

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

Under Section 11(1), 11(4), 11(4A), 11B(1), 11B(2), 15HA and 15HB of the Securities and Exchange Board of India Act, 1992 read with Section 23E of the Securities Contracts Regulation Act 1956 read with Rule 5 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995.

Noticee No.	Name	PAN
1	Mr. Akhter Aziz Siddiqi	AIDPS0636F
2	Mr. Sham Sunder Dhawan	ACJPD4295P
3	Ms. Bindu Dogra	ALQPD5293F
4	Ms. Ritushri Sharma	AUOPS7260G
5	Ms. Anita Kakar Sharma	ARBPK3057B
6	Mr. Bharat Raj Punj	AAHPP4196K

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

In the matter of Fedders Electric & Engineering Limited

1. Securities and Exchange Board of India ("SEBI") received copy of a complaint dated October 27, 2020, addressed to the Central Bank of India, from one of the Independent Directors ("**Complainant**") of Fedders Electric and Engineering Limited ("**FEEL**" or "**Fedders**" or "**Company**"), inter-alia, making allegation of financial fraud in FEEL. Further, SEBI received references from various enforcement agencies containing similar allegations against FEEL.
2. SEBI conducted an investigation into affairs of FEEL for the period April 01, 2012 to August 14, 2020 ("**Investigation Period**"/"**IP**") to ascertain whether books of accounts of FEEL were manipulated or there was any wrongful diversion/siphoning of funds of the company by the promoters/directors/key

Final Order in the matter of Fedders Electric and Engineering Limited

managerial persons, as alleged by the complainant, in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**") read with the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("**LODR Regulations**") and Securities Contracts (Regulation) Act, 1956 ("**SCRA**").

3. FEEL is a public limited company incorporated on January 16, 1957. It has three verticals viz., power project division, structural steel division and electric division. FEEL is listed on both National Stock Exchange ("**NSE**") and Bombay Stock Exchange ("**BSE**"), however, trading in securities of FEEL is suspended. Allahabad Bench of National Company Law Tribunal ("**NCLT**") vide order dated August 14, 2019 admitted FEEL to corporate insolvency resolution proceedings ("**CIRP**"). NCLT vide order dated October 06, 2021 approved resolution plan submitted by IM+ capital Limited. Pursuant thereto, control of FEEL has shifted to new management.
4. During investigation, SEBI sought and examined Forensic Audit Report ("**FAR**") dated June 29, 2020, for the period April 01, 2012 to March 31, 2018, submitted by Kansal Singla & Associates ("**KSA**") to State Bank of India (Lead bank with a consortium of 6 banks) and the Transaction Audit Report ("**TAR**") dated February 25, 2020, for the period August 14, 2014 to August 14, 2020, submitted by Grant Thornton India LLP to the Resolution Professional ("**RP**").

Show Cause Notice

5. On the basis of findings of investigation, Show Cause Notice dated January 13, 2023 ("**SCN**") was issued alleging as follows: -
 - 5.1 During the IP, FEEL's 85% to 90 % (approximately) of sales and 72 % to 92% of purchases was concentrated among 22 parties. Some of the sales were by way of two- way dealings i.e. both sales and purchases were made with the same party(ies) having common partners/directors. Two way dealings increased from 5.71% of total sales and 26.91 % of total

purchases in Financial Year (“FY”) 2012-13 to 48.95% of total sales and 43.53 % of total purchases in FY 2017-18. Parties involved in two way dealings with FEEL were either related parties (“RPT”) or potentially interlinked parties (“PILE”) or potentially non-existing parties. Significant portion of turnover of FEEL was from one time customers and non-corporate entities, whose details were not available in public domain. Forensic Auditor and Transaction Auditor were not provided sufficient evidence in support of such transactions. They made adverse observations with regard to such transactions. Further, statutory auditor of FEEL for FY 2017-18 observed that it was not able to comment on sales and purchase figures owing to insufficient supporting evidences.

- 5.2 FEEL entered into fictitious sales and purchases and manipulated its statement of Profit and Loss, thereby, it manipulated the amount of profit shown in its Financial Statements. The supporting documents in respect of sales and purchases could not be provided by FEEL to the Transaction and Forensic auditors, thus, the auditors noted anomalies in the sales and purchases which showed that such sales and purchases were sham transactions.
- 5.3 FEEL engaged in trading of goods despite incurring continuous losses on such transactions on a year to year basis. The trading operations recorded by FEEL were fictitious and sham transactions. The trading sales and purchases were recorded without any movement of goods to inflate the turnover to avail a higher working capital limits. With the help of the above mechanism, FEEL was able to encash its non-fund based limit and meet its requirements of working capital including servicing of short-term borrowings from Banks. These sham transactions resulted in misrepresentation of the financials of the company.
- 5.4 Majority of the debtors reported by FEEL were fictitious and non-recoverable. Also, the passing of adjustment entries, writing-off of debtors, non- production of supporting documents to the Transaction auditor and

Forensic auditor and the qualifications by the statutory auditor indicated that FEEL had recorded fictitious debtors and creditors, and in turn manipulated the net-worth shown in the Financial Statements during the IP and gave rosy picture of the financials to the stakeholders of the company.

- 5.5 FEEL showed advance payments to vendors whose address was not available in vendor master. Payments to such vendors could not be verified. With respect to such payments, Transaction Auditor noted anomalies such as non-availability of critical supporting documentation, no follow-up action taken by the management, non-availability of contact details/addresses of suppliers, adverse independent balance confirmation. These figures were not reliable and did not show true and fair picture of financials of the company.
- 5.6 FEEL made different stock statements and inventory balances for different stakeholders. Year on year, there were differences between the stock statements given to the Bank, balance sheet and stock register during FY 2012-13 to FY 2017-2018. The value of stock was inflated in the stock statements and the audited balance sheet. Entries with respect to the inventory were wrongly reported in the financial statements to the detriment of all the stakeholders.
- 5.7 During FY 2012-13 to FY 2017-2018, FEEL showed inflated profit in its financial statements by overvaluing closing stock in its statement of profit and loss. By showing inflated figures of profit, FEEL gave a rosy picture of its financials, thereby, influenced the decision of investors dealing in the shares of the Company.
- 5.8 During April 2017 to June 2017, FEEL made payment of Rs. 5.17 crores to Mindage Solutions Pvt. Ltd (**"MSPL"**) towards consultancy charges for marketing activity. MSPL and FEEL were PILE through a common director. MSPL was primarily dealing in software publishing, consultancy and supply of software which were unconnected with marketing activity. FEEL made payment without obtaining any quotations or comparative quotations to

ascertain market price of services. Critical vendor details such as PAN, contact details, VAT/Service Tax number, bank details, etc., were not maintained by FEEL. Contact details available on invoice of MSPL were either non-existing or not reachable. Invoices of MSPL were approved by Noticee No.5, who was employee and Company Secretary of LEEL from April 2006 to December 2018 and not authorised to approve such transactions. FEEL had diverted Rs.5.17 crore to MSPL.

- 5.9 No Audit Committee ("**AC**") meeting had taken place. Prior approval of AC was not taken by FEEL for transaction with related parties. Further, wherever the related party transaction was mentioned in AC minutes, the AC approval had not been taken as per LODR Regulations.
- 5.10 FEEL had either not disclosed all the related party transactions or wrongly disclosed the transactions by showing lesser amount of transactions. For most of the transactions, necessary approvals, as required under the relevant laws, had not been taken. Majority of the transactions had been categorised as fraudulent/ wrongful trading transactions in the Transaction Audit Report. FEEL made the payments to the related parties in disguise of normal business transactions with a purpose of misappropriating and diverting funds and to defraud the investors.
- 5.11 FEEL created fictitious head by the name of Job project to pass inter party adjustment entries, thereby, eliminating all balance due from its related parties in its books of accounts.
- 5.12 FEEL and its Key Managerial Personnel ("**KMPs**"), by providing misstated financial statements, passing fictitious book entries, making misleading disclosures in the related party transactions in the annual report and diverting funds from the company for the benefit of the promoter group companies, have consciously committed fraudulent, unfair and manipulative transactions which led to inducing the shareholders to deal in the scrip of FEEL at an unrealistic price.

