Noticee 7 had also sold back the exact same quantity of goods to Noticee 1 and SSTC for an amount of Rs. 28.64 crore.

16.3 Findings in respect of goods sold and purchased by SSTC

16.3.1 A table showing summary of quantity of goods sold and purchased by SSTC to/from Noticees 1, 7 and 8 is as under:

Sales

(Quantity in MT)

Sales by SSTC	2017-18	2018-19	2019-20	Total sales
RSC (Noticee 7)	0	1,200.15	1,066.23	2,266.38
JI (Noticee 8)	0	221.22	0	221.22
RTMCL (Noticee 1)	1,784	1,231	0	3015
Total	1,784	2,652.37	1,066.23	5,502.6

Purchase

(Quantity in MT)

Purchases by SSTC	2017-18	2018-19	2019-20	Total purchases
RSC (Noticee 7)	1,371.59	1,230.77	0	2,602.36
JI (Noticee 8)	412.67	0	0	412.67
RTMCL (Noticee 1)	0	1,421	1,066	2,487
Total	1,784.26	2,651.77	1,066	5,502.03

Summary of sales and purchase

Particulars	2017-18	2018-19	2019-20	Total
Purchase by SSTC (Quantity in MT)	1,784.26	2,651.77	1,066	5,502.03
Invoice value of purchase (Amount in Rs. crore)	9.03	15.17	5.42	13.41
Sold by SSTC (Quantity in MT)	1,784	2,652.37	1,066.23	5,502.60
Invoice value of sales (Amount in Rs. crore)	9.05	15.22	5.44	12.25

16.3.2 From the above table, it was observed that SSTC had purchased 5,502.6 MT goods amounting to Rs. 13.41 crore from Noticees 1, 7 and 8 during the IP. Further, SSTC had also sold back exactly the same quantity of goods to these entities for an amount of Rs. 12.25 crore.

16.4 Findings in respect of goods sold and purchased by Noticee 8:

16.4.1 Summary of quantity of goods sold and purchased by Noticee 8 from Noticee 1, 7 and SSTC, is as under:

Sales

(Quantity in MT)

Sales by Jain Impex	2017-18	2018-19	2019-20	Total sales
RSC	189.08	0	203.67	392.75
SS Trading	412.67	0	0	412.67
RTMCL	0	221	0	221
Total	601.75	221	203.67	1,026.42

Purchase

(Quantity in MT)

Purchases by Jain Impex	2017-18	2018-19	2019-20	Total purchases
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RSC	0	0	0	0
SS Trading	0	221.21	0	221.21
RTMCL	602	0	204	806
Total	602	221.21	204	1,027.21

Summary of sales and purchase

Particulars	2017-18	2018-19	2019-20	Total sales
Purchase by Jain Impex (Quantity in MT)	0	221.21	204	1,027.21
Invoice value of purchase (Rs. in crore)	3.02	1.21	1.15	5.38
Sold by Jain Impex (Quantity in MT)	601.75	221	203.67	1,026.42
Invoice value of sales (Rs. in crore)	3.14	1.27	1.20	5.61

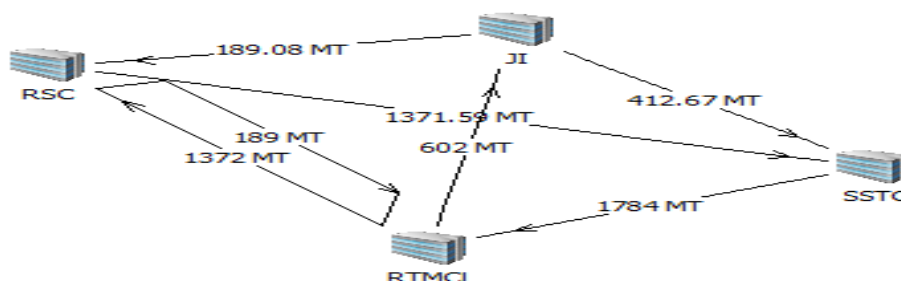
16.4.2 From the above table, it was observed that Noticee 8 had purchased almost same quantity of goods from connected entities of Noticee 1, for an amount of Rs. 5.38 crore and had also sold 1,026.42 MT goods for an amount of Rs. 5.61 crore to these entities during the IP.

16.5 Table and an illustration showing movement of goods, amongst Noticees 1, 7,8 and SSTC in FY2018:

I. FY2018:

From	To	Quantity (MT)	Amount (Rs. crore)
RTMCL	RSC	1,372	6.73
RSC	SSTC	1,371.59	6.90
RTMCL	JI	602	3.02
JI	RSC	189.08	1.01
JI	SSTC	412.67	2.13
RSC	RTMCL	189	1.05
SSTC	RTMCL	1,784	9.05

I. Illustration 1



16.5.1 From the aforesaid illustration for FY2018, following was observed:

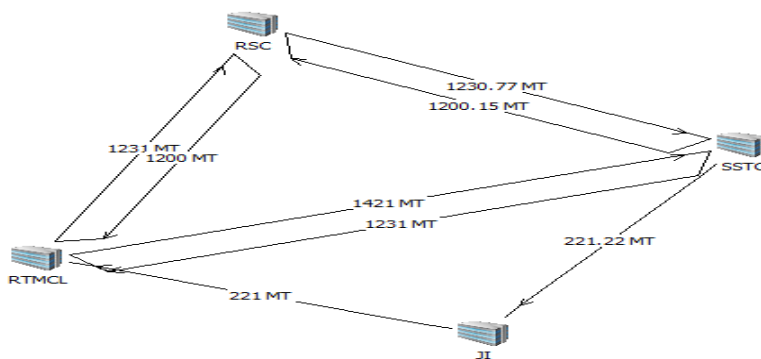
- i. Noticee 1 had sold 1,372 MT pipes to Noticee 7 and out of 1,372 MT pipes purchased by Noticee 7, it had sold 1,371.59 MT pipes to SSTC.
- ii. Noticee 1 had sold 602 MT pipes to Noticee 8. Thus, Noticee 1 had sold a total quantity of 1,974 MT (1,372 + 602) pipes to Noticees 7 and 8.
- iii. Out of 602 MT pipes purchased by Noticee 8, it had sold 189.08 MT and 412.67 MT pipes to Noticee 7 and SSTC respectively.
- iv. Noticee 7 had sold 189 MT pipes purchased by it, to Noticee 1.
- v. SSTC had purchased total quantity of 1,784.26 MT (1,371.59+412.67) pipes from Noticee 7 and 8. The entire quantity of 1,784 MT pipes was sold by SSTC to Noticee 1.
- vi. Thus, Noticee 1 had purchased back 1,973 MT (1,784 + 189) pipes from its Connected entities. Hence, it was observed during the IP that Noticee 1 had purchased back approximately the same quantity of pipes that it had sold to its Connected entities.

16.6 Table and an illustration showing movement of goods, among Noticee 1 and its Connected entities (Noticees 7, 8 and SSTC) in FY2019, is as under:

II. FY2019:

From	To	Quantity (MT)	Amount (Rs. crore)
RTMCL	SSTC	1,421	7.99
SSTC	RTMCL	1,231	7.2
RTMCL	RSC	1,231	6.85
RSC	SSTC	1,230.77	7.18
SSTC	RSC	1,200.15	6.81
RSC	RTMCL	1,200	6.83
SSTC	JI	221.22	1.21
JI	RTMCL	221	1.27

II. Illustration 2:



16.6.1 From the aforesaid illustration for FY2019, following was observed:

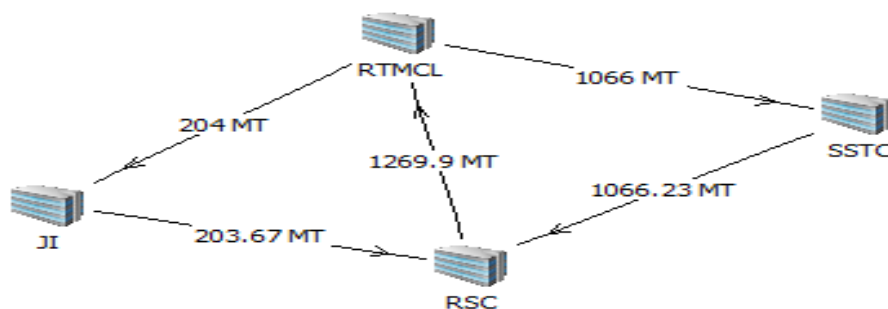
- i. Noticee 1 had sold 1,421 MT pipes to SSTC and out of 1,421 MT pipes purchased by SSTC, SSTC had sold 1,231 MT pipes to Noticee 1, and thus, balance quantity of pipes available with SSTC was 190 MT.
- ii. Noticee 1 had sold 1,231 MT pipes to Noticee 7. Thus, Noticee 1 had sold a total quantity of 2,652 MT (1,421 + 1,231) pipes to Noticee 7 and SSTC.
- iii. Out of 1,231 MT pipes purchased by Noticee 7, it had sold 1,230.77 MT to SSTC and the quantity of pipes available with SSTC was 1,420.77 MT (1,230.77 + 190).
- iv. Out of 1,420.77 MT pipes available with SSTC, it had sold 1,200.15 MT pipes to Noticee 7 and balance quantity of pipes available with SSTC was 220.62 MT.
- v. Out of 1,200.15 MT pipes purchased by Noticee 7, it had sold 1200 MT pipes to Noticee 1.
- vi. SSTC had sold 221.22 MT pipes to Noticee 8.
- vii. Noticee 8 had sold the entire quantity of 221 MT pipes to Noticee 1.
- viii. Thus, from the above, it was observed that Noticee 1 had purchased back 2,652 MT (1,231 + 1,200 + 221) pipes from its connected entities. Hence, it was observed during the IP that Noticee 1 had purchased back the same quantity of pipes that it had sold to its connected entities.

16.7 Table and an illustration showing movement of goods, amongst Noticee 1 and its Connected entities (Noticees 7, 8 and SSTC) in FY2020, is as under:

III. FY2020

From	To	Quantity (MT)	Amount (Rs. crore)
RTMCL	SSTC	1,066	5.42
SSTC	RSC	1,066.23	5.44
RSC	RTMCL	1,269.9	6.68
JI	RSC	203.67	1.2
RTMCL	JI	204	1.15

III. Illustration 3:



16.7.1 From the aforesaid illustration for FY2020, following was observed:

- i. Noticee 1 had sold 1,066 MT pipes to SSTC and had sold 204 MT pipes to Noticee 8. Thus, Noticee 1 had sold a total quantity of 1,270 MT pipes to its Connected entities.
- ii. Noticee 8 had sold 203.67 MT pipes to Noticee 7 and out of 1,066 MT pipes available with SSTC, SSTC had sold 1,066.23 MT pipes to Noticee 7.
- iii. Thus, Noticee 7 had purchased a total quantity of 1,269.9 MT (1,066.23 +203.67) pipes.
- iv. Noticee 7 had sold the entire quantity of 1,269.9 MT pipes to Noticee 1.
- v. Thus, it was observed that Noticee 1 had purchased back 1,269.9 MT pipes from its connected entities. Hence, it was observed during the IP that Noticee 1 had purchased back approximately 1,270 MT pipes viz, almost same quantity of pipes that it had sold to its connected entities.

16.7.2 Hence, it was observed that Noticee 1 had sold and purchased back 5,895 MT pipes from its connected entities during the IP.

16.8 Year wise details of sale and purchase of Noticee 1 with its connected entities (as observed from SCN of CGSTCEC):

(a) **Between Noticee 1 and 7:**

Year	Sales by RTMCL		Purchase by RTMCL	
	Quantity (in MT)	Total Value of Goods (Rs. crore)	Quantity (in MT)	Total Value of Goods (Rs. crore)
2017-18	1,371.585	6.73	189.38	1.05
2018-19	1,230.77	6.85	1,200.15	6.83
2019-20	-	-	1,269.9	6.68
Total	2,602.355	13.57	2,659.43	14.57

(b) **Between Noticee 1 and SSTC:**

Year	Sales by RTMCL		Purchase by RTMCL	
	Quantity (in MT)	Total Value of Goods (Rs. crore)	Quantity (in MT)	Total Value of Goods (Rs. crore)
2017-18	-	-	1,784.255	9.05
2018-19	1,421.37	8.00	1,230.77	7.20
2019-20	1,066.23	5.42	-	-
Total	2,487.6	13.41	3,015.025	16.25

(c) **Between Noticee 1 and Noticee 8:**

Year	Sales by RTMCL		Purchase by RTMCL	
	Quantity (in MT)	Total Value of Goods (Rs. crore)	Quantity (in MT)	Total Value of Goods (Rs. crore)
2017-18	602.05	3.02	-	-
2018-19	-	-	221.22	1.27
2019-20	203.67	1.15	-	-
Total	805.72	4.17	221.22	1.27

(d) Total sales and purchase by Noticee 1:

Year	Sales by RTMCL		Purchase by RTMCL	
	Quantity (in MT)	Total Value of Goods (Rs. crore)	Quantity (in MT)	Total Value of Goods (Rs. crore)
2017-18	1,974	9.75	1,973	10.10
2018-19	2,652	14.84	2,652	15.30
2019-20	1,270	6.57	1,270	6.68
Total	5,896	31.16	5,895	32.08

16.8.1 From the above table, it was observed that during the IP Noticee 1 had sold goods to its connected entities for Rs. 31.16 crores and purchased back almost the same goods from them for Rs.32.08 crores. Hence, Noticee 1 had purchased back these goods at a price higher than the selling price, thereby incurring a loss of Rs.0.48 crores to its investors.

16.9 Supporting documents for the transactions undertaken by Noticee 1:

16.9.1 Copies of supporting documents such as invoices and purchase orders were sought from Noticee 1 for the transactions undertaken with its connected entities. In response to which, Noticee 1, vide email dated October 30, 2023, replied that invoices were not available with it, as the same had been taken away by GST officials during their visit at its registered office on January 10, 2020. With respect to purchase orders, Noticee 1, vide the same email had replied that it did not have any system of placing purchase orders in writing and the orders were placed over phone/verbal discussion, except in the case of its one vendor viz, NSIC. Further, w.r.t purchase bills, Noticee 1 had submitted that it did not have the copies of the same, as the same also were taken away by the GST officials.

16.9.2 It was observed that Noticee 8, vide email dated August 19, 2024, had submitted that since the goods were transported via internal trucks/vehicles of Noticee 1, lorry receipts were not generated. Noticee 8 had further submitted that the e-way bills were seized by the GST authorities.

16.9.3 Further, it was observed that Mr. Shashank Jain, son of Mr. Rajendra Kumar Jain (proprietor of SSTC), vide his statement dated September 04, 2024, submitted that SSTC had entered into business transactions with Noticees 1, 7 and 8. However, it had not raised any purchase or sales order on these entities. He had also stated that there were no transportation documents with respect to these transactions. Further, it was observed during that Mr. Rajendra Kumar Jain had passed away on September 02, 2022.

16.10 Observations from GSTR filings:

16.10.1 From the data obtained from GSTR 1 filed by Noticees 1, 7 and 8 and SSTC, circular movement of goods were observed during the IP. A few instances of such movement, analyzed by SEBI are mentioned as under:

- i. It was observed that on September 27, 2017, Noticee 1 had sold goods to Noticee 7, and 12 invoices amounting to Rs. 1.16 crore were generated for the same. On the same day, Noticee 7 had sold goods to SSTC, and again 12 invoices were observed to have been generated for an amount of Rs. 1.14 crores. Further, on the same day, SSTC had sold those goods back to Noticee 1 and again 12 invoices were generated for an amount of Rs. 1.09 crore.
- ii. Similarly, it was observed that on May 18 and May 19, 2018, Noticee 1 had sold goods to Noticee 7, under 12 invoices for an amount of Rs. 1.30 crore. During the same period, Noticee 7 had sold goods to SSTC, under 12 invoices for an amount of Rs. 1.31 crore. Further, on the same day, SSTC had sold back these goods to Noticee 1 under 12 invoices for an amount of Rs. 1.31 crores.
- iii. Further, it was observed that on July 30, 2019, Noticee 1 had sold goods to Noticee 8, under six invoices for an amount of Rs. 0.59 crore and on the same day, Noticee 8 had sold goods to Noticee 7 under five invoices for an amount of Rs. 0.59 crore. Further, it was observed that Noticee 7 had also sold goods to Noticee 1 on the same day, under five invoices for an amount of Rs. 0.59 crores.

16.11 Findings w.r.t. sales and purchases made by Noticee 1:

16.11.1 A table showing sales made by Noticee 1 to its connected entities, as a percentage of total sales, during the IP, on an annual basis is as under:

Financial Year	Total taxable value of sales of RTMCL (Amount Rs. crore) = A	Total taxable value of sales made to connected entities (Amount Rs. crore) = B	Percentage of sales = B/A*100
2017-18	77.25	8.26	11%
2018-19	76.70	12.58	16%
2019-20	41.41	5.57	13%
Total	195.36	26.41	14%

16.11.2 From the above table, it was observed that sales made by Noticee 1 to its connected entities constituted 11%, 16% and 13% of its total sales during FY2018, FY2019 and FY2020 respectively. Further, such sales constituted 14% of total sales of Noticee 1, during the IP.

16.11.3 A table showing sales made by Noticee 1 to its connected entities, as a percentage of total sales, during the IP, on a quarterly basis, is as under:

Quarter ended	Total taxable value of sales of RTMCL (Amount Rs. crore) = A	Total taxable value of sales made to connected entities (Amount Rs. crore) = B	Percentage of sales= B/A*100
Sept-17	12.32	3.96	32%
Dec-17	25.95	1.73	7%
March-18	18.55	2.55	14%
June-18	20.79	1.10	5%
Sept-18	15.08	1.72	11%
Dec-18	23.83	2.54	11%
March-19	16.98	7.20	42%
Sept-19	8.20	2.17	26%
Dec-19	14.60	2.41	17%
Total	156.30	25.38	16%

16.11.4 From the above table, it was observed that sales made by Noticee 1 to its connected entities ranged from 5% to 42% during the various quarters of the IP.

16.11.5 A table showing purchases made by Noticee 1 from its connected entities, as a percentage of cost of materials consumed, during the IP, on an annual basis is as under:

Financial Year	Total taxable value of cost of materials consumed by RTMCL (Amount Rs. crore) = A	Total taxable value of purchases from connected entities (Amount Rs. crore) = B	Percentage of purchases= B/A*100
2017-18	64.16	8.56	13%
2018-19	77.77	12.96	17%
2019-20	33.80	5.66	17%
Total	175.73	27.18	15%

16.11.6 From the above table, it was observed that purchases made by Noticee 1 from its connected entities constituted 13%, 17% and 17% of cost of materials consumed during FY2018, FY2019 and FY2020 respectively. Further, such purchases constituted 15% of total purchases of Noticee 1, during the IP.

16.11.7 A table showing purchases made by Noticee 1 from its connected entities, as a percentage of cost of materials consumed, during the IP, on a quarterly basis, is as under:

Quarter ended	Total taxable value of cost of materials consumed by RTMCL (Amount Rs. crore) =A	Total taxable value of purchases made by from connected entities (Amount Rs. crore) = B	Percentage of purchases= B/A*100
Sept-17	11.58	3.97	34%
Dec-17	22.55	1.80	8%
March-18	16.93	2.77	16%
June-18	21.01	1.11	5%
Sept-18	13.35	1.74	13%
Dec-18	23.77	2.55	11%
March-19	19.61	7.54	38%
Sept-19	7.38	3.21	43%
Dec-19	16.17	3.47	21%
Total	152.35	28.16	18%

16.11.8 From the above table, it was observed that purchases made by Noticee 1 from its connected entities ranged from 5% to 43% during the various quarters of the IP.

16.11.9 In view of the aforesaid findings, it was alleged that Noticee 1 had colluded with its connected entities and devised a scheme to defraud the investors, by engaging in fictitious sale and purchase transactions and thereby, misrepresented its financial

statements and thus, the financial statements of Noticee 1 allegedly did not represent a true and fair view of its state of affairs.

16.12 Bank statement analysis of the entities involved in the transaction:

16.12.1 It was observed that the Noticee 1 and its connected entities had allegedly transferred a lump sum amount in the accounts of each other and finally the amount reached the account of Noticee 1. The firms were not transferring the funds on the basis of invoices reached. Noticee 1 used to give only invoices without any goods, but to complete the formality, money used to be sent and received from seller and buyer respectively, to complete the transaction.

16.12.2 Further, it was observed that huge amount of funds were transferred from Noticee 7 to the personal accounts of Noticee 2, 4 (son of Noticee 2 and CFO of Noticee 1), Noticee 6 (an employee of Noticee 1 and son of Noticee 2) and Noticee 3, wife of Noticee 6.

16.12.3 It was also observed that the management and directors of Noticee 1 had withdrawn huge payment, through account of Noticee 7. Noticee 1 had shown huge transactions with the fake firms, which were found non-existent. Further, it was observed that Noticee 7 was controlled by the family of Noticee 2 and they were allegedly siphoning off the funds by rotating invoices through them for personal enrichment.

16.13 Findings from bank statements analysis of various entities:

16.13.1 The bank account statements of Noticees along with SSTC, one Ms Kanta Devi Jain, and Ms Tridev Finance Co Limited were analysed, and the same is detailed in the table below.

Sr No.	Name of the entity	Bank account name	Bank account number	Relation/connection with RTMCL and/or its KMP-Source Bank KYC and annual report of RTMCL
1	RTMCL	SBI	51091726730	Listed Company
2		SBI	63046785408	
3	Rajendra Steel Company	SBI	61097316938	Connected entities
4	SS Trading Company	HDFC	50200020823535	
5		HDFC	50200021665802	
6		SBI	33696861713	

Sr No.	Name of the entity	Bank account name	Bank account number	Relation/connection with RTMCL and/or its KMP-Source Bank KYC and annual report of RTMCL
7	Jain Impex	ICICI	678805116473	
8		Kotak	2613517579	
9	Harish Chand Jain	SBI	37137114624	Managing Director of RTMCL
10		ICICI	1201017315	
11		SBI	51102045540	
12		HDFC	50100214656448	
13	Pradeep Jain	SBI	51100329601	CFO of RTMCL
14		ICICI	676501501085	
15		ICICI	361401000030	
16	Deepika Jain	SBI	61046707331	Wife of Pradeep Jain, CFO of RTMCL (Source - Account Opening Form ('AOF') and KYC of Ms. Deepika Jain)
17		ICICI	1201537053	
18	Kanta Devi Jain	ICICI	1201550861	Wife of Harish Jain, MD of RTMCL (Source –AOF and KYC of Ms. Deepika Jain)
19	Rajshree Jain	ICICI	23501002081	Director of RTMCL and daughter in law of Harish Jain, MD of RTMCL as she is the wife of Mr. Saurabh Jain
20	Saurabh Jain	SBI	1201538071	Son of Harish Jain, MD of RTMCL and employee in RTMCL (Source-annual report of RTMCL)
21		HDFC	18431000010399	
22	Tridev Finance	SBI	51091380202	Promoter company
23	Co Limited	ICICI	1205003339	

16.13.2 Upon analysis of bank statements of Noticee 1, following was observed:

16.13.2.1 Noticee 1 had transferred a net amount of Rs. 0.17 crore to Noticee 2 during the IP. Further, Noticee 1 had also transferred an amount of Rs. 0.09 crore and Rs. 0.11 crore to Noticee 6 and Noticee 4 respectively. In this regard, reasons were sought from Noticee 1 for those fund transfers, for which it, vide emails dated September 14, 2024 and September 18, 2024, submitted that those transfers were made to Noticee 2, 4 and 6, on account of salary payments. In this context, Noticee 1 had also enclosed the salary ledgers of Noticee 2 and 6 and with

respect to Noticee 4, it had stated that the said payments had been disclosed in its annual report.

16.13.2.2 Noticee 1 had received an aggregate amount of Rs. 5.68 crore from Noticee 8 during the IP. Further, Noticee 1 had also transferred an amount of Rs. 1.27 crore to Noticee 8 during the said period. Thus, Noticee 1 had received a net amount of Rs. 4.41 crore from Noticee 8.

16.13.2.3 Noticee 1 had received an aggregate amount of Rs. 8.13 crore from SSTC during the IP. Further, Noticee 1 had also transferred an amount of Rs. 15.78 crore to SSTC during the said period. Thus, Noticee 1 had transferred a net amount of Rs. 7.65 crore to SSTC during the IP.

16.13.2.4 Noticee 1 had received an aggregate amount of Rs. 15.08 crore from Noticee 7 during the IP and Noticee 1 had transferred an amount of Rs. 13.18 crore from Noticee 7. Thus, Noticee 1 had received a net amount of Rs. 1.90 crore from Noticee 7.

16.13.2.5 From the aforesaid data, it was observed that Noticee 1 had received an amount of Rs. 28.89 crore (Rs. 5.68 crore + 8.13 crore + Rs. 15.08 crore) from SSTC, Noticees 7 and 8. Further, Noticee 1 had transferred an amount of Rs. 30.23 crore (Rs. 1.27 crore + Rs. 15.78 crore + Rs. 13.18 crore) to Noticee 7, 8 and SSTC during the IP. Hence, Noticee 1 had allegedly transferred a net amount of Rs. 1.34 crore to these entities. Further, Noticee 1, vide emails dated April 11, 2024 and September 14, 2024, provided date wise schedule of fund transfers among these entities. The data provided by Noticee 1 and that analysed from the bank statements was tallied, except for few entries w.r.t bank charges.

16.13.2.6 It has been observed in the preceding paragraphs that sales and purchases made by Noticee 1 to/from its connected entities were fictitious and fraudulent. These transactions were allegedly undertaken to provide a misleading picture to the investors. Hence, it was observed that funds amounting to Rs. 1.34 crore were misused by the Noticee 1 and its management.

16.13.3 Similarly, upon analysis of bank statements of SSTC, following was observed:

16.13.3.1 SSTC had received an aggregate amount of Rs. 1.21 crore from Noticee 8 during the IP. Further, SSTC had also transferred an amount of Rs. 2.13 crore

to Noticee 8 during the said period. Thus, SSTC had transferred a net amount of Rs. 0.92 crore to Noticee 8 during the IP.

16.13.3.2 SSTC had received an aggregate amount of Rs. 4.85 crore from Noticee 7 during the IP. Further, SSTC had also transferred an amount of Rs. 10.58 crore to Noticee 7 during the IP. Thus, SSTC had transferred a net amount of Rs. 5.73 crore to Noticee 7 during the IP.

16.13.3.3 SSTC had received an aggregate amount of Rs. 15.78 crore from Noticee 1 during the IP. Further, SSTC had transferred an amount of Rs. 8.13 crore to Noticee 1 during the IP. Thus, SSTC had received a net amount of Rs. 7.65 crore from Noticee 1.

16.13.3.4 SSTC had also transferred an amount of Rs. 0.04 crore to Noticee 4 (CFO of Noticee 1).

16.13.3.5 From the aforesaid data, it was observed that SSTC had received a total amount of Rs. 21.84 crores (Rs. 1.21 crores + Rs. 4.85 crores + Rs. 15.78 crores) from Noticees 1, 7 and 8. Further, SSTC had transferred a total amount of Rs. 20.84 crore (Rs. 2.13 crores + 10.58 crores + Rs. 8.13 crores) to Noticee 1 and its connected entities. Thus, SSTC had received a net amount of Rs. 1 crore from them.

16.13.4 On analysis of bank statements of Noticee 8, following was observed:

16.13.4.1 Noticee 8 had received an aggregate amount of Rs. 4.35 crores from Noticee 7 during the IP.

16.13.4.2 Noticee 8 had received an aggregate amount of Rs. 1.27 crore from Noticee 1. Further, Noticee 8 had also transferred an amount of Rs. 5.68 crore to Noticee 1. Thus, Noticee 8 had transferred a net amount of Rs. 4.41 crore to Noticee 1.

16.13.4.3 Noticee 8 had received an aggregate amount of Rs. 2.13 crore from SSTC during the IP. Noticee 8 had also transferred an amount of Rs. 1.21 crore to SSTC. Thus, Noticee 8 had received a net amount of Rs. 0.92 crore from SSTC.

16.13.4.4 From the aforesaid data, it was observed that Noticee 8 had received an aggregate amount of Rs. 7.75 crore (Rs. 4.35 crores + Rs. 1.27 crores+ Rs. 2.13 crores) from Noticee 1 and its connected entities. Further, Noticee 8 had transferred an amount of Rs. 6.89 crores (Rs. 5.68 crores +Rs. 1.21 crores) to Noticee 1 and its connected entities. Thus, Noticee 8 had received a net amount of Rs. 0.86 crore from these entities.