- 5.13 The AC and other sub-committees, as specified by LODR Regulations, were only on paper and no actual meetings took place. The AC failed to discharge its duties, assigned under LODR Regulations, as they were responsible to review and approve related party transactions. This resulted in erosion of wealth of public shareholders.
- 5.14 FEEL and its KMPs, who were instrumental to the affairs of the company, failed to comply with the governance requirements so as to achieve the objectives of the governance principles with respect to the financial disclosure, timely information to recognised stock exchange(s) and investors, adequacy of disclosures, and following its obligations in letter and spirit taking into consideration the interest of all stakeholders.
- 5.15 Financial statements of FEEL were fraudulently manipulated and the figures contained therein were significantly misstated/misrepresented which led to the publication of untrue and misleading financial results of the company during IP. The same was false and misleading and operated as deceit not only upon FEEL's shareholders but also to the public which was being misled about the financial health of the Company.
- 5.16 FEEL manipulated and misrepresented the financial statements during the IP. The act of publishing fraudulently manipulated financial statements of FEEL operated as a device/ scheme/ artifice to deceit and defraud the investors/ shareholders dealing in the equity shares of FEEL.
6. On the basis of above allegations, the SCN alleged that: -
- 6.1 Noticee No.1, who was CFO cum Whole Time Director, member of the Board of Directors, member of the AC and in-charge of finance and accounts, violated Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) and 27 of the SEBI Act. Further, he failed to perform his duties and obligations provided under Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (6), (7),

4(2)(f)(iii)(3)(6)(7), 23(2), 23(4) read of LODR Regulations read with Clause 49 (VII)(D)(E) of Listing Agreement dated April 17, 2014 read with Regulation 103 of LODR Regulations and Regulation 33(2)(a) and 17(8) of LODR Regulations read with Clause 49(V) of Listing Agreement dated October 29, 2004, Clause 49(IX) of the Listing Agreement dated April 17, 2014 read with Regulation 103 and 18(3) of LODR Regulations read with Para A of Part C of Schedule II of LODR Regulations and Section 21 of SCRA;

6.2 Noticee No.2, who was appointed as Additional and Whole Time Director with effect from April 26, 2008 and signed financials of FEEL for FY 2007-08 to FY 2016-17 and signed CEO/CFO certification for FY 2016-17, violated Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12 A(a),(b),(c) and 27(2) of SEBI Act. Further, he failed to perform his duties and obligations provided under Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2),(6)(7), 4(2)(f)(iii)(3)(6)(7), 17(8), 33(2)(a), 23(2), 23(4) of LODR Regulations read with Clause 49(VII)(D)(E) of erstwhile listing agreement dated April 17, 2014 read with Regulation 103 of LODR Regulations, Section 21 of SCRA and Section 27 of SEBI Act;

6.3 Noticee No. 3 and 4, who were independent directors of FEEL and part of the AC for FY 2013-14 to FY 2017-18, have violated Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) and 27 of SEBI Act, Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (6), (7), 4(2)(f)(iii)(7), 18(3) read with Para A of Part C of Schedule II of LODR Regulations read with Clause 49(II)(D)(E), Clause 49(IV)(A) of SEBI Circular dated October 29, 2004, Clause 49(III)(D)(E) of erstwhile listing agreement dated April 17, 2014 read with Regulation 103 of LODR Regulation and Section 21 of SCRA read with Section 27(2) of SEBI Act;

6.4 Noticee No. 5, who was KMP of LEEL Electricals Limited (related party) and acting as Treasury head to the group companies including FEEL, violated

Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) and 27(2) of SEBI Act;

6.5 Noticee No.6, who was part of promoters of company, violated Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) and 27(2) of SEBI Act;

7. The SCN was sent to Noticee No.1 to 6 through speed post. In response thereto, Noticee(s) filed following replies: -

Noticee No.	Reply dated
1	March 01, 2023
2	February 15, 2023
3	February 3, 2023
4	February 3, 2023
5	March 24, 2023
6	March 24, 2023

8. Noticee No.6 vide reply dated March 24, 2023 sought investigation report, Board/Committee meeting minutes of FEEL and other case related documents(relied/non-relied) and also sought inspection of documents. Vide email dated April 28, 2023, Noticee was informed that his request for copy of investigation report has been accepted. Noticee`s request for Board/Committee meeting minutes of FEEL was rejected as they were not relied upon in the SCN. Further, Noticee`s request for supply of related documents(relied/non-relied) was found to be vague, thus, rejected. Noticee No.6 was granted inspection of documents on May 12, 2023.

9. The Noticee(s) were granted an opportunity of hearing on April 25, 2023. However, hearing dated April 25, 2023 was cancelled due to administrative exigencies.

10. Noticee No.5 vide application dated May 01, 2023, inter-alia, stated that allegations have been made against her in the SCN based on statements made

by Noticee No.1 and 2 and requested for cross examination of such Noticee(s). Noticee No.5's request to cross-examine Noticee No.1 and 2 was accepted. On May 16, 2023, Mr. Rony O. John, Advocate, appeared for Noticee No.5, and cross examined Noticee No.2. On May 30, 2023 and June 7, 2023, Mr. Rony O. John cross examined Noticee No.1.

11. On June 12, 2023, Noticee No.1 to 4 and 6 were granted opportunity of hearing. Mr. Alok Kumar Kuchhal, Advocate, appeared for Noticee No.1 and submitted on line of the Noticee's reply dated March 01, 2023. Noticee No.2 appeared in person and submitted on line of his reply dated February 15, 2023. Noticee No.3 and 4 appeared in person and submitted on line of their respective reply dated February 3, 2023. Mr. Vinay Chauhan, Advocate, appeared for Noticee No.6 and submitted on line of the Noticee's reply dated March 24, 2023. Pursuant thereto, Noticee No.6 vide letter dated June 19, 2023 filed post hearing submission.

12. On June 22, 2023, Noticee No.5 was granted opportunity of hearing. Mr. Rony O. John, Advocate, along with Mr. Anuj Dubey, Advocate, appeared and submitted on line of the Noticee's reply dated March 24, 2023. Pursuant thereto, Noticee No.5 vide email dated July 07, 2023 filed post hearing submission.

Reply of Noticee(s)

13. Noticee No.1 filed reply dated March 01, 2023, whereby, following is submitted: -

13.1. He was merely an employee who was provided the designation of a Whole Time Director ("**WTD**") just to comply with the provisions of the Companies Act, 2013, that too for a short duration.

13.2. After procuring information about the discrepancies and malpractices prevalent in the accounts of the Company, he acted as a whistle blower by writing a letter stating anomalies in the accounts of the Company. He personally delivered the letter to the Chairman of the Audit Committee and to the Independent Directors. When no action was taken by the Committee on his letter, he tendered his resignation from the company. Thereafter, he again served the letter upon the Chairman of the Audit Committee.

- 13.3. He diligently provided full cooperation before every department on account of ill practices prevalent in the affairs of the Company. Despite being safeguarded with legal privileges under Section 177 of the Companies Act, 2013, he has been dragged in this case.
- 13.4. Theoretically, he was key managerial personnel of the company as he was designated as CFO cum WTM. In reality, he was merely an employee responsible for collection and compilation of data of various units and divisions of the company. He had no say in the business decisions taken by the management of the Company as he was designated as CFO cum WTM for sake of complying with provisions of the Companies Act, 2013.
- 13.5. AC meetings, as disclosed in the Annual Reports of the Company, occurred on paper and never took place in reality. He was not part of any meeting of the AC as such meetings never took place in reality. Neither he had any authority to call such meetings nor was in capacity to follow provisions of LODR Regulations with respect to AC meetings in letter and spirit.
- 13.6. He used to receive financial statements/balance sheet and other documents for the purpose of signing them without having actual knowledge of the contents of the same. Due to nature of his employment and being an employee, he was bound to sign the documents as asked by the management of the Company.
- 13.7. As stated in his letter dated November 10, 2018 to Mr. Rajeev Bansal (the CFO post his resignation), sale entries within the group companies took place in order to increase turnover. These figures were provided by the banking team to bankers in their monthly/quarterly/half yearly and annual statements. Even before his employment in the Company, such kind of practice was being adopted by the management of the Company and across other group companies. He was not in favour of such entries.
- 13.8. As CFO, he had no knowledge of such transactions as he was made CFO just for the sake of complying with provisions of the Companies Act. When

he became WTD, he came to know about unhealthy and malpractices taking place in the Company. Upon coming to know of such practices, he reported such malpractices to Late Mr. Punj (then CMD) and tendered his resignation to Late Mr. Punj on September 19, 2017. Considering seriousness of the issue and being overseas, Late Mr. Punj asked him to continue working in the Company and not to share the issues with anyone else in the Company.