16.13.5 On analysis of bank statements of Noticee 7, following was observed:

16.13.5.1 Noticee 7 had received an aggregate amount of Rs. 13.18 crore from Noticee 1 during the IP. Further, Noticee 7 had also transferred an amount of Rs. 15.08 crore to Noticee 1 during the said period.

16.13.5.2 On analysis of source of funds transferred by Noticee 7 to Noticee 1, it was observed that an amount of Rs. 4.72 crore was received by Noticee 7 from Key Managerial Personnel's ("KMP") of Noticee 1, relatives of the KMPs and related party of Noticee 1.

16.13.5.3 Out of amount of Rs.15.08 crore transferred by Noticee 7 to Noticee 1, an amount of Rs. 9.09 crore was received by Noticee 7 from SSTC. The balance amount of Rs. 1.27 crore (Rs. 15.08 crore- Rs. 4.72 crore-Rs. 9.09 crore) was received by Noticee 7 as cash deposits and from other entities such as Arihant, and Saroj Designs Pvt Ltd. However, no fund transfers were observed from Noticee 1 to Arihant and Saroj Designs Pvt Ltd.

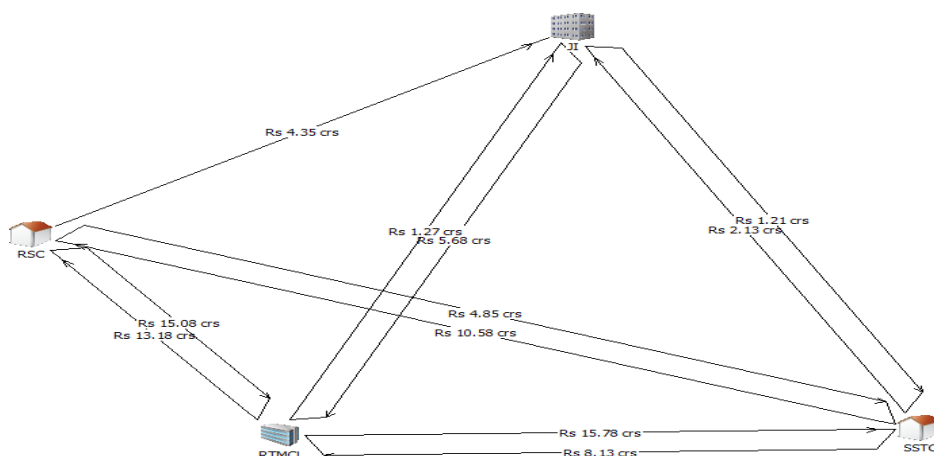
16.13.5.4 Noticee 7 had transferred a net amount of Rs.1.90 crore (Rs. 15.08 crore- Rs. 13.18 crore) to Noticee 1.

16.13.5.5 Noticee 7 had received an amount of Rs. 10.58 crore from SSTC and it had also transferred an amount of Rs. 4.85 crore to SSTC. Thus, Noticee 7 had received a net amount of Rs. 5.73 crore from SSTC.

16.13.5.6 Noticee 7 had transferred an amount of Rs. 4.35 crore to Noticee 8.

16.13.5.7 From the aforesaid data, it was observed that Noticee 7 had received an aggregate amount of Rs. 23.76 crore (Rs. 13.18 crore + Rs. 10.58 crore) from Noticee 1 and its connected entities. Further, Noticee 7 had transferred an amount of Rs. 24.28 crore (Rs. 15.08 crore + Rs. 4.85 crore +Rs. 4.35 crore) to Noticee 1 and its connected entities. Thus, Noticee 7 had transferred a net amount of Rs. 0.52 crore to Noticee 1 and its connected entities.

16.14 A chart showing fund transfers by Noticee 1 and its connected entities among themselves, is as under:



16.15 A table showing utilization of funds by Noticee 7, subsequent to receipt of funds from Noticee 1, is as under:

Sr no	Particulars	Amount (Rs. cr)
1	Receipt from RTMCL and transfer to Deepika Jain	0.08
2	Receipt from RTMCL and transfer to Harish Jain	2.12
3	Receipt from RTMCL and transfer to Jain Impex	2.94
4	Receipt from RTMCL and transfer to Pradeep Jain	1.1
5	Receipt from RTMCL and transfer to Rajshree Jain	0.09
6	Receipt from RTMCL and transfer to Saurabh Jain	0.42
7	Receipt from RTMCL and transfer to SS Trading	4.85
8	Receipt from RTMCL and transfer to Swastik Pipe Ltd	0.4
9	Receipt from RTMCL and transfer to RTMCL	0.67
10	Receipt from RTMCL and transfer to Arihant	0.2
11	Receipt from RTMCL and transfer to GST	0.08
12	Receipt from RTMCL and transfer to HDF Creative studio	0.02
13	Receipt from RTMCL and transfer to Om Steel Enterprises	0.05
14	Receipt from RTMCL and transfer to RBI	0.01
	Total	13.01

16.16 Similarly, a table showing receipt and payment of funds by Noticee 7 from/to KMPs, relatives of KMPs and related party of Noticee 1 is as under:

(Amount Rs. in crore)

Sr No.	Particulars	Amount	Amount	Net receipt/ (transfer)
1	Receipt/(transfer) by RSC from/to Harish Jain	2.27	(2.38)	(0.11)
2	Receipt/(transfer) by RSC from/to Pradeep Jain	0.72	(1.27)	(0.55)

3	Receipt/(transfer) by RSC from/to Tridev Finance Co	1.47	(0.58)	0.89
4	Receipt/(transfer) by RSC from/to Kanta Jain	0.24	-	0.24
5	Receipt/(transfer) by RSC from/to Saurabh Jain	0.22	(0.42)	(0.2)
6	Receipt/(transfer) by RSC from/ to Deepika Jain	-	(0.08)	(0.08)
7	Receipt/(transfer) by RSC from/ to Rajshree Jain	-	(0.09)	(0.09)
Total		4.92	4.82	0.10

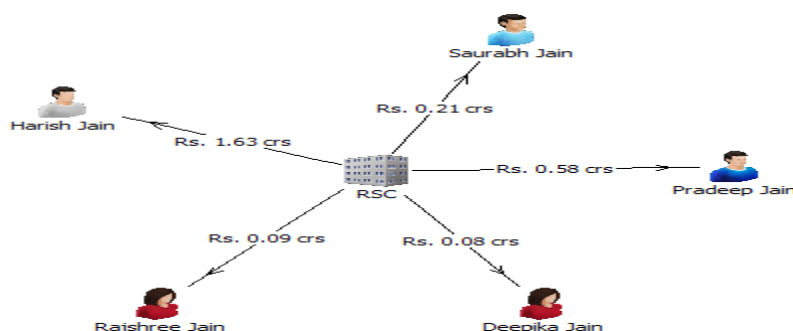
16.17 From the above table, it was observed that Noticee 7 had received a total amount of Rs. 4.92 crore from the KMPs and relatives of KMPs. Further, Noticee 7 had also transferred an amount of Rs. 4.82 crore to these entities. Thus, Noticee 7 had received a net amount of Rs. 0.10 crore from these entities.

16.18 A table showing transfer of funds by Noticee 7 from the funds received from Noticee 1, to the KMPs/its relatives of Noticee 1 and vice versa is as under

(Amount Rs. in crore)

Sr No.	Receipt from RTMCL and onward transfer	Amount	Receipt from KMPs/ relatives and onward transfer to RTMCL	Amount	Net receipt/(transfer) by RSC
1	Receipt from RTMCL and transfer to Deepika Jain	0.08	No receipt was observed from Deepika Jain	-	(0.08)
2	Receipt from RTMCL and transfer to Harish Jain	2.12	Receipt from Harish Jain and transfer to RTMCL	0.49	(1.63)
3	Receipt from RTMCL and transfer to Pradeep Jain	1.10	Receipt from Pradeep Jain and transfer to RTMCL	0.52	(0.58)
4	Receipt from RTMCL and transfer to Rajshree Jain	0.09	No receipt was observed from Rajshree Jain	-	(0.09)
5	Receipt from RTMCL and transfer to Saurabh Jain	0.42	Receipt from Saurabh Jain and transfer to RTMCL	0.21	(0.21)

16.19 A chart showing transfer of funds by Noticee 7 to the aforesaid individuals (Noticees 2,3,4,5,6) is as under:



16.20 It was observed that SBI, vide email dated December 05, 2023, had submitted that the authorized signatory of Noticee 7 was Rajendra Singh, who was proprietor of Noticee 7. Further, clarifications were sought from SBI, as to whether the aforesaid fund transfers were made by Noticee 7 online through net banking/cheques, along with the IP addresses of the entities involved in the transaction. In this regard, SBI, vide email dated August 12, 2024, had submitted that the mode of payment by Noticee 7 was cheques or internet banking. Considering that the mobile number registered with SBI, in respect of Noticee 7, belonged to Banshi Dhar Yadav, it was observed that online transfers from the bank account of Noticee 7 were done by him. It was observed that Banshi Dhar Yadav was also working in Noticee 1.

16.21 Further, upon seeking clarifications from the KMPs and relatives of KMPs of Noticee 1 regarding those fund transfers along with supporting documents. Noticee 2, MD of Noticee 1, vide email dated September 14, 2024, had stated as under:

“These are general transactions of loan given and received back to/from Rajendra steel company. The total amount received by Rajendra steel company from all person as per your sheet was Rs.49184000.00 (Rs. 22665000 +7215000+14734000 + 2420000 + 2150000) Similarly, the total amount paid back by Rajendra Steel company to all the connected persons as per your list was Rs. 48125492 (Rs. 801047+ 23795212 + 12693841+865098+ 4185294+ 5785000.) Thus from the list given by you, it is clear that almost all amount are settled during 2017 to 2020 and nothing is due now and these are various entries of loan given and received back on various dates during 2017 to 2020. Beside the above we also want to bring in your kind notice that no books of accounts are maintained by KMP and their relative for their personal transactions.”

16.22 Clarification was also sought from the KMPs and their relatives as to whether any interest was charged on the loans advanced by those entities to Noticee 7 along with the details of the bank account in which such interest was credited. Noticee 2, vide emails dated September 18, 2024 and September 21, 2024, had submitted that he had received an interest of Rs. 0.19 crore from Noticee 7 in FY2019. The interest was charged at the rate of 12% p.a. In this regard, Noticee 2 had also enclosed a copy of Form 26AS for FY2019 and upon perusal of the Form 26AS of Noticee 2, it was observed that interest of Rs. 0.19 crore was mentioned in the form, and TDS was also deducted on the same by Noticee 7. In his statement before SEBI, Noticee 2 had submitted that he had given a loan of Rs. 1 crore to Mr. Rajendra Singh, proprietor of Noticee 7 on grounds of sympathy as Mr.

Hanuman Singh, father of Mr. Rajendra Singh had provided a lot of assistance to Noticee 2's family.

16.23 Further, vide email dated September 18, 2024, Noticees 3 and 4 had submitted that no interest was charged from Noticee 7 as the amount was not material. Additionally, vide emails dated September 21, 2024, Noticee 5 and 6 had also submitted that no interest was charged on the loan advanced to Noticee 7 as the amount was immaterial.

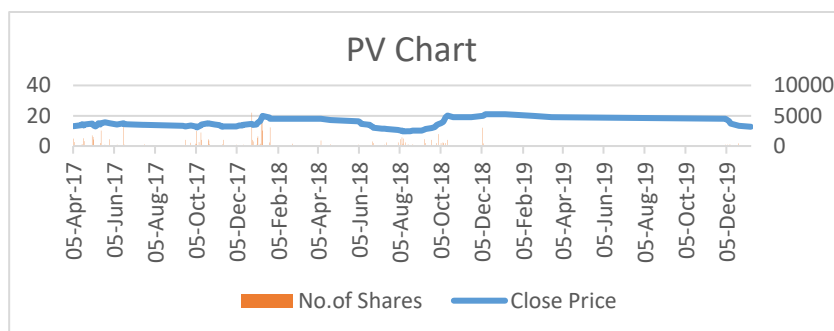
16.24 From the reply submitted by the aforesaid individuals, it was observed during investigation that no loan agreements were submitted supporting the loan transactions between those individuals and Noticee 7. In the absence of such loan agreements and the fact that no interest was charged on the loans advanced to Noticee 7 by Noticees 3, 4, 5 and 6, it was observed that these transactions were not genuine loans transactions.

16.25 Further, as observed above, Noticee 7 was a dummy entity and did not have any genuine operations. Noticee 7 had received a total credit of Rs. 30.12 crore in its bank account during the IP. Out of the total funds of Rs. 30.12 crore, an amount of Rs. 29.87 crore was received from Noticees 1, 8 and SSTC and related entities of Noticee 1. Hence, 99.17% of the funds were allegedly received by Noticee 7 from Noticee 1 and its related/connected entities.

16.26 It was observed that Noticee 7 had utilised the funds of Noticee 1 for onward transfer to Noticees 2-6. Thus, it was alleged that Noticee 7 was used as conduit entity by Noticee 1 for the transfer of funds of the listed entity to the KMPs and their relatives. Even though Noticee 7 was a net receiver of an amount of Rs. 0.10 crore from these individuals, it was observed that the funds received by Noticee 7 from Noticee 1, were transferred to the aforesaid entities. Hence, it was alleged that Noticee 1, in collusion with Noticee 2, 3 and 4 had devised a scheme to mis-utilise the funds of Noticee 1 and defraud the investors.

16.27 Price movement during investigation period:

16.27.1 A pictorial representation of share price of Noticee 1, during the IP, is as under



16.27.2 The share price of Noticee 1 was Rs. 13.23 per share on April 05, 2017 and it reached a high of Rs. 19.80 per share on January 12, 2018, thereby recording an increase of approximately 50% in a span of 9 months. Thereafter, the price started declining and reached a low of Rs. 9.75 per share on August 20, 2018. Share price of Noticee 1 started rising again and reached a high of Rs. 21 per share on January 09, 2019 thereby recording an increase of 115.38% in a span of 5 months. The price of the scrip fell again and closed at Rs. 12.7 per share on January 10, 2020 viz. last trading day during the IP.

16.27.3 Noticee 1 had allegedly misrepresented its financial statements and misused its funds thereby leading to publication of its untrue and misleading financial results during the FY2018 to FY2020. The same operated as deceit not only to its shareholders but also on the public being misled about its financial health.

16.28 Role of Entities

16.28.1 Roles of Noticee 1 and its connected entities:

16.28.1.1 Noticee 1, by engaging in fictitious sale and purchase transactions with its connected entities, had allegedly misrepresented its financial statements and the same did not represent a true and fair view of its state of affairs.

16.28.1.2 Noticee 1 had created a dummy entity viz. Noticee 7 for undertaking such fictitious sales and purchase transactions. Noticee 1 had transferred funds to the tune of Rs 13.18 crores to Noticee 7 and the funds of Noticee 1 were used by latter for onward transfer to the promoters/KMPs, their relatives and various third parties.

16.28.1.3 Noticee 1 had allegedly misused its funds amounting to Rs. 1.34 core as these funds were transferred by Noticee 1 to Noticee 7, 8 and SSTC, for fraudulent sales and purchase transactions. Thus, Noticee 1, in collusion with its KMPs, had allegedly devised a scheme to misuse its funds.

16.28.1.4 It was alleged that Noticee 1, through the aforesaid acts, knowingly reported wrong, false and misleading statements over a period of three financial years and continued to create an impression among the investors that the disclosed misrepresented statements were reflecting a true and fair view of its financial position. However, the market did not take into consideration the above mentioned misrepresentations by it. If the information regarding misrepresentation of financials and misuse of funds was known to the market,

the movement in the price of the scrip would have been different than what was witnessed in the absence of true and fair disclosures.

Based on the above, it was alleged that Noticee 1 had violated Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(f), (k) and (r) of PFUTP Regulations and Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), 4(2)(e)(i), Regulation 33(1)(c) and 48 of LODR Regulations r/w Ind AS-1 and Section 21 of SCRA.

16.28.2 As mentioned above, Noticee 1 had entered into fictitious sales and purchase transactions with its connected entities viz. Noticee 7, 8 and SSTC. Thus, Noticee 7 and Noticee 8, in collusion with Noticee 1, had devised a scheme to defraud the investors of Noticee 1.

Based on the above, it was alleged that connected entities of Noticee 1 viz. Noticee 7 and Noticee 8 had violated the provisions of Sections 12A(a), (b) & (c) of the SEBI Act, and Regulations 3 (a), (b), (c) & (d) and Regulations 4(1) of PFUTP Regulations.

17 Findings w.r.t Noticee 1

17.1 I have gone through the submissions of the Noticees on record and now proceed to deal with the submissions Noticee wise. As regards submission of Noticee 1 that all its transactions were genuine and that there was no misrepresentation in the Annual reports, I note from the findings of investigation, that there was almost equal sales and purchases executed by Noticee 1 during the IP, without even actual movement of the goods. I also note that Noticee 1 had not even provided the E-way bills and had submitted that the same were seized by GST officials. Being a listed entity, Noticee 1 is expected to maintain proper documents or a copy of the same. Not having a copy of the same appears to be nothing but an afterthought to cover up its transactions. A company undertaking transactions of such a high volume and simultaneously not having a copy of the bills, invoices, E-way bills, etc, raises serious questions with respect to compliance and recordkeeping. Thus, I note that Noticee 1 has only made a bald statement without any documentary evidence in its support.

17.2 I note from the material available on record that during the FY2018, Noticee 1 had sold 1,974 MT goods to its connected entities (Noticees 7, 8 and SSTC) and purchased back 1,973 MT goods from them. Further, during FY2019, Noticee 1 had sold 2,652 MT goods to its connected entities and purchased back the exact same quantity from them and a similar modus-operandi was followed by it in the FY2020 also, wherein, Noticee 1 had

sold 1,270 MT goods to its connected entities and purchased back the exact same quantity from them. Thus, I note that Noticee 1 had sold and purchased back 5,895 MT goods (i.e. exact same quantity) to/from its connected entities and engaged in circular transaction with them. Further, I note that Noticee 1 had purchased back those goods at a price higher than the selling price, thereby, incurring a loss of Rs. 0.48 crore. The act of purchasing back the goods from its connected entities at a loss defeats logic of a buyer purchasing the goods at a loss and only indicates execution of transactions with manipulative intent.

- 17.3 I also note that one of the connected entity of Noticee 1 viz, Noticee 7 was non-existent at its principal place of business and was not traceable as the summon sent to the firm returned undelivered. Further, I note that even SCN sent through SPAD returned undelivered from the address of Noticee 7, on record. I also note that the contact details such as email and phone number mentioned in the KYC of Noticee 1 and 7 were same and also Noticee 7 was owned by son of employee of Noticee 1. This shows that Noticees 1 and 7 were connected entities.
- 17.4 Further, I note from the bank statement analysis of Noticee 7, that Noticee 7 was majorly funded by Noticee 1 and there were hardly other transactions in the firm. Hence, I note that Noticee 7 was a dummy entity floated and funded by Noticee 1. Also, I note that it cannot be a mere co-incidence that the same quantity of goods purchased and sold by Noticee 1 was purchased and sold by Noticees 7, 8 and SSTC, when the proprietors of SSTC and Noticee 8 were known to Noticee 1, as available from the material on record.
- 17.5 I also note that the connected entities of Noticee 1, operated from residential premises, where loading and unloading of ERW pipes having length of approximately 6-7 metres and weight of 2 kg to 200 kgs, was apparently not possible and no storage space at the premises of these entities was observed. Further, I note from the material available on record that no purchase/sales orders were raised by Noticee 1 on its connected entities, and the orders were only placed telephonically. Further, as stated by the entities involved in the transaction, I note that there were no transportation documents supporting the movement of goods from Noticee 1 to its connected entities and vice-versa.
- 17.6 Further, I note that Noticee 8 had also purchased the same quantity of goods from Noticees 1, 7 and SSTC for an amount of Rs 5.38 crores and had also sold 1,026.42 MT goods for an amount of Rs 5.61 crores. I note that Noticee 8 during the course of

investigation had submitted that it was not even aware about the address of the parties, where those goods used to be delivered despite the sale and purchase transactions entered to it with Noticees 1, 7 and SSTC. This shows that all the Noticees 1, 7, 8 and SSTC were involved in the fictitious sales and purchase transactions.

- 17.7 Another important point to note here that the goods viz. ERW pipes weighed anywhere between 2 kg to 200 kgs, and that they could not be loaded/unloaded manually by labourers, without any mechanical help. However, Noticee 2 in his statement before SEBI had submitted that loading and unloading of goods, was undertaken by the labourers of its connected entities, as the latter did not have any cranes. Thus, contradictory submissions are observed from the material available on record as entities involved in the transaction had submitted, that loading and unloading of goods never took place and there was no actual supply of goods by Noticee 1 to its connected entities.
- 17.8 Hence, I note that it could not be a mere coincidence that goods sold by Noticee 1 to its three different parties, in one financial year, eventually returned back to it in the same financial year. Further, the same pattern of movement of goods continued consecutively during three financial years from 2017-18 to 2019-20. Therefore, submission of Noticees 1 and 8 are bereft of merits.
- 17.9 With respect to reliance placed by Noticee 1 on the statement of one Mr Mahendra Singh (Driver), vide affidavit dated July 25, 2023, whom Noticee 1 claimed to be its driver, I note that the said person has affirmed that he had transported the ERW pipes on various dates, by plying through the shortest routes. However, in the absence of any copy of GST Invoice, E-Way Bills, mere statement cannot be relied upon, and further, the statement in no way, acts as a substitute to the said documents.
- 17.10 With respect to the submission that stock reconciliation was consistently accurate and verifiable at all times, and stock and receivables Audit was conducted on behalf of the lending bank i.e. State Bank of India on a regular basis, wherein no discrepancies were identified in those audits, corroborating the actual delivery and legitimate handling of the goods as per the invoices issued, I note that Noticee 1 had provided a Stock & Receivable report dated September 28, 2018 and August 22, 2019 from Chartered Accountancy firms- Ashish Khandelwal & Co and M/s Acharya Anil & Associated respectively wherein, both the said reports show the value of closing stock and Receivables. However, the said reports only show the value of stock & receivables as

on August 31, 2019 and September 30, 2019 and the same does not lead to a conclusion that the alleged fictitious sale and purchase transactions between Noticee 1 and Noticees 7, 8 and SSTC in the respective FYs were backed by actual movement of goods, were genuine, rather it only shows that actual value of goods on the respective dates. Further, from the said reports, it is not ascertainable whether the sold goods were recorded as removed from the stock register, and only those goods physically available were sold. Further, I note that Noticee 1 has not provided any material to reconcile the transactions at any stage. Thus, submission of Noticee 1 is untenable.

17.11 As regards submission of Noticee 1 that the concept of “inflating” financial statements usually arises when an entity reports sales that do not actually occur, i.e., when there is no corresponding movement of goods, nor any matching bank transactions, and that situation did not apply here as in the present case, every sale was backed by legitimate bank records, and there is clear evidence of physical movement of goods. In this regard, I note that it has already been established above that there was no actual movement of goods, rather fake invoices were created to show the movement of goods, which is nothing but inflation of financial statements, and the same gets strengthened by the absence of GST returns and E-way Bills. Thus, submission of Noticee 1 is bereft of merits.

17.12 With respect to the submission of Noticee 1 that the transactions at issue did not meet any standard or definition of false or inflated books and all the evidences point to the transactions being bona fide, properly documented, and accurately reported in the financial statements, which had been audited and found to present a true and fair view, I note that while the audit reports may have cleared the books, and compliance with accounting standards, but the “clean audit” does not validate/legalize the convoluted transactions executed by Noticee 1. Further, at this juncture, I would like to rely upon the Hon’ble Supreme Court judgement in the matter of **SEBI v Kishore R Ajmera** (AIR 2016 SC 1079) decided on February 23, 2016, wherein it was held that –

“It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be

helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”

17.13 Further, I note that the proof of fraudulent and manipulative transactions is rarely found by direct evidence rather it always depends upon the given circumstances from which inferences are drawn from the factual details, the nature of transactions, conduct of the parties etc. In this respect, it would be relevant to refer the Order of the Hon'ble SAT passed in the matter of **Ketan Parekh Vs. SEBI** (Appeal No. 2 of 2004 decided on 14.07.2006) observing as under:

“...Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions,and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn.”

17.14 In the **Kanaiyalal Baldev Bhai Patel Vs SEBI** matter, Hon'ble Supreme Court further observed as under:

“...14. To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in Securities and Exchange Board of India Vs. Kishore R. Ajmera(supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified....”

- 17.15 Thus, in view of the above, I note that the submission of Noticee 1 is devoid of merits.
- 17.16 As regards the submission of Noticee 1 that all the transactions in question were with entities entirely unconnected with it and fell outside the purview of "Related Parties" as defined under the Companies Act and LODR Regulations as the said entities were independent, and it had no control or influence over them and that the usage of term "Connected Entity" is incorrect and unfounded. I note that Noticee 1 has wrongly interpreted the allegation levelled against it, as Noticee 1 has not been alleged to have executed transactions with its related parties rather, it has been alleged to have executed those transactions with its connected entities, viz Noticees 7, 8 and SSTC. Further, I note that the connection between Noticee 1 and the said entities has already been discussed in the pre-paras, wherein Noticee 7, managed by one Mr Rajendra Singh, son of an employee of Noticee1 (Mr Hanuman Singh); Noticee 8 was managed by its proprietor, Mr Atul Jain, who knew Noticee 2 and Mr Rajendra Singh, owner of Noticee 7. Further, I note from the material available on record that Mr Atul Jain had admitted to knowing SSTC since it had business dealing with it. He even admitted that point of contact in SSTC was Mr. Rajendra Jain but he had never met him and got his phone number from his community. I also note from his statement that there were no purchase orders raised by Noticees 1, 7 and SSCTC on Noticee 8 and vice versa and the transactions used to be executed over phone. This shows that all of them were connected to each other and thus, submission of Noticee 1 is not tenable.
- 17.17 With respect to the submission of Noticee 1 that Noticee 7 is a genuine entity and not a conduit and simply citing a lower volume of transactions, cannot justify labelling the entity as non-genuine or dormant, I note that it has already been discussed in pre-paras above that Noticee 7, which was found to be non-existent at its principal place of business, was being operated by one Rajendra Singh, who was son of Hanuman Singh, an employee of Noticee 1. Further, I note from the material available on record that Hanuman Singh in his statement to CGSTCEC, had submitted that Noticee 7 was not his son's firm and someone might have used his personal documents to illegally register the firm in GST. He had further submitted that the principal place of business of Noticee 7 was never visited by him or his son and that his son had never purchased or sold any type of material from Noticee 1. He had also submitted that he had never seen the inward supply of black pipe i.e. ERW pipes in Noticee 1 during his presence at the

factory premises. Further, I note from the material available on record that he had retracted his statement dated January 11, 2020 tendered before CGSTCEC, vide which he had admitted that his son used to operate Noticee 7, before he had gone to Dubai and that at that relevant time, he was looking after its functions. Thus, I note from the contradictory statements of Hanuman Singh that Noticee 7 was not at all a genuine entity but was a non-existent shadow firm created by Noticee 1 to execute transactions and misrepresent financials. Therefore, submission of Noticee 1 is untenable.