13.9. Post demise of Late Mr. Punj, he resigned on May 23, 2018, which was marked to Mr. Pulkit Bhasin. In response thereto, on May 25, 2018, Mr. Pulkit Bhasin asked him to re-join the office. On May 05, 2015, he responded via email to Mr. Pulkit Bhasin stating that owing to numerous discrepancies in the affairs of the Company, he could not resume office.

13.10. Despite all odds, he was only employee who had blown the whistle and had acted in accordance with provisions of Section 177(9) of the Companies Act, 2013 by acting as whistle blower against the malpractices prevalent in the Company. He should be protected and provided immunity from any kind of victimization or retaliation as a result of making such disclosure under the said provision of law.

14. Noticee No.2 vide reply dated February 15, 2023 submitted as follows: -

14.1. He was appointed as Chief General Manager of FEEL on February 10, 2000. He was elevated as Whole Time Director on April 28, 2008 with specific assignment of looking after business development of scaffolding, Air System and Steel Fabrication divisions of the company. Vide HR Department circular dated January 08, 2016, his role was limited to look after development of International Business- International Projects Department (IPD Division) only. He resigned from position of Whole Time Director of the company on January 04, 2018 and vacated office on May 04, 2018.

14.2. He was neither involved nor had any direct or indirect knowledge of alleged widespread mis-representations in financial statements of the company, diversion of funds to related parties, lapses in related party disclosure and

approvals. He was designated as Whole Time Director for compliance purposes. Despite being the Whole-Time Director, he was not involved in the day-to-day affairs of the company, more particularly in financial, accounting and allied matters.

14.3. As per Section 129(1) of the Companies Act, 2013, financial statement shall give a true and fair view of state of affairs of company. As per Section 129(7), Whole Time Director of the Company is responsible for contravention of Section 129 only when: -

- a) Whole Time Director is in charge of finance of the company; or
- b) The Company does not have Managing Director, Chief Financial Officer or any other officer charged by the Board with the duty of complying with requirements of such section in which case all directors would be punishable.

14.4. He had no access to financial position of the company. He never took major or minor financial decisions on behalf of the Company as he was involved only in business development of International Projects Division. Even for such division, all minor and major decisions were taken by Late Mr. BR Punj and Mr. Bharat Punj. He was merely implementing the said decisions.

14.5. Late Sh. B.R Punj (CMD of the Company), as promoter of the company used to take Key Managerial Decisions including Financial Decisions and implemented them through the CFO and his team of accountant and other finance persons. Mr. Bharat Punj- Noticee No.6, being the only son of Late Mr. B R Punj, used to be present in all meetings, be it Board meeting or meeting with functionaries/officials of the Company. Even when Mr. Bharat Punj used to be outside India, he used to participate in meetings through video/audio conference. Without the consent and concurrence of Mr. Bharat Punj, no appointment of any senior employee(s) of the Company was done and he was actively involved in day to day decisions of the Company along with his father late Mr. B R Punj.

- 14.6. He was not member of the AC. Members of the AC were responsible for ensuring compliance pertaining to financial transactions recorded and reflected in financials of the company. Once audited financials of the Company were reviewed and approved by the AC, the same were approved by the Board of Directors and passed resolution authorising persons to sign the same. As per provisions of the Companies Act, Listing Agreement, CFO, Company Secretary and any two directors (one of whom shall be Managing Director/Whole Time Director) are required to sign audited financials of the company. He signed the audited financials as per authorization of resolution passed by the Board of Directors of the Company. He has never signed CEO/CFO compliance certificate except on May 30, 2017. At that time, Late Mr. BR Punj (CMD) was in USA for his treatment and he was told by Mr. Akhter Siddiqi that Late Mr. BR Punj has asked Mr. Akhter to get compliance certificate signed from him. The compliance certificate was first signed by Mr. Akhter Siddiqi and then he signed it. Every year such compliance certificate was signed by Late Mr. BR Punj.
- 14.7. Mr. Bharat Punj also used to interact with employees of the Company through email and phone regarding day to day workings of the Company. During illness of Sh. B R Punj and after the demise of Sh. B.R Punj, Mr.Bharat Punj took the reins of the company and implemented all day to day decisions for the company, including but not limited to all financial and accounting matters. Mr. Bharat Punj, after the demise of his father continued to be de-facto promoter of the Company even without any shareholding in the company and despite not being on the Board of the Company.
- 14.8. Board of the Company by its decision dated February 09, 2017 appointed Mr.Akhter Aziz Siddiqi – Noticee No.1 as the Whole-Time Director and Chief Financial Officer (CFO) of the Company to deal with all financial matters of the Company. Minutes of 61st AGM held on 22.09.2017

mentioned that Mr.Akhter Aziz Siddiqi had more than 34 years of experience in finance, accounts and allied areas and has spent more than 20 years with the company in Finance and Accounts department while holding the position of CFO for majority of the period. All matters pertaining to the finance and accounting including finalization of financial results and Balance Sheets were directly handled and looked into by Mr. Akhter Aziz Siddiqi and his team of accountants and other finance persons, who directly reported to the Promoters, namely, Late Mr. BR Punj and Mr. Bharat Punj.

14.9. The compliance function was handled by Ms. Anita Kakkar along with other people in secretarial department. Although Ms. Anita Kakkar was the Company Secretary of LEEL but she was working as senior most Company Secretary in the Group and used to take all decisions of the Secretarial and Compliance matters of all Companies of the Group.

14.10. Approval with regard to related party transactions were handled by Ms. Anita Kakkar and the Secretarial Department. They looked after day to day compliance matters.

15. Noticee No. 3 vide reply dated February 03, 2023 submitted as follows: -

15.1. Upon insistence and persuasion of Late Mr. BR Punj, she joined as independent director of FEEL. Mr. BR Punj gave assurance that whole responsibility will be borne by him, other whole time directors and professionals associated with the Company.

15.2. Being independent director of FEEL, she was never involved in day-to-day and routine affairs/conduct of the company and had very limited and restrained access to information. Information was available to her on need to know basis.

15.3. She was unaware about corporate laws, finance and accounts, its compliances under different laws and other routine activities. She never had any experience, degree or knowledge about finance and accounting activities. The management also never made her aware about her role and

responsibilities as an independent director and member of the AC under various laws and regulations.

- 15.4. She had to completely believe and rely on advice, assurance and suggestions given by Late Mr. Punj and other professionals and experts associated with the company. Upon receiving SEBI notice, she realised that her candidature for the appointment in the Audit Committee of the Board of FEEL was not fit for consideration. Her appointment in the AC was in gross violation of Clause 49 II (A) of Listing Agreement. Her appointment was void-ab-initio.
- 15.5. She was given to understand that directorship will not entail any specialised knowledge of finance and law and her role will be minimal and on policy level. Also, she was given to understand that functioning of management is upon board. Financial functions of the Company were being looked into and monitored by Late Mr. BR Punj along with experts and his trusted aides including Mr. Akhter Aziz Siddiqui and Ms. Anita Kakkar Sharma. They were controlling whole finance and compliance function of the company.
- 15.6. Section 205 of the Companies Act, 2013 read with Rule 10 of Companies (Appointment and Remuneration of Managerial Personnel) rule, 2014 states that functions of the Company Secretary includes to report to the Board about the compliance with provisions of the Companies Act, rules made thereunder and other laws applicable to the Company. Rule 10(1) and 10(5) of Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014 require the Company Secretary to provide to the directors of the company guidance and provide assistance to the Board in the conduct of the affairs of the company. The professional management grossly violated their duties towards her.
- 15.7. Regulation 4(2)(f)(iii)(14) of LODR Regulations and Clause 49(I)(D)(3)(n) of Listing Agreement states that the Board and senior management should

facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee. Regulation 25(7)(c) and Clause 49(II)(B)(7)(a) states that the Company shall familiarize the Independent Directors with the Company, their roles, rights and responsibilities in the Company, nature of the industry in which the Company operates, business model of the company, etc., through various programs. Management has failed in their duties towards the Independent Directors in letting them know their roles, responsibilities, rights and duties and also to be aware about the Company and its affairs.

- 15.8. She is not beneficiary of the alleged fraud in any manner. She did not take any benefit or gain from the company apart from sitting fees. She did not have any material/pecuniary relationship as director with FEEL, its promoters, directors, Senior Management or its subsidiaries and associates, etc.,
- 15.9. She was unaware about relation of the Company with other party with whom transactions were taking place. The management never disclosed such nature of relations with other party with whom transactions were taking place. Hence, monitoring of Related Party Transactions was not possible on her part especially when information was disclosed to Independent Directors on need to know basis.
- 15.10. She or any of her family members never held any securities of the Company or dealt with shares of the Company in any manner, whatsoever. She never consented or connived or performed any negligence for any such contravention made by the Company.
- 15.11. There is no allegation in the Notice that she was involved in the alleged fraud or she had any role in the same.
- 15.12. She resigned from the Company on August 24, 2018. She has no association with the Company or any of the current management personnel.

16. Submissions of Noticee No.4 made vide reply dated February 03, 2023 are similar to above noted submissions of Noticee No.3.

17. Noticee No.5 vide reply dated March 24, 2023 submitted as follows: -

17.1. She was employed as company secretary of LEEL Electricals Limited (“**LEEL**”) from April 01, 2006 till December 2018. She was not employee of FEEL. Insofar as FEEL is concerned, her role was limited to coordination with various business units of FEEL on their cash flow requirements and tracking fund flows in the corporate cash credit bank accounts, preparing Management Information System(MIS) reports only, and presenting the same to her then superiors and reporting officers—Mr. Manohar Thairani, Mr. Ravi Swaminathan, Mr. Sushil Vij, and Mr. Sushil Kabra, all qualified and experienced Chartered Accountants together with the promoters of the company, namely Mr. Brij Raj Punj and Mr. Bharat Raj Punj. This was merely an operational role of data collation and was termed as “treasury functions”, which were headed by the aforementioned reporting officers.

17.2. The Noticee’s role was limited to tracking fund flow in the cash credit accounts of FEEL principally in relation to loans availed from banks. The Noticee was a part of the Corporate Division of LEEL which acted under the direct supervision and instructions of the Group CFO or the CFO, who were reporting to the Managing Directors and the promoters. On the directions of such persons, funds from the corporate cash credit accounts of FEEL would flow to the respective business units of FEEL for their operational needs. The heads of these respective business units were independently managing their cash flows, and transacting directly with external entities, whether related or otherwise. Such heads of business units were directly reporting to the Managing Director and the promoters. The manner of utilization of funds by such business units was beyond her knowledge and scope of employment. She did not oversee, authorize or approve the transactions undertaken by the business units of FEEL to other entities.

- 17.3. No knowledge or involvement can be attributed to her in respect of alleged unlawful payments by FEEL to the related parties. Besides the Noticee, various individuals in the treasury team were directed to initiate the transactions to FEEL business units. All such transactions were undertaken only on express instructions and authorization by Mr. Akhter Aziz Siddiqui, the Group CFOs at the relevant time or the promoters.
- 17.4. Noticee was not acting as the 'treasury head to the group companies' as such designation did not exist in FEEL or any of the group companies. The Noticee did not have any control over decisions pertaining to cash flow management of FEEL. As such, the Noticee did not approve any payments or bank transactions made on behalf of FEEL to third-party entities. The Noticee's job profile was limited to the role of a Company Secretary of LEEL, and she was not assigned the management of day-to-day banking transactions, preparation of books of accounts, sale and purchases of goods, trading activities etc. of the group companies, including FEEL.
- 17.5. Mr. Akhter Aziz Siddiqui, who was the Whole Time Director and Chief Financial Officer of FEEL, performed treasury functions of FEEL alongside the Noticee. Further, all functions of the Noticee in FEEL were supervised by Group CFOs and were conducted under the directions of the promoters. These functions were not linked with the accounting and finance functions of either LEEL or FEEL. The Noticee was not an employee of FEEL.
- 17.6. In May 2016, the Noticee was given the additional designation of Vice-President (Finance) in LEEL solely in recognition of the fact that she was an experienced employee of the LEEL and had been handling certain treasury functions as explained above. After learning about the alleged corporate malpractice and wrongdoings in LEEL, the Noticee resigned and disassociated with LEEL in December 2018.
- 17.7. The SCN is misconceived insofar as listed entity i.e. FEEL, in respect of which the contraventions mentioned in the SCN are alleged to have been

committed, has not been made party. As per Section 27 of the SEBI Act, if no offence is alleged to have been committed by the company, then, it can be said that there is no justification for alleging contraventions by the persons who have been associated with the company in any capacity.

- 17.8. Case against the Noticee is based upon statements of Co-Noticee(s), who are also Key Managerial Persons in FEEL, and Transaction Audit Report dated February 25, 2020. Observations in Transaction Audit Report are hearsay and not supported by any documentary evidence. There is no concrete documentary evidence to substantiate allegations made against the Noticee in the SCN. Reliance is placed upon these statements without any corroboration or support of any documentary evidence. Unless veracity of these statements is tested through cross-examination, the same ought not to be relied upon in the SCN.
- 17.9. The SCN highlighted wrongful and fraudulent transactions. The SCN did not allege that the Noticee was involved or assisted in such transactions or carried out or facilitated such transactions.
- 17.10. Noticee was neither signatory nor decision maker with respect to such transactions. Hence, knowledge or involvement in respect of alleged wrongful transactions cannot be attributed to her. She was not aware about payments made to third parties by FEEL's business units.
- 17.11. Noticee has never been an employee of FEEL, hence, any alleged misrepresentation of financials of FEEL cannot be attributed to her, who was never involved in preparing financials of the Company. All obligations with respect to financial statements of a company are to be undertaken by the Board of Directors of the company and the managing director, the whole time director in charge of finance, the Chief Financial Officer or any other person charged by the Board in this regard. The Noticee was not charged by the Board of Directors of FEEL with any such obligations with respect to financial statements of FEEL. Internal circular dated March 11, 2014

demonstrates that the finalization of financial statements was within the domain of Mr. Akhter Aziz Siddiqui and not the Noticee.

17.12. The Annual Reports of FEEL shows that Managing Director, the CFO and Whole Time Director of FEEL have certified in all the years under investigation that they had reviewed the financial statements and cash flows for the relevant financial year, and they accepted the responsibility for maintaining internal controls for financial reporting and that no transactions during the year are fraudulent, illegal or violative of FEEL's code of conduct. The Noticee has not been mentioned in the Annual Reports of FEEL.

17.13. SCN has proposed to issue directions against the Noticee and/or levy penalty under Section 11 and 11B of the SEBI Act. Such directions and measures are to be issued in the interest of investors. Since the Noticee has not been a part of FEEL and has been disassociated with LEEL and the group companies for more than three years now, there is no rational nexus between any of the directions/measures contained in the aforesaid provisions that may be invoked against the Noticee and the protection of the investors' interests. Noticee has not made any profit or loss by indulging in any transaction. Thus, explanation to Section 11B(1) of the SEBI is not applicable to the Noticee.

17.14. 'person' in Section 15 HA of SEBI Act refers to listed company in relation to which the penalty is being imposed. Thus, obligation to comply with condition enumerated under Section 15 HA of the SEBI Act is on a listed company and not any individual person.

17.15. The Noticee's consent or connivance in relation to misrepresentation of financial, fraudulent transactions, etc., is not supported by any documentary evidence.

17.16. Negligence can be relevant aspect if the Noticee had any positive obligation which she neglected. Section 27(2) of the SEBI Act has not been invoked against the Noticee in relation to Section 15HA of the SEBI Act.