17.18 With respect to submission of Noticee 1 that no transfer of Rs 13.18 crores from Noticee 1 to Noticee 7, was done for the purpose of further transmission to Promoters, KMPs, or their relatives and its further submission that allegation on it for having indirectly provided funds to those individuals is baseless and lacks any documentary or factual support, I note from the bank account statement of Noticee 7 that an aggregate amount of Rs 13.18 crores was received by Noticee 7 from Noticee 1 during the IP. Further, I note from the material available on record that Rs 4.72 crores was received by Noticee 7 from the KMPs of Noticee 1, viz, Noticee 2, 4 and 6, who had transferred an amount of Rs 1.65 crores, Rs 0.53 Crores and Rs 0.21 crores respectively. Further, I note that the relatives of these KMPs i.e. one Ms Kanta Jain (wife of Noticee 2) had transferred an amount of Rs 0.24 Crores and a related party of Noticee 1 i.e. Tridev Finance Co had transferred Rs 1.43 Crores to Noticee 1. The details are also tabulated below:

Sr no.	Particulars	Amount (Rs. Cr.)
1	Receipt from Harish Jain and transfer to RTMCL	1.11
2	Receipt from Harish Jain and transfer to RTMCL	0.33
3	Receipt from Harish Jain and transfer to RTMCL	0.09
4	Receipt from Pradeep Jain and transfer to RTMCL	0.02
5	Receipt from Tridev Finance Co and transfer to RTMCL	0.02
6	Receipt from Pradeep Jain and transfer to RTMCL	0.12
7	Receipt from Kanta Jain and transfer to RTMCL	0.24
8	Receipt from Pradeep Jain and transfer to RTMCL	0.13
9	Receipt from Sourabh Jain and transfer to RTMCL	0.13
10	Receipt from Tridev Finance Co and transfer to RTMCL	0.32
11	Receipt from Harish Jain and transfer to RTMCL	0.12
12	Receipt from Pradeep Jain and transfer to RTMCL	0.26
13	Receipt from RTMCL and transfer to RTMCL	0.67
14	Receipt from Sourabh Jain and transfer to RTMCL	0.03

Sr no.	Particulars	Amount (Rs. Cr.)
15	Receipt from Sourabh Jain and transfer to RTMCL	0.05
16	Receipt from Tridev Finance Co and transfer to RTMCL	1.09
	Total	4.72

- 17.19 From the receipt and transfer details tabulated above, I note that it cannot be a mere co-incidence that an entity i.e. non-existing in its place of business, ran and managed by son of its employee, was receiving funds from its KMPs, their relatives and related party and simultaneously also remitting the funds to Noticee 1. I note that Noticee 1 has also failed to explain the logic behind these transactions. Further, I note that genuine business transactions are never executed in the manner tabulated above. Thus, I note that it is nothing but pre-planned modus operandi to misrepresent the financials. In view of the above, I note that submission of Noticee 1 that Noticee 7 had forwarded any funds to its KMPs, relatives and related party lacks documentary evidence, does not stand and deserves to be rejected.
- 17.20 With respect to the contention of Noticee 1 that it is a company incorporated under the laws of India, and is recognized as an artificial legal person whereby, its affairs are conducted by Promoters, Directors, and Managers, each of whom acts under the aegis of the corporate veil and this principle of separate legal personality, established under the Companies Act, 2013 and reinforced by judicial precedent (such as Salomon v. Salomon & Co. Ltd.), dictates that the actions or omissions of individuals cannot automatically be imputed to the corporate entity and therefore, the liability for such actions should be borne by those individuals personally. In this regard, I note that although Noticee 1 being an artificial legal entity operating through its Directors, the same does not immunize it from the fictitious sale and purchase transactions executed by it with its connected entities viz, Noticees 7, 8 and SSTC. The aforementioned submission shows that Noticee 1 is trying to shift the blame on its KMPs rather than owning the transactions. Therefore, submission of Noticee 1 is bereft of merits.
- 17.21 With regard to the submission of Noticee 1 that all sales to those entities were conducted at prevailing market rates, or in some instances, even at higher rates, I note that even if the sales were conducted by Noticee 1 at the prevailing market rates but the sale transactions were preceded by purchase transactions of almost approximately the same price as detailed in the pre-paras, which as established above led to the

misrepresentation of the financials of Noticee 1. Therefore, submission of Noticee 1 at this juncture is nothing but an afterthought to escape the allegations.

17.22 With respect to the submission of Noticee 1 that its annual audit report affirmed that the financial statements presented a true and fair view of its affairs and that any suggestion of non-disclosure or under-reporting of these transactions is baseless, particularly in light of the auditor's assessment, I note that barely mentioning in the Annual Report by a company that its financials represent true and fair view does not stamp validation to the transactions entered by it in the respective FYs. The very manner and the nature of the transactions as detailed above, conspicuously show that the said transactions were not genuine and therefore, submission of Noticee 1 is bereft of merits.

17.23 With respect to the submission of Noticee 1 that Section 12A(a) is entirely inapplicable to it, as it being a listed entity did not hold any of its own shares, nor did it engage in any trading of stocks outside, and that no new shares were issued by it during the relevant period, I find pertinent to refer to Section 12A(a) of the SEBI Act, mentioned as under:

Section 12A(a) No person shall directly or indirectly—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;

17.24 I note that the above provision conspicuously restricts the entities engaged directly/indirectly, in any manipulation or any deceptive device or contravention of any provisions of SEBI Act or the rules or the regulations, which in the instant case, as already established above, Noticee 1 has done, by misrepresenting the financials by engaging in the circuitous transactions. Thus, I note that Noticee 1 has misconstrued the said provisions. At this juncture, I refer to the observations of the Hon'ble apex court in the matter of **N. Narayanan v. SEBI**, which is mentioned as below:

“33. Prevention of market abuse and preservation of market integrity is the hallmark of securities law. Section 12-A read with Regulations 3 and 4 of the 2003 Regulations essentially intended to preserve “market integrity” and to prevent “market abuse”. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors' protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. “Market abuse” impairs economic growth and erodes

investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality". The same can be achieved by inflating the company's revenue, profits, security deposits and receivables, resulting in price rise of the scrip of the company. Investors are then lured to make their "investment decisions" on those manipulated inflated results, using the above devices which will amount to market abuse."

17.25 In view of the aforementioned, I note that submission of Noticee 1 is bereft of merits.

17.26 I note that there was an obligation cast on the Noticee 1 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. This is a legal requirement under the provisions of the Companies Act, 2013 as well as under the LODR Regulations, which it failed to do. Further, any mis-statement or misrepresentation in the financial statements adversely impairs an investor's ability to take an informed decision about investment. Noticee 1 was required to refrain from misrepresentation and ensure that the published annual reports do not present a misleading picture. It was entrusted to see that the financial statements were correct and complete in every respect, which it failed to do in the instant case. Thus, it is conspicuous that Noticee 1 had knowingly reported wrong, false and misleading statements over a period of three financial years and continued to create an impression among the investors that the disclosed misrepresented statements were reflecting a true and fair view of its financial position.

17.27 In light of the above, it is established that Noticee 1 has violated Section 12A(a), (b) and (c) of the SEBI Act, Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(f), (k) and (r) of PFUTP Regulations and Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), 4(2)(e)(i), Regulation 33(1)(c) and Regulation 48 of LODR Regulations r/w Ind AS-1 and Section 21 of SCRA. Further, Noticees 7 and 8 have violated Sections 12A(a), (b) & (c) of the SEBI Act and Regulations 3 (a), (b), (c) & (d) and 4(1) of PFUTP Regulations.

18 Role of KMPs of Noticee 1:

18.1 Role of executive directors

18.1.1 It was observed that the following persons as tabulated below, were the directors/promoters / KMPs, who were at the helm of affairs of the Noticee 1 during the IP:

Name of the director Designation		FY2018		FY2019		FY2020	
		No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Harish Chand Jain	Promoter, CMD	8	8	11	11	8	8
Rajshree Patni (#)	Executive Director	8	8	11	11	8	8

(#) Designation of Ms. Rajshree Jain was changed from executive to non-executive director w.e.f October 01, 2019.

18.1.2 A table showing the signatories of financial statements and KMPs, who had given certification regarding the fairness of financial statements, during the IP, is as under:

FY	Signatory of financial statements	CEO certification	CFO certification
2017-18	1. Mr. Harish Chand Jain 2. Mr. Pradeep Jain 3. Ms. Rajshree Patni	Mr. Harish Chand Jain	Mr. Pradeep Jain
2018-19	1. Mr. Harish Chand Jain 2. Mr. Pradeep Jain 3. Ms. Rajshree Patni	Mr. Harish Chand Jain	Mr. Pradeep Jain
2019-20	1. Mr. Harish Chand Jain 2. Mr. Pradeep Jain 3. Ms. Rajshree Patni	Mr. Harish Chand Jain	Mr. Pradeep Jain

18.2 Role of Noticee 2:

18.2.1 Noticee 2, who was also the promoter of Noticee 1, was appointed as the Chairman and MD of the Noticee 1 w.e.f July 29, 1995 and was still continuing in Noticee 1. From his statement dated August 09, 2024, inter-alia, following was observed:

- He had started RTMCL in 1986 and came out with public issue of Rs. 3 crores.
- Noticee 1 had entered into the business of trading of steel pipes and HR coil with Noticees 7, 8 and SSTC. He had admitted that he looked after the transactions undertaken by the Noticee 1 with these three firms.
- Noticee 1 had sold and purchased back the goods as there was a demand in the market and Noticee 1 used to sell them to other parties. He had further submitted that ultimately Noticee 1 had made profit by selling those goods to third parties.

- iv. The goods were transported through the trucks owned by Noticee 1 and it had an understanding with its connected entities that if some goods were sold, they were unloaded otherwise, based on demand, Noticee 1 used to purchase them back.
- v. With respect to loading and unloading of goods, he had submitted that the said activity was undertaken by the labourers of its connected entities as the latter did not have any cranes.
- vi. There was no fixed time for movement of the trucks as there was no restriction on movement of heavy vehicles during day time in Jaipur and it was the drivers of these trucks who used to confirm regarding the delivery of goods. Noticee 1 never got acknowledgement of delivery from its connected entities.
- vii. No purchase/sales orders were raised by Noticee 1 on its connected entities and the orders were placed only telephonically.
- viii. He didn't control Noticee 7. He had also stated that he worked only for the benefit of Noticee 1.

18.2.2 It was observed from above table that Noticee 2 had attended all the board meetings of Noticee 1, and was the signatory of financial statements of Noticee 1, during the IP. Thus, it was alleged that the manipulation of financial statements of Noticee 1 could not have been undertaken without his approval (either written or oral) or knowledge as he was heading the corporate hierarchy of Noticee 1. Further, Noticee 2 had himself acknowledged that the transactions undertaken with Noticee 7, 8 and SSTC were looked after by him.

18.2.3 Noticee 2, by virtue of his position, was allegedly engaged in misuse of Noticee 1's funds, through creation of a dummy entity and transferring of funds to its connected entities, KMPs of Noticee 1 and his relatives.

18.2.4 Noticee 2 was observed to be a beneficiary of funds of Noticee 1 from Noticee 7, a conduit entity. He had received a net amount of Rs. 1.63 crore through Noticee 7. Though Noticee 7 was the net receiver of funds from the KMPs of Noticee 1 and their relatives, Noticee 7 had transferred the funds of Noticee 1 to these entities. Hence, it was alleged that Noticee 2, in collusion, with Noticee 1, its KMPs and their relatives had devised a scheme to misuse the funds of Noticee 1.

18.2.5 As the financial statements of Noticee 1, were found to be manipulated and its funds were misused, it was observed that Noticee 2, being the CMD of the Noticee 1, had

allegedly abused his position, manipulated the financial statements as they were not prepared in accordance with accounting standards, and had allegedly published untrue and misleading financials and misused/diverted the funds of Noticee 1.

18.2.6 Thus, it was alleged that Noticee 1 had entered into fictitious sales and purchase transactions with its connected entities viz. Noticee 7, 8 and SSTC and therefore, Noticee 1 had misrepresented its financial statements. It had misused its funds of amounting to Rs. 1.34 crore to its connected entities and Noticee 2, in collusion with Noticee 1, its KMPs and their relatives devised a scheme to misuse the funds of Noticee 1.

Based on the above, it was alleged that Noticee 2 had violated the following provisions:

- (a) Section 12A(a), (b) & (c) of the SEBI Act r/w Regulations 3(a), (b), (c) & (d) & Regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations.**
- (b) Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), Regulation 33(1)(c), and Regulation 48 of LODR Regulations r/w Ind AS-1, Section 27 (1) & (2) of SEBI Act and Section 21 of SCRA**
- (c) Regulations 4(2)(e)(i), 4(2)(f)(i)(2), 4(2)(f)(ii)(1)(2)(6)(7)(8), 4(2)(f)(iii)(1),(3),(6),(7), (12) and (13) of LODR Regulations.**
- (d) Regulation 17(8) r/w Part B of Schedule II and proviso to 33(2)(a) of LODR Regulations.**

18.3 Role of Noticee 3:

18.3.1 It was observed that Noticee 3 was appointed as the executive director of the Noticee 1 on September 27, 2014. Her designation was changed from executive director to non-executive director w.e.f October 01, 2019. She had been disclosed as the KMP of Noticee 1. She was also observed to be its promoter. From her statement dated August 09, 2024, inter-alia, following was observed:

- i. She is a Bachelors in Computer Application, daughter in law of Noticee 2 and wife of Noticee 6, who was the production in charge in Noticee 1.
- ii. She had stated that she was not aware about SSTC, Noticee 7, 8, Hanuman Singh and Rajendra Singh. However, she knew Mr. Shashank Jain as he is her uncle in law.
- iii. She was not aware about the turnover of Noticee 1 for any financial year.

- iv. She submitted that she had only attended the board meetings of Noticee 1 and was not aware about the transactions undertaken by it with its connected entities. She had gotten sitting fees of Rs. 700-Rs 800 for attending the board meetings of the Noticee 1.
- v. She had failed to answer most of the questions with respect to the transactions undertaken by Noticee 1 with the connected entities.
- vi. She had submitted that as per her knowledge, accounts of Noticee 1 were proper and accurate.
- vii. She had also submitted that she was not aware about the credit of funds in her bank account from Noticee 7 as her bank account was operated by her husband viz. Noticee 6.
- viii. She could not answer majority of the queries raised to her and cited that being a non-executive director, she was not involved in day to day affairs of Noticee 1

18.3.2 Noticee 3 was observed to be a signatory of the financial statements of Noticee 1 for the IP, including for FY2020, when she ceased to be an executive director.

18.3.3 As the financial statements of Noticee 1 were allegedly found to be manipulated and its funds were misused, it was alleged that Noticee 6, being the executive director and KMP of the Noticee 1, had abused her position, manipulated the financial statements as they were not prepared in accordance with accounting standards, published untrue and misleading financials and misused the funds of the Company.

18.3.4 Further, she was also alleged to be a beneficiary of funds amounting to Rs. 0.09 crore of Noticee 1, received through Noticee 7, a conduit entity. Though, Noticee 7 was the net receiver of funds from the KMPs of Noticee 1 and their relatives, it had transferred the funds of Noticee 1 to these entities. Hence, it was observed that Noticee 3, in collusion, with Noticee 1, its KMPs and their relatives, had allegedly misused the funds of Noticee 1.

18.3.5 This, it was alleged that Noticee 1 had entered into fictitious sales and purchase transactions with its connected entities viz. SSTC Noticee 7 and 8, and therefore Noticee 1 had allegedly misrepresented its financial statements. Being an executive director for majority of the IP, Noticee 3 was responsible for day to day violations of the Noticee 1.

18.3.6 Noticee 3, in collusion with Noticee 1, its KMPs and their relatives had allegedly devised a scheme to misuse the funds of Noticee 1 and had failed to perform her duty as a Board of Director.

Based on the above, it was alleged that Notice 3 had violated the following provisions:

- (a) Section 12A(a), (b) & (c) of the SEBI Act and Regulations 3 (a), (b), (c) & (d) & Regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations as the financial statements of Noticee 1 were misrepresented.**
- (b) Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), Regulation 33(1)(c) and Regulation 48 of LODR Regulations r/w Ind AS-1, Section 27 (1) & (2) of SEBI Act, and Section 21 of SCRA.**
- (c) Regulations 4(2)(e)(i), 4(2)(f)(i)(2), 4(2)(f)(ii)(1),(2),(6),(7),(8), 4(2)(f)(iii)(1),(3),(6), (7)(12)(13) of LODR Regulations as she was an executive member of board of directors for majority of the IP.**

18.4 Role of Chief Financial Officer (CFO), i.e. Noticee 4:

18.4.1 It was observed that Noticee 4, who is the son of Noticee 2, was the CFO of Noticee 1 during the IP and he was appointed as such on October 01, 2014 and was still continuing in Noticee 1. From his statement dated August 09, 2024, inter-alia, following was observed:

- i. He knew Mr. Rajendra Singh, proprietor of Noticee 7, through Mr. Hanuman Singh, as the latter was working in Noticee 1.
- ii. He was not aware that the same credentials such as common email id and phone number were used by both Noticee 1 and 7. He had submitted that Mr. Bansi Yadav, who looked after the work of Noticee 1 and 7, would have used the same credentials for both the entities.
- iii. He had never noted that the emails meant for Noticee 7 were coming to Noticee 1.
- iv. He had stated that SSTC was owned by one of his relatives. He did not know Noticee 8 but had business terms with it.
- v. Being a CFO, he only looked after the finances of Noticee 1 and not its sales and purchases. He focused on the net sales of Noticee 1 and its profitability. The sale and purchase transactions were looked after by his father, Noticee 2.

- vi. He had stated that the financial statements of Noticee 1 reflected a true and fair view and there was no loss to its investors.

18.4.2 Noticee 4 was observed to be a beneficiary of funds of Rs. 0.58 crore of Noticee 1, from Noticee 7, a conduit entity. Though, Noticee 7 was the net receiver of funds from the KMPs of Noticee 1 and their relatives, it had transferred the funds of listed Company to these entities. Hence, it was observed that Noticee 4, in collusion, with Noticee 1 had misused the funds of Noticee 1. Thus, it is alleged that Noticee 4 had provided a false CFO certification stating that the financial statements were true and fair and Noticee 4, in collusion with Noticee 1, its KMPs and their relatives had allegedly devised a scheme to misuse the funds of Noticee 1.

Based on the above, it was alleged that Noticee 4 had violated the following provisions:

- (a) Regulation 17(8) r/w Part B of Schedule II and provision to Regulation 33(2)(a) of LODR Regulations by providing a false CFO certification during the IP.**
- (b) Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), 4(2)(e)(i), Regulation 33(1)(c) and Regulation 48 of LODR Regulations r/w Ind AS-1, Section 27 (1) & (2) of SEBI Act and Section 21 of SCRA as the financial statements of Noticee 1 were manipulated and were not prepared in accordance with accounting standards.**
- (c) Section 12A(a), (b) & (c) of the SEBI Act, Regulations 3 (a), (b), (c) & (d) & Regulations 4(1), 4(2)(f), (k), (r) of PFUTP Regulations as he was a beneficiary of funds of Noticee 1, through Noticee 7, he along with the Noticee 1, its KMP and their relatives devised a scheme to defraud the investors.**

Roles of beneficiary of funds- Noticee 5 and 6:

18.5 Role of Noticee 5:

18.5.1 From the shareholding pattern and annual report of the Noticee 1, it was observed that Noticee 5 was the promoter of Noticee 1. Further, from her Account opening form (AOF) and KYC documents provided by ICICI Bank, it was observed that she was also the wife of Noticee 4.

18.5.2 Noticee 5 was observed to be a beneficiary of funds of Noticee 1 from Noticee 7, a conduit entity. She had received a net amount of Rs. 0.08 crore through Noticee 7. Though, Noticee 7 was the net receiver of funds from the KMPs of Noticee 1 and their relatives, Noticee 7 had transferred the funds of listed Company to these entities.

18.5.3 Thus, it was alleged that Noticee 5, in collusion, with Noticee 1, its KMPs and their relatives, had devised a scheme to misuse the funds of Noticee 1.

Based on the above, it was alleged that Noticee 5 had violated the provisions of Section 12A(a), (b) & (c) of the SEBI Act, Regulations 3(a), (b), (c) & (d) & Regulations 4(1) of PFUTP Regulations.

18.6 Role of Noticee 6:

18.6.1 Noticee 6 is the son of Noticee 2, who was MD of Noticee 1. From the annual report of Noticee 1, it was observed that Noticee 6 was its marketing manager. He was observed to be a beneficiary of funds of Noticee 1, from Noticee 7, a conduit entity. He had received a net amount of Rs. 0.21 crore through Noticee 7. Though Noticee 7 was the net receiver of funds from the KMPs of Noticee 1 and their relatives, Noticee 7 had transferred the funds of listed Company to these entities.

18.6.2 Thus, it was alleged that Noticee 6, in collusion, with Noticee 1, its KMPs and their relatives, had allegedly devised a scheme to misuse its funds.

Based on the above, it was alleged that Noticee 6 had violated the provisions of Section 12A(a), (b) & (c) of the SEBI Act, Regulations 3(a), (b), (c) & (d) & Regulation 4(1) of PFUTP Regulations.

18.7 Role of Audit Committee members of Noticee 1:

18.7.1 It was observed that Noticees 3, 9, 10 and 11 mentioned in the table below were members of Audit Committee of Noticee 1, during the IP:

Name of the director	Designation	FY2018		FY2019		FY2020	
		No of meetings of audit committee held	No of meetings of audit committee attended	No of meetings of audit committee held	No of meetings of audit committee attended	No of meetings of audit committee held	No of meetings of audit committee attended
Shri Deepesh Jain	Independent Director	4	4	4	4	4	4
Shri Mahendra Kumar Jain	Independent Director	4	4	4	4	4	4
Shri Sunil Kumar Jain	Independent Director	4	4	4	4	4	2
Ms. Rajshree Jain	Executive director from FY2018 to	NA	NA	NA	NA	4	2

Name of the director	Designation	FY2018		FY2019		FY2020	
		No of meetings of audit committee held	No of meetings of audit committee attended	No of meetings of audit committee held	No of meetings of audit committee attended	No of meetings of audit committee held	No of meetings of audit committee attended
	September 30, 2019, Non-executive director from October, 2019 onwards.						

18.8 Role of Noticee 9:

18.8.1 It was observed that Noticee 9 was appointed as an independent director of the Noticee 1 on September 27, 2003 and was its audit committee member during the IP. From his statement dated August 12, 2024, inter-alia, following was observed:

- i. He became an independent director in Noticee 1 because he wanted to gain respect as a director of listed Company and also earn sitting fees.
- ii. He had approached Noticee 2 in a temple, some 15-20 years back, for becoming a director in listed Company and became an independent director in Noticee 1 some 20 years back.
- iii. He was not related/connected to KMPs/promoters of Noticee 1 in any way.
- iv. As an audit committee member, his responsibilities included checking of GSTR filings, reconciliation of bank books with bank statements, tallying of items, etc. He had attended the audit committee meetings most of the time, which were held at registered office of Noticee 1. He was not aware about the terms “audit qualifications” and “internal controls”. He had received sitting fees of Rs. 700-800. He did not remember the turnover of Noticee 1.
- v. He had also stated that he was not aware about the RPTs of Noticee 1 as they were never discussed in the audit committee and was also not aware about the Companies Act, 2013 and/or LODR Regulations.
- vi. The staff of Noticee 1 used to bring the agenda papers to his place 20-25 days before the meetings. The agenda would contain items such as checking of quarterly sales, remuneration, etc and minutes of the meeting used to be signed immediately after the audit committee meeting.

- vii. He was not aware about SSTC, Noticees 7 and 8 or the transactions undertaken by Noticee 1 with these firms. He had also not seen any purchase/sales orders raised by Noticee 1 on its connected entities.
- viii. He didn't think the financial statements were misrepresented.

18.8.2 It was observed that the sales and purchase transactions undertaken by Noticee 1 with its connected entities were non genuine and that Noticee 9 had allegedly not conducted due diligence with respect to the financial statements of Noticee 1, as is expected from a member of audit committee.

18.9 Role of Noticee 10:

18.9.1 Noticee 10 had been appointed as an independent director of the Noticee 1 on January 29, 2011 and was its audit committee member during the entire IP.

18.9.2 Vide email dated September 18, 2024, Noticee 10 had provided response to the queries. From his reply, inter-alia, following was observed:

- i. He was 73 years old and was appointed as an independent director in Noticee 1, due to his experience in the field of government liasioning. He had also been involved in the business of pipes.
- ii. He was not related or connected with KMP/promoter of Noticee 1.
- iii. His responsibility as an audit committee member was to critically examine the audit and management report provided by external auditors and also examine quarterly /annual results prepared and presented before audit committee for the recommendations to board of directors, besides other matters.
- iv. He had stated that Noticee 1 was engaged in business transactions of purchase/sale of pipes with SSTC, Noticee 7 and 8.
- v. He could not answer questions related to the place of loading/unloading of goods by the connected entities of Noticee 1, purchase/sale orders raised by the Noticee 1, time of the day when the vehicles were dispatched for delivery of goods, etc. The reason provided by him for not answering those questions was that he was not involved in day to day business of Noticee 1, by virtue of being an independent director.
- vi. He had also stated that the audit committee used to check e-way bills, invoices and purchase invoices and tally the same from GST Returns and other records of the Noticee 1, and no discrepancies were observed by them.

- vii. He had not come across any bogus transactions during his tenure and there was no misrepresentation of financial statements as sales were always cross checked with GST Returns and books in audit committee meetings. He had also stated that RPTs used to be discussed in the audit committee meetings.
- viii. He used to receive agenda papers along with notice and minutes of the meetings.
- ix. He stated that he had fulfilled his responsibility by attending the audit committee meetings and by questioning the CFO and Company Secretary regarding the matters, which had come up before the audit committee.

18.9.3 In view of the above, it was alleged that Noticee 10 had not conducted due diligence with respect to the financial statements of Noticee 1, as was expected from a member of audit committee.

18.10 Role of Noticee 11:

18.10.1 It was observed that Noticee 11 was appointed as an independent director of the Noticee 1 on June 26, 2000 and was its audit committee member during the IP and he had resigned from Noticee 1 on September 28, 2019. From his statement dated August 12, 2024, inter-alia, following was observed:

- i. He had known Noticee 2, as they were from the same community and they had met in temple. He was offered the role of independent director in the year 2010. He became an independent director in Noticee 1, because he wanted to get his children married. He felt that becoming an independent director would give him respect in the community.
- ii. His educational qualification is B.com. He was engaged in the business of sanitary items and the turnover of his firm was Rs. 70-80 lakhs.
- iii. He was not related/connected to KMPs/promoters of Noticee 1.
- iv. As a member of audit committee, his responsibilities included checking of GSTR filings, reconciliation of bank books with bank statements, tallying of items, etc. He had attended the audit committee meetings most of time, which were held at registered office of the Noticee 1. He was not aware about the terms “audit qualifications” and “internal controls”. He had received sitting fees of Rs. 700-800. He did not remember the turnover of Noticee 1 or the name of its statutory auditor.
- v. The staff of Noticee 1 used to bring the papers to his place 15-20 days before the meetings and agenda used to contain items such as checking of quarterly sales.

He did not remember the rest of the agenda items and did not receive the papers over email as he did not know how to operate the emails. His emails used to be looked after by his son.

- vi. He was not aware about the firms viz. SSTC, Noticee 7 and 8.
- vii. He had stated that the loading and unloading of goods used to take place through labours in the factory of Noticee 1, where there used to be cranes.
- viii. He could not answer most of the questions such as purchase/sales orders raised by the Noticee 1, time of dispatch of vehicles, etc. He had stated that his job was only to attend the board meetings and not to look into the operational aspects.
- ix. He used to check the quarterly sales figure and advise the Noticee 1 to recover outstanding payments.
- x. He had also stated that the drivers of the truck used to get the receipt from the connected entities on delivery of goods. He had seen such receipts when he had attended the meetings of the Noticee 1.
- xi. He had further stated that the books of Noticee 1 had not been inflated.
- xii. He had also stated that he was not aware about LODR Regulations or Companies Act or RPTs. As per his knowledge, related party meant having blood relations. No RPTs were discussed in the audit committee meetings.

18.10.2 Considering that the sales and purchase transactions undertaken by Noticee 1 with its connected entities were non genuine, it was observed that Noticee 11 had allegedly not conducted due diligence with respect to the financial statements of the Noticee 1, as was expected from a member of audit committee.

18.11 Role of Noticee 3:

18.11.1 It was observed that Noticee 3 was appointed as an audit committee member during the FY2020 and with respect to her role as the audit committee member, she submitted that she had attended the meetings of audit committee during the FY2020 and looked after the accounts of the Noticee 1. She also used to check whether GST filings were made on a timely basis.

18.11.2 It has already been alleged above that Noticee 3 had failed to perform her duties as a board member of Noticee 1. Further, as an audit committee member also, she had allegedly failed to perform her responsibilities as she only looked after accounts and timely filing of GST returns. It was observed that those activities were clerical in

nature and she had not conducted any critical assessment or examination of financial statements or internal controls of the Noticee 1.