- 17.17. Section 15J of the SEBI Act require that principal factor to be considered while determining quantum of penalty is existence of a default. None of actions undertaken by FEEL were taken with the Noticee`s consent, connivance or neglect. Thus, there is neither any default on part of Noticee nor any loss caused to any investor as a result of such purported default. Noticee`s conduct does not satisfy condition of repetitive nature of default.
- 17.18. Noticee has not used or employed any manipulative or deceptive device or contrivance in contravention of provisions of SEBI Act. Misrepresentation of financials, fictitious entries, etc., can only be done by promoters and directors of FEEL. Thus, Regulation 3 of PFUTP is not applicable to the Noticee. As Noticee was not an employee of FEEL, concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statements cannot be done by the Noticee.
18. In addition to above submissions, Noticee No.5 vide her post hearing submission dated July 07, 2023 has submitted as follows: -
- 18.1. She was non maternity leave during month of June 2016, when invoices to MSPL were issued. During this month, Noticee No.1 was assigned treasury functions by Mr. Sushil Kabra.
- 18.2. Allegations have been made against her in the SCN on basis of statements of Noticee No.1 and 2. However, such statement of Noticee No.1 and 2 are uncorroborated and not corroborated by documents. Statement of Noticee No.1 with respect to his salary drawn, his relationship with Late Mr. B.R. Punj and incentive in respect of sale of consumer durable business to Havell`s, is false and at variance with documents. Noticee No.1 admitted that he was in-charge of financials of FEEL and was handling treasury of FEEL during her absence. There are inconsistencies in statement made by Noticee No.1 before SEBI, Goods and Sales Tax Authority ("**GST**") and Central Bureau of Investigation ("**CBI**").
- 18.3. During cross examination, Noticee no.2 has clarified scope of his statement and accepted that Noticee No.1 was in charge of and responsible for

preparing financial statements and taking financial decisions of FEEL. Further, it is clarified that her relationship with Late Mr. B.R. Punj was strictly professional.

19. The Noticee No.6 vide reply dated March 24, 2023 submitted as follows: -

19.1. He was promoter/shareholders of the Company (based out of USA) but he was not at the helm of the affairs. His late father i.e. Mr Brij Raj Punj along with the Core Team Members (consisting of Whole Time Directors and Key Finance Officials) were involved in the day to day management and affairs of the Company, especially the activities/transactions impugned in the SCN. Allegations should be 'role-driven' and not 'designation-driven'. Role played by the person should be the decisive factor and not the designation. There is nothing to demonstrate his role/involvement in any of the alleged violations, except that he was a shareholder of the Company, during the relevant period.

19.2. The SCN has referred to SEBI investigation report, Board/Committee meeting minutes of FEEL which have not been provided to him. Inspection of the said documents and other case related documents be provided to him before proceeding further in the matter.

19.3. The SCN has been issued with inordinate delay as alleged violations pertain to period starting 2011-12 and the SCN is issued in January 2023. The said inordinate delay has prejudiced him. It is well settled that though there is no period of limitation prescribed in the SEBI Act and Regulations for the completion of investigations or for the issuance of the SCN but the authority is required to exercise its powers within a reasonable period.

19.4. He was born in India but studied in USA. He is permanent resident of USA since October 21, 2008. Between 1994-2018, he had spent substantial portion of his professional and personal time in USA. He held 1.34 % shares of FEEL as on March 31, 2019. He was not associated with FEEL in any manner or capacity other than being shareholder. His involvement in the Company was strictly restricted within his capacity of being a shareholder.

He was never shared with (and also he was never aware about) any of the information, business activities, decision making of the Company. The Company or any of its officers have never shared with him any agenda/minutes of the Board and its committee meetings and any such information about the functioning of the Company, hence, he was not aware about the internal functioning of the Company, be it financial or otherwise. His limit of knowledge about FEEL was always within the purview of being one of the shareholders of the Company and not more.

19.5. The Company has already been admitted under Corporate Insolvency Resolution Process (CIRP) of the Insolvency and Bankruptcy Code 2016 (**"IBC"**) vide an order of the Hon'ble National Company Law Tribunal (NCLT) Allahabad Bench issued on 14.08.2019. The aforesaid shares held by him has been extinguished in term of scheme of capital reduction and consolidation, provided under resolution plan approved by Hon`ble NCLT, Allahabad Bench. As per communication made to stock exchanges by FEEL, w.e.f 21.10.2021, being a record date for the capital reduction, the shareholdings of all the promoters in the Company has become nil.

19.6. As per Section 291 and 179 of the Companies Act, 2013, all activities of the Company within the purview of the law, shall be done and exercised through the Board of Directors of the Company. Hence, the Board is empowered by the law to take the decision for the Company. The Board shall act through the Board of directors. While doing so, the Board shall ensure reasonable care and diligence, apply skills and exercise independent judgment. Law puts an onus on the Board of the Company to use their power, skills, diligence and independent judgement to take the appropriate decisions for the Company, in its best interest and in the interest of the members, employees and shareholders etc. as defined u/s 166 (2) of the Companies Act, 2013. The Board was never accustomed or duty bound to act upon any of his suggestions, decisions or any advice as alleged.

19.7. Though, he listed as promoter, however, he had never had a control over the affairs of the Company in any manner. Hence, he had never had power

to control the decision making of the Company in any such capacity of either director, shareholder or as the promoter.

19.8. He had never made any advice, directions or instruction to the Company for its functioning and decision making and nothing in this respect has even been found on record of the Company. Hence, the charges that he was one of the decision makers and involved in day to day affairs of the Company is mere an allegation by those persons who were themselves responsible for decision making of the Company.

19.9. The Company had the Chief Financial Officer and Company Secretary, who were KMPs as per Section 2 (51) of the Companies Act, 2013. It was the duty of the Officers or KMPs i.e. the directors, the Company Secretary and the Chief Financial Officer of the Company to bring on record about such irregularities in the decision-making process. No such disclosures were brought on record by any of the Officer or KMPs of the Company to the Board of the Company.

19.10. The SCN relies on statements of KMPs/employees which contain vague allegations of his involvement. No documentary proof proving allegations made in such statements is on record.

19.11. Noticee No.1, 2 and 3 were associated with FEEL for an extensive period of time and held senior positions in the management of FEEL as mentioned in their statements. They were among KMPs of FEEL. They participated in the Board Meetings of FEEL as board members and/or held rights of audience before the Board owing to their KMP position. They were fully involved in directing the business, management and day-to-day activities of FEEL and extensively reported to then Chairman and Managing Director i.e. Mr. Brij Raj Punj, father of the Noticee.

19.12. Noticee No.1, 2 and 3 have made baseless, preposterous statements and unsubstantiated allegations against him. They have neither substantiated their claims nor provided any supporting corroborative evidence which demonstrates that the alleged fraudulent/manipulative practices and/or

contraventions were performed under his direction in FEEL or with his involvement or knowledge.

19.13. He was not KMP in FEEL. He was not responsible for day to day affairs of the Company or decision making. He has been made Noticee merely because he was promoter.

19.14. He is alleged to have violated Section 12A(a), (b) and (c) of the SEBI Act along with Regulation 3(b), (c), (d) of PFUTP Regulations. The said provisions deal with contravention, fraud, scheme, device or artifice adopted in connection with issue, purchase or dealing with securities of listed company. He has not acted in violation of Regulation 3(b) of PFUTP as there was no use of any manipulative or deceptive device or contrivance to contravene provisions of the SEBI Act or rules or regulations framed thereunder. No device, scheme or artifice in breach of Regulation 3(c) of PFUTP was employed by him in his dealings to defraud public.

19.15. The SCN has alleged violation of Regulation 4(1), (2)(e), (f), (k), (r) of the PFUTP Regulations which deals with manipulation in the price of securities and publishing, disseminating, planting, any false or misleading news, information or reports in general public. However, the role alleged against the Notice is not such.

19.16. He was not in charge or involved and responsible to the affairs of the Company as the Company was having independent board and professional KMPs who were responsible for making the decisions for the Company. He was never director, secretary or manager of the Company at any point of time. Hence, Section 27 of the SEBI Act is not applicable to him. The important point to impose vicarious liability on some person is that an act on which such a liability is imposed should have happened in the course of employment.

19.17. Consequent to amendment in Section 27 of the SEBI Act on March 08, 2019, the of vicarious liability was introduced in the SEBI Act. At the relevant time, the concept of vicarious liability was not there. Thus, there does not arise question of violation of Section 27(2) of the SEBI Act.

19.18. There is no credible evidence to establish that he was in charge of or involved in day to day affairs of the Company or was involved in the alleged violations or that he has indulged in any fraud or indulged in fraudulent and unfair trade practices relating to securities, as alleged.

20. Subsequent to reply dated March 24, 2023, Noticee No.6 filed post hearing submissions dated June 19, 2023, wherein, he reiterated submissions made in his reply dated March 24, 2023 and also stated that statements of Noticee No.1, 2 and 5 against him cannot be relied upon as they are self -serving, contrary to each other and exculpatory. Further, he has submitted that: -

- a) He was neither a director nor KMP nor employee of FEEL;
- b) He had no cheque signing power on behalf of FEEL;
- c) He had no powers to operate bank accounts of FEEL;
- d) He had not signed any quarterly/annual financial results declared by FEEL;
- e) He was not on any committee appointed by the board of FEEL (viz., Audit Committee, Nomination & Remuneration committee, stakeholder relationship/Committee, CSR committee, Committee of directors, Special Committee for Issue and Allotment of shares).
- f) He had never attended the Board/Committee meetings of FEEL;
- g) He was not involved in any of press releases issued by FEEL;
- h) He had not participated in any of earning conference calls made by FEEL.

CONSIDERATION

21. I have considered allegations made in the SCN, reply of the Noticee(s), submissions made during the hearings granted to the Noticee(s), post hearing submission and statements made during cross examination.

22. I note that the SCN has noted following findings of investigation which have not been disputed by any of the Noticee(s). Further, the Noticee(s) have not produced anything to controvert observations made by the Transaction Auditor and Forensic Auditor in TAR and FAR, respectively.

I -Fictitious/ Inflated Sales and Purchases

- 22.1. During the investigation period, approximately 85% to 90% of sales and approximately 72% to 92% of purchases of FEEL were concentrated among top 22 parties, as tabulated below: -

Table No.1- Sales to top 22 parties (Rs.in crores)

Particulars	01.07.2012 to 30.06.2013		01.07.2013 to 30.06.2014		01.07.2014 to 30.06.2015		01.07.2015 to 31.03.2016		01.04.2016 to 31.03.2017		01.04.2017 to 31.03.2018	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Sales to top 22 parties	892.85	88.04	1,049.24	91.11	1,137.10	87.47	873.9	84.39	1067.02	78.87	1094.37	88.45
Balance Sales	122.75	11.96	111.10	8.89	179.07	12.53	157.04	15.61	286.56	21.13	142.77	11.55
Total Sales	1,015.60	100	1,160.34	100	1,316.17	100	1,030.94	100	1,353.58	100	1237.14	100

Table No.2- Purchases from top 22 parties (Rs.in crores)

Particulars	01.07.2012 to 30.06.2013		01.07.2013 to 30.06.2014		01.07.2014 to 30.06.2015		01.07.2015 to 31.03.2016		01.04.2016 to 31.03.2017		01.04.2017 to 31.03.2018	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Purchase from top 22 parties	633.37	71.81	901.42	86.1	1,010.36	92.37	756.25	91.42	990.07	87.63	967.65	83.17
Balance Purchase	248.58	28.19	145.56	13.90	83.50	7.63	70.98	8.58	139.75	12.37	195.70	16.83
Total Purchase	881.95	100	1,046.98	100	1,093.86	100	827.23	100	1,129.82	100	1163.35	100

- 22.2. Some of the sales were by way of two-way dealings i.e. both sales and purchases were made with the same party(ies) having common partners/directors. As tabulated below, FEEL had significantly increased two-way dealings from 5.71% of total sales and 26.91% of total purchases in FY 2012-13 to 48.95% of total sales and 43.53% of total purchases in FY 2017-18.

Table No.3- Two way dealings- Sales (Rs.in crores)

Particulars	01.07.2012 to 30.06.2013		01.07.2013 to 30.06.2014		01.07.2014 to 30.06.2015		01.07.2015 to 31.03.2016		01.04.2016 to 31.03.2017		01.04.2017 to 31.03.2018	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Sales by two-way dealings	58.04	5.71	38.19	3.29	157.90	12.00	20.92	2.03	58.84	4.35	605.54	48.95
Other Sales	957.56	94.29	1,122.15	96.71	1,158.27	88	1,010.02	97.97	1,294.74	95.65	631.60	51.05
TOTAL	1,015.60	100	1,160.34	100	1,316.17	100	1,030.94	100	1,353.58	100	1237.14	100

Table No.4- Two way dealings- Purchases

(Rs.in crores)

Particulars	01.07.2012 to 30.06.2013		01.07.2013 to 30.06.2014		01.07.2014 to 30.06.2015		01.07.2015 to 31.03.2016		01.04.2016 to 31.03.2017		01.04.2017 to 31.03.2018	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Purchases by two-way dealings	237.35	26.91	233.88	22.34	246.08	22.5	5.64	0.68	13.01	1.15	506.45	43.53
Other Purchases	644.60	73.09	813.10	77.66	847.78	77.5	821.59	99.32	1,116.81	98.85	656.90	56.47
TOTAL	881.95	100	1,046.98	100	1,093.86	100	827.23	100	1,129.82	100	1163.35	100

22.3. Parties involved in two- way dealings (having sales and purchases greater than Rs.1crore) with FEEL were either related parties (“**RPT**”) or potentially interlinked parties (“**PILE**”) or potentially non-existing parties: -

Table No.5

(Rs.in crores)

Period	Party name		Sales	Purchase
01.07.2012 to 31.06.2013	LEEL Electricals Limited	Related Party	56.88	235.32
01.07.2013 to 31.06.2014	LEEL Electricals Limited	Related Party	36.38	232.72
01.07.2014 to 31.06.2015	LEEL Electricals Limited	Related Party	147.01	245.41
01.07.2015 to 31.03.2016	LEEL Electricals Limited	Related Party	20.92	5.64
01.04.2016 to 31.03.2017	LEEL Electricals Limited	Related Party	57.59	11.71
01.04.2017 to 31.03.2018	Punj Technology Pvt Ltd	Related Party	308.14	101.64
	Zenith Fabricators Pvt Ltd	PILE	107.99	349.7
	LEEL Electricals Limited	Related Party	60.2	2.55
	Airserco Pvt. Ltd.	Related Party	56.85	6.62
	PSL Engineering Pvt. Ltd	Related Party	56.53	14.75
	Abide Electronics Pvt. Ltd.	Third Party	14.29	30.21
Total			922.78	1236.27

22.4. Sales of Rs. 10.19 crores had been done with number of individuals viz., Raj Kumar, Ram Kumar, Yusuf, Ashok Singh, Mohit Sharma, Mukash Singh and Sham Sundar as one- time transaction. Out of the sales of Rs. 10.19 crores, Rs. 2.33 Crore was received and outstanding balance of Rs. 7.86 crore was reversed through inter-company/ parties' settlement.

22.5. On review of purchase and sales transactions on sample basis, the forensic auditor noted the following: -

- a. No weight receipts/delivery challans/ loading/unloading slips/ GRN were attached to any of the bills.

- b. Truck numbers used for transportation by MK Steel & Emtex Steel Traders (P) Limited & LM Enterprises were same, while the transporter was different.
- c. Truck No. HR-38S-6576 was registered in the name of M/S Jyoti Strips Limited.
- d. Phone Number (997XXX7180) of M/s. Emtex Sales (P) Limited & M/s. S.K. Metals was same as mentioned on the purchase bills, and Email ID (M88815@gmail.com) was also same for both the parties.
- e. While the Company had purchased all raw material on Letter of Credit ('LC') basis, goods were sold on clean credit and that too at negligible margin/loss, which is not a normal business practice.
- f. In few instances the vehicle numbers appearing on the Invoices were of Cabs/Buses/Three wheelers thus it is alleged that the movement of goods did not take place.
- g. No truck number was available in any of the invoices for the Jaipur unit.
- h. In certain purchase invoices for the purchases made in Delhi, same truck number was mentioned in the bills of different transport service providers. An illustrative list is as follows:
 - (i) Invoice No 5821 dated 27.07.2016 (Jai Ganesh Transport, Truck No. had the same Truck Number (HR38K6617) as Invoice No 875 dated 30.07.2016 (Gurjar Roadlines).
 - (ii) Invoice No 499 dated 13.01.2018 (Radhe Krishna Transport) had the same Truck number (HR63A1363) as Invoice No 477 dated 10.012018 (Jai Ganesh Transport).

(iii) Invoice No 500 dated 13.01.2018 (Radhe Krishna Transport) had the same Truck number (DLIN8028) as Invoice No 478 dated 10.01.2018 (Jai Ganesh Transport).