18.11.3 Considering that the sales and purchase transactions undertaken by Noticee 1 with its connected entities were non genuine, it was observed that Noticee 3 had allegedly not conducted due diligence with respect to the financial statements of the Noticee 1, as was expected from a member of audit committee.

18.12 Comments on the role of Audit Committee:

18.12.1 It was observed that Noticee 1 was involved in manipulation of books of accounts, misrepresentation of its financial statements, siphoning off of funds. As observed from the statement of the members of the audit committee of Noticee 1, they had failed to conduct due diligence or question the figures reported in the financial statements of the Company or review the integrity of internal controls of Noticee 1.

Based on the above, it was alleged that the members of the Audit Committee of Noticee 1 viz. Noticee 3, Noticee 9-11 had allegedly failed to perform the duties of the audit committee members, hence, they had violated the provisions of Regulation 18(3) r/w Para A (1), A(4)(e), A(5), A(11), and A(12) of Part C of Schedule II of LODR Regulations. Further, it was alleged that Noticee-3, Noticee 9, 10 and 11 had failed to discharge their responsibilities as members of the Board of directors, hence, they had violated the provisions of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(1)(2)(6)(7)(8), 4(2)(f)(iii)(1),(3),(6),(7)(12) of LODR Regulations and Section 21 of SCRA.

19 Findings w.r.t Noticees 2-6

19.1 With respect to the submission of Noticee 2 and violations in respect of Noticee 1, already established above, I note that Noticee 2 was a KMP of Noticee 1, in terms of the provisions of Section 2(51) of the Companies Act, 2013 and was disclosed as such in the annual reports of Noticee 1. Further, I note that he was MD of Noticee 1 in terms of Section 2(54) of the Companies Act, 2013 and was responsible for day to day management of Noticee 1 and he had also admitted during the course of investigation that he was responsible for handling the transactions pertaining to its connected entities. Further, I note that he was a signatory to the financial statements for the entire IP, and being a CMD of Noticee 1, he had also provided CEO certification with respect to financial statements for the IP, stating that the financial statements were true and

fair. I note that the funds/assets of Noticee 1 were misused for the benefit of the promoters, connected entities, KMPs and their relatives. In this regard, I note that the funds amounting to Rs. 1.34 crore of Noticee 1 were transferred by Noticee 2 to the connected entities of Noticee 1 and that Noticee 2 himself was in receipt of Rs 1.63 crores from Noticee 7 during the IP.

- 19.2 In addition to the aforementioned, I note that in any company, the directors have a duty and responsibility to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. They are the persons who take all decisions on behalf of the company, which Noticee 2 in the instant case failed to do. Thus, this shows that being a CMD of the Noticee 1, he had abused his position, manipulated the financial statements as they were not prepared in accordance with accounting standards, and had published untrue and misleading financials and misused/diverted the funds of Noticee 1 and had furnished a false certificate regarding truth and fairness of financial statement and failed to perform his role as a board of director. Thus, submission of Noticee 2 is untenable.
- 19.3 As regards submissions of Noticee 3, I note that she had herself admitted during the course of investigation, that she was not aware about SSTC, Noticee 7, Noticee 8, its proprietor, Mr. Atul Jain, Hanuman Singh and Rajendra Singh. However, she knew Mr. Shashank Jain as he is her uncle in law. This shows that despite being a signatory to the financial statements for 3 financial years and fraud having taken place in Noticee 1, she feigned to be unaware of the alleged circuitous transactions, that were undertaken with the connected entities during her tenure as an Executive Director of Noticee 1 for a period from FY April 01, 2017 to October 01, 2019. Thus, the above shows that it is nothing but an afterthought to escape the allegations on her.
- 19.4 As regards her submission that she was Non-Executive Director of Noticee 1, I note that she was the Executive Director of Noticee 1 from April 01, 2017 to October 01, 2019 and Non-Executive Director from then onwards. Thus, she was on the board of Noticee 1 for the aforementioned period (i.e. a major part of IP) and signatory to the financial statements during the IP. Further, I note that she had received Rs 0.09 crores of Noticee 1, from Noticee 7 during the IP and therefore, despite having been beneficiary of the funds, her instant submission that she was not aware of the alleged transactions does not stand. This also shows that she had failed to perform her duty as a board member. Therefore, submission of Noticee 3 is bereft of merits.

- 19.5 As regards submission of Noticee 4, that he only looked after the finances of Noticee 1 and not its sales and purchases, which were looked after by his father, Noticee 2 and similar submission of Noticee 3, I note that Noticees 3 and 4 are trying to shift the onus of the alleged transactions on Noticee 2 and pretending to be unaware of the fraud that took place in Noticee 1. Further, I note that being signatories to the financial statements, at this juncture they cannot claim ignorance of the fraudulent transactions undertaken by Noticee 1 with its connected entities. It is nothing but an afterthought to escape the violations. Further, I note that Noticee 4 was in receipt of Rs. 0.58 crore of Noticee 1, from Noticee 7, a conduit entity. Hence, I note that Noticees 2, 3 and 4, in collusion, with Noticee 1 misused its funds, as already established in pre-paras. Therefore, submission of Noticees 3 and 4 is bereft of merits.
- 19.6 Further, I note that Noticee 4 being a CFO of Noticee 1, was very well within the ambit of definition of KMPs of the Noticee 1 and was responsible for discharging its finance function. As per Regulation 17(8) of LODR Regulations r/w Part II of Schedule B of the said regulations, CFO of a Company, inter-alia, is responsible for establishing and maintaining internal controls for financial reporting, evaluating the effectiveness of internal control systems pertaining to financial reporting, disclosure of deficiencies in the design or operation of such internal controls, if any and steps taken to rectify such deficiencies. Thus, CFO of a Company is responsible for overseeing the financial activities of an entire company including financial planning and monitoring cash flows. Further, the CFO has a duty to ensure that financial results of the company are prepared in a fair manner, in accordance with the prescribed standards of accounting and present a true and fair view of financial statements, which Noticee 4 failed to do in the instant case. Thus, submission of Noticee 4 is bereft of merits.
- 19.7 I note that Noticees 2, 3 and 4, being members on the board of Noticee 1, were entrusted with substantial powers of management of the affairs of the Noticee 1, which implied a high level of accountability and knowledge of the overall functioning of the Noticee 1. Further, I note that hierarchy in the corporate structure is designed in such a way that adequate checks and balances are available to prevent misuse of company resources. Board members are key persons for such a hierarchy to work properly in the interest of the company and its shareholders, which Noticees 2-4 in the instant case failed to do. Further, in terms of Regulation 17(8) of LODR Regulations r/w Part B of Schedule II, the CEO and the CFO, inter-alia, have to provide a compliance

certificate to the board of directors stating that the financial statements present a true and fair view of state of affairs of the Company, transactions entered by the Company are not illegal or fraudulent. Further, in terms of Regulation 33(2)(a) of LODR Regulations, it is the duty of the CEO and CFO of a listed entity to certify that the published 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 while placing the financial results, which Noticees 2 and 4 did not do in the instant case. Thus, submission of Noticees 2-4 is bereft of merits.

- 19.8 With respect to the submission of Noticees 1-6 and 8 that Section 12A of the SEBI Act and Regulation 3 of the PFUTP Regulations are largely identical in scope and content, and they cannot be prosecuted simultaneously under both provisions for the same alleged misconduct, as it would amount to imposing a double penalty for the same offence, I note that the Hon'ble Supreme Court (SC) in ***Thomas Dana v. State of Punjab*** established that double jeopardy protection under Article 20(2) of the Constitution requires three elements: "*prosecution, punishment and same offence*", and is applicable only for proceedings of criminal nature. However, this principle does not apply to instant quasi-judicial proceedings under different provisions addressing distinct aspects of the same conduct. Therefore, submission of Noticees 1-6 and 8 is bereft of merits.
- 19.9 With respect to the submission of Noticees 1-6 and 8, that the terms "manipulative" and "market" under Regulation 4(1) of the PFUTP (Amendment) Regulations, took effect from February 1, 2019 and the IP relevant to them had concluded, before those amendments became operative, and therefore, by virtue of the principle of *Nullum crimen sine lege, nulla poena sine lege*—meaning "*no crime or punishment without law*"—those provisions cannot be applied retrospectively to their actions and their similar submissions with respect to addition of "*any of the following*" to Regulation 4(2) of PFUTP Regulations and further denial of violation of Regulations 4(1) and 4(2) in toto, I find pertinent to refer to the Regulation 4(1) of the PFUTP Regulations before and after amendment, for illustration, and the same reads as mentioned below:

Before amendment

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.

After amendment

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

19.10 From the above provisions, I note that, prior to the amendment, the provisions of Regulation 4(1) of PFUTP Regulations strictly restricted indulgence in fraudulent and unfair trade practice in securities, which already mentioned above, Noticees had engaged in. Further, I note that after the amendment, the addition of various terms viz, – “manipulative”, “markets”, “any of the following”, “relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals”, “disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities”, “knowingly planting false or misleading news which may induce sale or purchase of securities”, added vide various amendments, to Regulations 4(2)(f),(k) and (r) respectively, and various other sub Clauses added under Regulations 4(1) and 4(2) of PFUTP Regulations, only widened the scope of the said Regulations. However, instrumental point to note here is that the Noticees were in violation of the alleged provisions as the fraudulent acts attributed to them, were well within the scope of the Regulations, prior and after the amendment i.e. during the IP. I note that after the amendment, only the ambit of the said Regulations had widened, the pith broadly remained the same. Therefore, submissions of the Noticees 1-6 and 8 is bereft of merits.

19.11 As regards the submission of Noticees 1-6 and 8 that the opinions or findings of the GST department are not conclusive and are subject to appeal and often get overturned upon scrutiny by higher authorities or judicial forums and SEBI placing reliance on such preliminary views would amount to grave injustice, and its further submission that the GST department eventually had released the Input Tax Credit (ITC) amounts earlier blocked in relation to various firms involved, indicating that upon re-examination, the transactions were found to be genuine, I note that SEBI had conducted its own investigation in the matter, wherein conclusive findings as detailed

above were observed by SEBI. Further, I note that the findings and the violations as observed during the course of investigation have already been found to be established, thus proving that there was a misrepresentation of financials based on the fictitious sales and purchase transactions and the same has been found to be inconsistent in terms of the SEBI Act, SCRA, PFUTP Regulations and LODR Regulations. Therefore, submission of the Noticees 1-6 and 8 that the findings of GST dept are under appeal, has no bearing with respect to the violations already established above, and accordingly credit of ITC also becomes immaterial, as the same does not validate the fictitious transactions. I also note that Noticees 1-6 and 8 have also not provided any material, viz appeal before the appropriate authority, to substantiate their aforementioned claim. Therefore, their submission is untenable.

19.12 In addition to the above, I note that Noticee 1 being a legal entity acted through the human mind represented by the Board of Directors, viz Noticees 2-4, who were responsible for all the acts of omission and commission by the Noticee 1. The directors are expected to take utmost care in dealing with the affairs of the Company and to ensure that all applicable laws are being complied with. It is the duty and responsibility of the directors to ensure that proper systems and controls are in place for financial reporting and monitor the efficacy of such systems and controls. The directors of the listed companies have greater responsibility as they have access to inside information such as the financial position of the company, annual accounts, etc., and they take major decisions on behalf of the company, which affects the investors. Further, in terms of extant provisions of LODR Regulations, the Board of Directors are required to conduct themselves so as to meet the expectations of operational transparency, and also ensure the integrity of the listed company's accounting and financial systems, they are also required to monitor the effectiveness of the listed entity's governance practices and make changes as needed and exercise objective independent judgement on corporate affairs. In this regard, I find pertinent to refer to the provisions of Section 27 of the SEBI Act, which casts responsibility on the Directors. The same reads as below:

Section 27 of the SEBI Act

(1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the

company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

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

Explanation : For the purposes of this section,—

(a) *—company¹ means anybody corporate and includes a firm or other association of individuals; and*

(b) *—director², in relation to a firm, means a partner in the firm.*

19.13 Further, Section 27(2) of SEBI Act stipulates that -

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

19.14 In this respect, I also note that the Hon'ble Supreme Court, in the matter of **N Narayanan v. Adjudicating Officer, SEBI** (Civil Appeals No. 4112-4113 of 2013) has observed as under:

*"33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in **Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602** that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be*

not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provided against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially.”

19.15 Thus, in view of the above, the following stands established:

Noticee 2 has violated Section 12A(a), (b) & (c) of the SEBI Act r/w Regulations 3(a), (b), (c) & (d) & Regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations, Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), Regulation 33(1)(c), and Regulation 48 of LODR Regulations r/w Ind AS-1, Section 27 (1) & (2) of SEBI Act and Section 21 of SCRA and Regulations 4(2)(e)(i), 4(2)(f)(i)(2), 4(2)(f)(ii)(1)(2)(6)(7)(8), 4(2)(f)(iii) (1),(3),(6),(7), (12) and (13) of LODR Regulations and Regulation 17(8) r/w Part B of Schedule II and proviso to 33(2)(a) of LODR Regulations.

Noticee 3 has violated Section 12A(a), (b) & (c) of the SEBI Act r/w Regulations 3(a), (b), (c) & (d) & Regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations, Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), Regulation 33(1)(c), and Regulation 48 of LODR Regulations r/w Ind AS-1, Section 27 (1) & (2) of SEBI Act and Section 21 of SCRA and Regulations 4(2)(e)(i), 4(2)(f)(i)(2), 4(2)(f)(ii)(1)(2)(6)(7)(8), 4(2)(f)(iii) (1),(3),(6),(7), (12) and (13) of LODR Regulations.

Noticee 4 has violated Regulation 17(8) r/w Part B of Schedule II and proviso to Regulation 33(2)(a) of LODR Regulations, Regulations 4(1)(a), (b), (c), (d), (e), (g), (h), (i), (j), 4(2)(e)(i), 33(1)(c), and 48 of LODR Regulations r/w Ind AS-1, Section 27 (1) & (2) of SEBI Act and Section 21 of SCRA and Section 12A(a), (b) and (c) of the SEBI Act, and Regulations 3(a) (b), (c), (d), 4(1), 4(2)(f), (k) and (r) of PFUTP Regulations.