(iv) Invoice No 501 dated 13.01.2018 (Radhe Krishna Transport) had the same Truck number (DLIN8028) as Invoice No 479 dated 10.01.2018 (Jai Ganesh Transport)

22.6. Transaction auditor noted the following: -

A. For purchase transactions:

- i. For 2 purchase transactions (copper items weighing 41.66 MT) aggregating to Rs. 1.91 crores, the vehicle numbers mentioned on the lorry receipts pertained to two wheeler (as per the information available on public domain).
- ii. For 5 purchase transactions aggregating to Rs. 1.51 crores, the corresponding details of vehicles mentioned on the invoices could not be traced in the public domain.
- iii. For 10 purchase transactions aggregating to Rs. 2.50 crores, the TIN/GSTIN number of the vendors were invalid/ non-existent, as per the information available on the public domain.
- iv. For all 127 sample purchase transactions aggregating to Rs. 31.69 crores, no quotations, comparative quotations, and purchase orders were provided to the Transaction Auditor.
- v. For 99 sample purchase transactions aggregating to Rs. 25.21 crores, the Transaction Auditor was not provided with the weightment slips.

- vi. For 34 sample purchase transactions aggregating to Rs. 7.31 crores, the Transaction Auditor was not provided with the lorry receipts.

B. For sale transactions:

- i. For 3 sales transactions aggregating to Rs. 0.22 crores, the details of vehicles mentioned on the invoices could not be traced on the public domain.
- ii. For 12 sale transactions aggregating to Rs. 2.26 crores, the TIN/GSTIN numbers of the customers were invalid/ non-existent, as per the information available on the public domain.
- iii. For 34 sample transactions aggregating to Rs. 5.96 crores, no weighment slips were provided.
- iv. For 16 sample transactions aggregating to Rs. 2.22 crores, no lorry receipts were provided.

22.7. The statutory auditor of FEEL for the FY 2017-18 made following reservation in his basis for disclaimer of opinion paragraph:

"One of the location in Jaipur has reported sales amounting to Rs 545.24 Crores for which the Company does not have sufficient and satisfactory evidence. In the above location the Company has also reported purchases amounting to Rs 544.54 Crores which is also not supported by sufficient documentary evidences. Further, the above mentioned sales and purchases have been transacted between identical parties.

Another location Okhla, New Delhi has reported sales amounting to Rs. 268.65 Crores which is also not supported by sufficient & satisfactory supporting evidence. Accordingly, in view of aforementioned limitations we were unable to comment on appropriate recognition of sales and purchases."

"The Company has done assignment of debt (i.e. Transfer of Debt, and all the associated rights and obligations from a creditor to a third party) during the FY 201718 with regard to Related Party

Transactions. It has resulted into reduction debtors and creditors by Rs. 94.87 Crores."

II Trading Sales and Purchases

22.8. The detail of goods manufactured and traded by FEEL during the IP is as follows:

Table No.6

(Rs.in crores)

Particulars	As on 30.06.2013		As on 30.06.2014		As on 30.06.2015		As on 31.03.2016		As on 31.03.2017		As on 31.03.2018	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Manufactured Goods (A)	647.61	63.77	764.70	65.90	633.68	48.15	411.11	39.88	511.41	37.78	423.65	34.24
Traded Goods (B)	367.99	36.23	395.64	34.10	682.49	51.85	619.83	60.12	842.17	62.22	813.49	65.76
Total Sales (A + B)	1,015.60	100	1,160.34	100	1,316.17	100	1,030.94	100	1,353.58	100	1,237.14	100

22.9. FEEL was incurring losses on almost every such transaction even without considering the cost of handling and transportation charges for such transactions. The formula used to determine the loss incurred by FEEL is as follows: -

Sales Value - Purchase Value – LC (Letter of credit) opening charges, assuming LC opening charges to be @1.035% (0.90% +15% Service Tax) on the basis of the sanction dated 29/09/2017 issued by State Bank of India.

22.10. FEEL's turnover from traded goods increased from 36.23% during the period ended 31.07.2012 to 65.76% during the period ending 31.03.2018. The Company incurred total net loss of Rs.20.46 crores during period 01.04.2012 to 31.03.2018 from trading of goods, which is tabulated below: -

Table No.7

(Rs.in crores)

Particulars	Purchase Quantity (KGs)	Sale Quantity (KGs)	Sale Value (Rs)	Purchase Value (Rs)	Gross Profit (Rs)	LC Charges (Rs)	Net Profit/Loss
01.07.2012 to 30.06.2013	7.21	7.21	370.86	370.34	0.52	*	0.52
01.07.2013 to 30.06.2014	8.11	8.11	395.64	395.38	0.26	*	0.26
01.07.2014 to 30.06.2015	13.88	13.88	682.49	681.53	0.96	1.90	-0.94
01.07.2015 to 31.03.2016	13.90	13.90	619.83	618.11	1.72	3.09	-1.36
01.04.2016 to 31.03.2017	19.22	19.22	842.17	839.71	2.46	4.36	-1.89

Particulars	Purchase Quantity (KGs)	Sale Quantity (KGs)	Sale Value (Rs)	Purchase Value (Rs)	Gross Profit (Rs)	LC Charges (Rs)	Net Profit/Loss
01.04.2017 to 31.03.2018	17.14	17.80	813.49	827.41	-13.92	3.13	-17.05

22.11. FEEL was engaged in the trading of goods from two of its units namely — Delhi and Jaipur. While analysing the books of account and the limited physical documents provided by FEEL, with respect to the trading sales and purchases, Forensic Auditor noted following anomalies: -

- No weight receipt/delivery challans/ loading/ unloading slips/ purchase orders were attached with the invoice or made available to the Forensic Auditor for verification.
- Certain vehicle numbers as provided in the Bills were that of Bus/Three wheeler. Thus, the movement of goods did not take place.
- While the Company had purchased all traded goods on LC basis, the same were sold on clean credit which is not a normal business practice.
- The Company had made payments to almost all the vendors of traded goods in excess of amount of purchases.

22.12. Out of trading sales, debtors amounting to Rs 46.15 crores were noted to be fictitious as no movement of stock had happened and the same fact was substantiated by contents of Mr. Siddiqi's (Former CFO) – the Noticee No.1 letter dated November 10, 2018, wherein, Mr. Siddiqi had accepted the fake sales to increase turnover while stating as follows: -

"Turnover is the manipulated turnover and being managed through steel trading division which rotates within Group Companies with two-three outside companies to maintain top line to show desired drawing power to banks and this in itself is an alarming situation"

22.13. During the period August 14, 2014 to August 14, 2020, FEEL had entered into purchase transactions and sales transactions aggregating to Rs.4,504.98 crores and Rs. 5,234.60 crores, respectively. 83% of total purchase transactions and 77% of total sale transactions constituted

trading transactions. 65% (approx.) of total purchase transactions and 58% (approx.) of total sales transactions were concentrated in Steel Trading Division, as tabulated below: -

Table No.8 (Rs.in crores)

S. No.	Division	Division Code	Purchase	%	Sale	%
1	Steel Trading Division	1J	2,950.09	65%	3,024.89	58%
2	Steel Structure Division	1G	380.90	8%	558.98	11%
3	Power Division	1E & 1T	311.87	7%	469.72	9%
4	Export Division	1F	296.72	7%	321.20	6%
5	Air Conditioning Division	1L	265.43	6%	332.89	6%
6	Networking Division	1T	160.97	4%	243.79	5%
7	Air System Division	C1-C2	37.54	1%	54.58	1%
8	Wind Power Division	1R	36.65	1%	90.18	2%
9	Project Services Division	1M	32.22	1%	104.87	2%
10	Scaffolding Division	B1-B2	29.40	0%	33.26	0%
11	Marketing Division	1K	3.10	0%	-	-
12	Head Office Division	1A00	0.10	0%	0.24	0%
Total			4,504.99	100%	5,234.60	100%

22.14. Out of total trading transactions entered by FEEL, trading purchases aggregating to Rs. 1,678.17 crores and trading sales aggregating to Rs.1,937.72 crores were from RPTs and PILE, which is tabulated hereunder:-

Table No.9 (Rs.in crores)

S. No.	Name of Entity	Relationship	Trading Purchases	% of Purchase in Steel trading division	Trading Sales	% of sale in Steel trading division
1	Zenith Fabricators Pvt. Ltd. (ZFPL)	PILE	1,317.94	45%	107.99	4%
2	Punj Technology Pvt. Ltd. (PTPL)	PILE	101.64	3%	1,150.53	38%
3	LEEL Electricals Ltd. (LEEL)	Related Party	237.22	8%	104.15	3%
4	PSL Engineering Pvt. Ltd. (PSL)	Related Party	14.75	1%	327.91	11%
5	Airserco Pvt. Ltd. (APL)	Related Party	6.62	0%	247.14	8%
Total			1,678.17	57%	1,937.72	64%