19.16 With respect to the submission of Noticees 1-4 that the alleged violation of Section 21 of SCRA is not applicable to them as no specific term or condition of the listing agreement that purportedly stands breached has been identified or demonstrated, I note that Section 21 of the SCRA requires a person who has listed its securities on a recognised stock exchange, to comply with the conditions of the listing agreement

which, inter alia, requires compliance with all applicable provisions. In the instant case, it has already been established above, that Noticee 1 has failed to comply with the applicable provisions of SEBI Regulations, which in turn is violation of provisions of listing agreement and consequently Section 21 of SCRA. Further, as already established above, Noticees 2-4 were beneficiaries of the funds of Noticee 1 from Noticee 7, they were equally liable for violation on the part of Noticee 1. In view of the above, I note that the submission of the Noticees 1-4 that they have not violated Section 21 of SCRA does not stand.

19.17As regards submission of Noticees 5 and 6 on record, I note that Noticee 5 was a promoter of Noticee 1 and wife of Noticee 4, and was a beneficiary of funds of Noticee 1 from Noticee 7, i.e. she had had received a net amount of Rs. 0.08 crore through Noticee 7. Further, I note that Noticee 6 had received Rs 0.21crores from Noticee 7. Thus, the receipt of funds shows that both of them had acted in collusion with Noticee 1 and were a part of scheme to misuse the funds of Noticee 1. Thus, submission of Noticees 5 and 6 is bereft of merits.

19.18Thus, it stands established that Noticees 5 and 6 have violated Section 12A(a), (b) and (c) of the SEBI Act, and Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.

20 Findings with respect to Audit Committee members

20.1 As regards aforementioned submissions of Noticees 3, 9-11, I note that it has already been established above that Noticee 1 has violated various provisions of SEBI Act, SCRA, LODR and PFUTP Regulations. Further, as regards role of Noticee 3, I note that she was also appointed as a member of audit committee during the FY2020 and had attended 2 meetings of audit committee during the FY2020 and further, I note from her submission during the course of investigation, wherein she had submitted that she used to look after the accounts of Noticee 1 and also used to check whether GST filings were made on a timely basis. From the above, I note that activities enumerated by Noticee 3, were clerical in nature Further, I note she had failed to conduct any critical assessment or examination of financial statements or internal controls of the Noticee 1 and ultimately failed to conduct due diligence with respect to the financial statements of Noticee 1, as expected from a member of audit committee.

- 20.2 With respect to Noticee 9, I note that being an audit committee member and Independent Director, he had attended all the Audit Committee meetings. Further, I note that Noticee 9 had submitted during the course of investigation that his responsibilities included checking of GSTR filings, reconciliation of bank books with bank statements, tallying of items, etc. Further, he had admitted that he was not aware about the terms “audit qualifications” and “internal controls”, did not remember the turnover of Noticee 1, not aware about the related party transactions of the Noticee 1 as they were never discussed in the audit committee and was not aware about the Companies Act and LODR Regulations. I also note that he had admitted that he was not aware about Noticees 7, 8 and SSTC or the transactions undertaken by Noticee 1 with these firms and had also not seen any purchase/sales orders raised by Noticee 1 on its Connected entities.
- 20.3 From the above, I note that Noticee 9 was only blindly signing the minutes of the meeting without even knowing the intricacies of the relevant provisions of law. This shows that he was not even aware about his roles and responsibilities as an independent director and audit committee member.
- 20.4 With respect to submission of Noticee 10 on record, I note that during the course of investigation he had submitted that he used to check e-way bills, invoices and purchase invoices and tally the same from GST Returns and other records of Noticee 1, wherein he had observed no discrepancies. Further, I note from his submission, wherein he had submitted that he used to critically examine the audit and management report provided by external auditors and also examine quarterly /annual results prepared and presented before audit committee for the recommendations to board of directors, besides other matters. In this regard, I note that if this had been the case, there would have been no misrepresentation in the books of account of Noticee 1. This shows that it is nothing but a blanket statement made by Noticee 10 to camouflage the lapse on his part. Therefore, I note that the submission of Noticee 10 is bereft of merits.
- 20.5 As regards submission of Noticee 11, I note from his submission that his responsibilities included checking of GSTR filings, reconciliation of bank books with bank statements, tallying of items, etc. Similar to the submissions of Noticee 10, he submitted that he was not aware of terms such as “audit qualifications” and “internal controls”, was not aware about LODR Regulations or Companies Act or related party transactions. Further, I note that he had submitted that he used to check the quarterly

sales figure and advise Noticee 1 to recover outstanding payments. His submission shows that he was totally ignorant about his responsibilities as an audit committee member, owing to which the fraudulent and manipulative transactions took place.

20.6 Further, I note from the material available on record that the Noticees 3, 9-11, being members of the audit committee had not even pointed any observations in the minutes of meeting of the audit committee and all the resolutions proposed by Noticee 1 were approved by them without any questioning or assessment.

20.7 With regard to the above, I note that in terms of the provisions of LODR Regulations, an audit committee member is 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, which in the instant case, Noticees 3 and 9-11 were fully aware but failed in their duties. Further, as per Regulation 18(3) r/w Para A of Part C of Schedule II of LODR Regulations, Audit Committee is expected to, inter-alia, perform various functions. Some of the functions relevant, in the instant case, as specified in Part C of Schedule II of LODR Regulations are as under:

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

A(4)(e): Reviewing with the management, the annual financial statements and auditor's report thereon, before submission to the board for approval, with particular reference to compliance with listing and other legal requirements relating to the financial statements.

A(5): Reviewing with the management, the quarterly financial statements before submission to the board for approval.

A(11): Evaluation of internal financial controls and risk management systems.

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

20.8 It is pertinent to note here that the Audit Committee members are expected to be independent of the management and act as gatekeepers/ trustees of shareholders. Commonly dissent and confrontation are perceived to be signs of independence. Audit Committee members have to look beyond what is presented by the management, raise questions without any fear or favour on the proposals placed before them, consider the impact of proposals from the perspective of minority investors and provide

objective inputs and advice, wherever required, which in the instant case, Noticees 3 and 9-11 failed to do or question the figures reported in the financial statements of the Noticee 1 or review the integrity of internal controls of Noticee 1 despite having attended the meetings as mentioned above. Thus, their submission is bereft of merits.

20.9 In view of the foregoing, it stands established that Noticees 3, 9-11 have violated Regulation 18(3) r/w Para A (1), A(4)(e), A(5), A(11), and A(12) of Part C of Schedule II, Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(1), (2), (6), (7), (8), 4(2)(f)(iii)(1), (3), (6), (7), (12) of LODR Regulations, and Section 21 of SCRA.

21 To sum it all up, I note that a scheme was orchestrated by Noticee 1 and its management during the period from April 1, 2017 to March 31, 2020. Noticee 1, as the central entity, engaged in a complex web of fictitious circular transactions with connected entities to artificially inflate its sales figures and manipulate financial statements, thereby deceiving investors and the market about its true financial health. The scheme involved Noticee 2, the Chairman and Managing Director, who served as the primary architect of the fraud, admittedly controlling all transactions with connected entities while providing false CEO certifications about the truthfulness of financial statements, and personally benefiting to the tune of Rs. 1.63 crore through the conduit entity Noticee 7. It is pertinent to note that Noticee 4, the Chief Financial Officer and son of the CMD, played a crucial enabling role by providing false CFO certifications and signing manipulated financial statements while receiving Rs. 0.58 crore in diverted funds. Noticee 3, initially an Executive Director and later a non-executive director and audit committee member, despite attending all board meetings, failed in her fiduciary duties and received Rs. 0.09 crore in siphoned funds. I note that the scheme was facilitated through three connected entities: Noticee 7 (a dummy entity that was non-existent at its registered address and controlled by management of Noticee 1), SSTC (owned by relatives of the promoters), and Noticee 8, which collectively participated in circular trading where Noticee 1 sold 5,896 MT of goods worth Rs. 31.16 crore and purchased back almost the same quantity for Rs. 32.08 crore, resulting in a deliberate loss of Rs. 0.48 crore to create the appearance of legitimate business activity. Further, the independent directors – Noticees 9, 10 and 11- who served as audit committee members, failed in their oversight responsibilities, demonstrating ignorance of basic regulatory requirements, performing only clerical duties instead of strategic oversight, and rubber-stamping all management proposals without conducting proper due diligence on the Noticee

1's financial statements or internal controls. Additional beneficiaries included Noticee 6 (who received Rs. 0.21 crore) and Noticee 5 (wife of the CFO who received Rs. 0.08 crore), both of whom were complicit in the misappropriation of company funds through the Noticee 7 conduit. Noticee 7 served as the primary vehicle for siphoning funds, with 99.17% of its total receipts of Rs. 30.12 crore coming from Noticee 1 and connected entities, while the company's financial statements were deliberately manipulated to present a false and misleading picture of business operations. Further, by funneling corporate funds through Noticee 7 to promoters and relatives, and by misstating 14-16% of annual sales and 15-18% of material costs, the Noticees violated multiple provisions of SEBI Act, PFUTP Regulations, LODR Regulations, and SCRA, ultimately constituting a comprehensive breach of fiduciary duty, corporate governance norms, and securities regulations that defrauded investors by obscuring the company's true financial position and undermined market integrity over a sustained three-year period.

Issue No. II: If yes, does the violation, on the part of the Noticees would attract monetary penalty under Sections 15HA and 15HB of the SEBI Act and Section 23H of the SCRA, as applicable?

- 22 The provision of Section 15HA and 15HB of the SEBI Act and Section 23H of SCRA read as under:

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.

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.

- 23 In view of the findings as given above, I am convinced that the Noticees are liable for monetary penalty under Sections 15HA and 15HB of the SEBI Act and Section 23H of SCRA, as applicable, for violations of the provisions of SEBI Act, SCRA, PFUTP Regulations, and LODR Regulations, as established above.

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act and Section 23J of the SCRA?

- 24 While determining the quantum of penalty under Sections 15HA and 15HB of the SEBI Act, and Section 23H of SCRA, it is important to consider the factors stipulated in Section 15J of the SEBI Act, r/w Rule 5(2) of the SEBI Adjudication Rules and Section 23J of SCRA r/w Rule 5(2) of SCR Rules, which read as under:

SEBI Act, 1992

Factors to be taken into account by the adjudicating officer

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

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

SCRA, 1956

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

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

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

25 I note that securities market is based on free and open access to information, and that protection of the interests of the investors is the prime objective of SEBI. Bringing about true and fair picture of the financials is essential, whereas misrepresentation of financials in respect of the vital information of any company forfeits the purpose of dissemination of information to the investors and acts detrimental to the interest of the investors, thereby hampering their ability to take suitable informed investment decisions. The objective behind such requirement is that the investing public shall not be deprived of any vital information in respect of their investments in the securities market. If any person, who is required to oversee/present true and fair picture of financials of a company, and is not able to do so and engages in manipulating/ misrepresenting (directly or indirectly) financials of a company then such person is depriving the investing public the statutory rights available to them, then SEBI is duty bound to ensure that the investing public are not deprived of any statutory rights available to them. Thus, in the present matter, the facts of the case clearly bring out the default made by the Noticees and their failure in fulfilling their responsibility endowed upon them by virtue of them being the members of the board, audit committee members, etc. Hence, I note that the Noticees failed to present true and fair picture of financials of the company and, thereby have violated the relevant provisions of SEBI Act, SCRA, PFUTP Regulations and LODR Regulations, as established above.

ORDER

26 Having considered all these facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and Section 23J of SCRA, and in exercise of power conferred upon me under Section 15-I of the SEBI Act, r/w Rule 5 of the SEBI Adjudication Rules and Section 23-I of the SCRA r/w Rule 5 of the SCR Rules, I hereby impose following penalty under Sections 15HA and 15HB of the SEBI Act, and Section 23H of the SCRA, as applicable, on the Noticees for violation of the aforementioned provisions of SEBI Act, SCRA, PFUTP Regulations & LODR Regulations:

S.No	Noticee (PAN)	Penal Provisions	Penalty (Rs)
1.	Rajasthan Tube Manufacturing Company Limited (AABCR1642P)	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rupees Five Lakh Only)
		Section 15HB of the SEBI Act	Rs. 1,00,000/- (Rupees One Lakh Only)

		Section 23H of the SCRA	Rs. 1,00,000/- (Rupees One Lakh Only)
2.	Harish Chand Jain (ABFPJ7588Q)	Section 15HA of the SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakh Only) to be paid jointly and severally by Noticees 2, 3 and 4.
3.	Rajshree Jain (ATCPP4599C)	Section 15HB of the SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakh Only) to be paid jointly and severally by Noticees 2, 3 and 4.
4.	Pradeep Jain (ADIPJ0462E)	Section 23H of the SCRA	Rs. 10,00,000/- (Rupees Ten Lakh Only) to be paid jointly and severally by Noticees 2, 3 and 4.
5.	Deepika Jain (ACEPJ7192A)	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rupees Five Lakh Only)
6.	Saurabh Jain (AFCPJ5870N)		Rs. 5,00,000/- (Rupees Five Lakh Only)
7.	Rajendra Steel Company (CSHPS3967F)		Rs. 5,00,000/- (Rupees Five Lakh Only)
8.	Jain Impex (ADCPJ3259R)		Rs. 5,00,000/- (Rupees Five Lakh Only)
9.	Deepesh Jain (AGQPJ9415L)	Section 15HB of the SEBI Act	Rs. 1,00,000/- (Rupees One Lakh Only)
		Section 23H of the SCRA	Rs. 1,00,000/- (Rupees One Lakh Only)

10.	Mahendra Kumar Jain (ACAPJ1335M)	Section 15HB of the SEBI Act	Rs. 1,00,000/- (Rupees One Lakh Only)
		Section 23H of the SCRA	Rs. 1,00,000/- (Rupees One Lakh Only)
11.	Sunil Kumar Jain (ABOPJ9538R)	Section 15HB of the SEBI Act	Rs. 1,00,000/- (Rupees One Lakh Only)
		Section 23H of the SCRA	Rs. 1,00,000/- (Rupees One Lakh Only)

27 Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.

In case of any difficulties in payment of penalties, Noticees may contact the support at portalhelp@sebi.gov.in.

28 The said confirmation of e-payment made should be sent to "The Division Chief, EFD-I DRA -IV, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051" and also to e-mail id:-tad@sebi.gov.in

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

30 In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to SEBI.

Date: September 04, 2025

Place: Mumbai

**AMIT KAPOOR
ADJUDICATING OFFICER**