22.15. Transaction Auditor noted following anomalies in transactions with RPTs and PILE: -

Table No.10 (Rs.in crores)

S. No.	Name of Entity	Anomalies
1	Zenith Fabricators	<ul style="list-style-type: none"> Public domain searches indicated that ZFPL does not have any websites. Also, the site visits and source

S. No.	Name of Entity	Anomalies
	Pvt. Ltd. (ZFPL)	<p>inquiries by the Transaction Auditor revealed that it is a potentially non-existent entity.</p> <ul style="list-style-type: none"> Also, Public domain searches indicated that Fedders and ZFPL are potentially interlinked through two directors of ZFPL i.e. Mr. Krishan Gopal Sharma and Ms. Renu Sharma, who also are the sole shareholders of ZFPL holding 5000 shares each. As per MCA, both these Directors are also holding directorship in a related party (i.e. Zenith Impex Pvt. Ltd.) and two PILE (i.e. Rajul Estate Pvt. Ltd. & Ready Sales Pvt. Ltd.) of Fedders. Further, the status of ZFPL is strike-off and the last financial information submitted by ZFPL was for FY 2015-16. However, Fedders had entered into transactions with ZFPL during FY 2016-17 and FY 2017-18. Also, the review of financial information submitted by ZFPL on the website of MCA for FY 2014-15 and FY 2015-16, reveals that Fedders was the sole customer of ZFPL during FY 2014-15 and a major customer of ZFPL during FY 2015-16.
2	Punj Technology Pvt. Ltd. (PTPL)	<ul style="list-style-type: none"> Public domain searches indicated that PTPL does not have any websites. Also, the site visits and source inquiries by the Transaction Auditor revealed that it is a potentially non-existent entity. Also, Public domain searches indicated that Fedders and PTPL are potentially interlinked through the past directors of PTPL and Ms. Kamla Butola (ex-employee of Fedders). On June 29, 2016, two directors of PTPL (i.e. Mr. Brij Raj Punj & Mr. Bharat Punj) transferred their entire share-holding (5,000 shares each) in PTPL to Ms. Kamla Butola and Mr. Ravindra Kumar Chopra. Further, Ms. Kamla Butola and Mr. Ravindra Kumar Chopra were also appointed as the Directors of PTPL. At the time of transfer of shares, Ms. Kamla Butola was an employee of Fedders, working as Executive, Human Resource, and Administration till May 01, 2019. Later, she was employed with LEEL. Further, it is noted that PTPL had disclosed Fedders as a Related Party, however, Fedders had not disclosed PTPL as its Related Party. As per MCA website, Fedders was the sole supplier of PTPL during FY 2014-15 and a major supplier of PTPL during FY 2015-16 & FY 2016-17.
3	LEEL Electricals Ltd. (LEEL)	<ul style="list-style-type: none"> Review of the sale and purchase register indicated that the purchase/sale invoices raised by/to LEEL were in sequential order.

S. No.	Name of Entity	Anomalies
		<ul style="list-style-type: none"> During FY 2016-17 and FY 2017-18, Fedders recorded adjustments transactions with the balances of seven Related Parties (PSL Engineering Ltd. ("PSL"), Punj Sons Pvt. Ltd. ("PSPL"), Punj Technology Pvt. Ltd. ("PTPL"), Perfect Radiators Pvt. Ltd. ("PFT"), Zenith Fabricators Pvt. Ltd. ("ZFPL"), Air Serco Pvt. Ltd. ("ASPL") & Ms. Renu Punj) which resulted in a net decrease in the payable balance of LEEL aggregating to Rs. 56 crores. Further, during FY 2018-19 Fedders had recorded adjustment transactions with the balances of 88 third parties which resulted in a net increase in the payable balance of LEEL aggregating to Rs. 14.29 crores. Further, it is noted that the book adjustments with 14 third parties represented ~96% (i.e. Rs. 13.68 crores) of such book adjustments.
4	PSL Engineering Pvt. Ltd. (PSL)	<ul style="list-style-type: none"> Public domain searches indicated that PSL does not have any websites. Also, the site visits and source inquiries by the Transaction Auditor revealed that it is a potentially non-existent entity. As per MCA website, Fedders was the sole supplier of PSL during FY 14-15 and a major supplier of PSL during FY 15-16. Review of the sale and purchase register indicated that the purchases/sales invoices raised by/to PSL were in sequential order. Fedders had recorded adjustment transactions with the balances of 5 third parties which resulted in a net increase in the payable balance of PSL aggregating to Rs. 8.81 crores.
5	Airserco Pvt. Ltd. (APL)	<ul style="list-style-type: none"> Public domain searches indicated that APL does not have any websites. Also, the site visits and source inquiries by the Transaction Auditor revealed that it is a potentially non-existent entity. As per MCA website, Fedders was the sole supplier of APL during FY 14-15 and a major supplier of APL during FY 15-16 to FY 16-17. Review of the sales and purchase register indicated that the purchase/sales invoices raised by/to APL were in sequential order.

22.16. For the below mentioned value of invoices, no records including name of transporter, truck number were available on the invoices. For 100% sample size of Jaipur unit, none of these records were available: -

Final Order in the matter of Fedders Electric and Engineering Limited

Table No.11

(Rs.in crores)

Delhi Unit		Jaipur Unit	
Name	Amount	Name	Amount
		Abide Electronics Pvt Ltd	0.48
Airserco Pvt Ltd	0.79	Airserco Pvt Ltd	2.61
Arjun ispat india pvt ltd	0.36		
Dish india pvt ltd	0.37		
Global Technocrate pvt ltd	0.82		
Growever Infra Corp.	0.34		
Lloyd Electric and Engineering Ltd	1.03	Lloyd Electric and Engineering Ltd	1.01
Magnum Steels Ltd	0.46		
Metal Techs	0.84		
PSL Engineering Pvt Ltd	0.50	PSL Engineering Pvt Ltd	2.02
		Punj Technology Pvt Ltd	2.94
Radiant Industries	0.60		
Ratna Metals	0.41		
Saurabh Buildcon pvt ltd	0.78		
Swarn Projectech pvt ltd	0.37		
		Yusuf	0.02
		Zenith Fabricators Pvt Ltd	0.45
Total	7.68	Total	9.51

III Analysis of Trade Payables and Receivables

22.17. As on March 31, 2018, FEEL had outstanding debtors amounting to Rs. 261.70 crores from 170 customers.

Table-12
Outstanding Debtors (Rs. in crores)

S.No.	Particulars	Amount
1	0-90 Days	49.34
2	91-180 Days	20.28
3	181-270 Days	19.00
4	271-365 Days	19.11
5	>365 Days	153.98
	Total	261.70*

* The above amount is gross of Expected Credit Loss amounting to Rs 6.53 Crores shown under the head other current liabilities in ABS for FY ending 31.03.2018.

22.18. The Forensic Auditor had sent balance confirmation letters to 32 debtors with a total outstanding of Rs. 221.16 crores (84.51% of total debtors as on 31.03.2018). Out of the 32, only 4 debtors (Rs. 20.67 crores) had confirmed and letters to 10 debtors (Rs. 49.10 crores) returned undelivered and 18 debtors (Rs. 149.37 crores) did not respond.

22.19. The Forensic Auditor had sent balance confirmation letters to 51 creditors with a total outstanding of Rs. 209.87 crores (65% of total creditors as on 31.03.2018). Out of the 51, only 5 creditors (Rs. 4.89 crores) had fully acknowledged the amounts payable to them. While 3 creditors (Rs. 6.25 Crores) partially acknowledged the amounts due. Letters sent to 10 creditors returned undelivered. Remaining creditors did not respond.

22.20. During the FY ending 31.03.2017 and 31.03.2018 (provisional), the Company had written off debtors amounting to Rs. 8.04 Crores and 95.61 crores, respectively. However, FEEL had provided to the Forensic Auditor, the details only in respect of bad debts amounting to Rs. 88.43 Crores. Further, FEEL had not provided to the Forensic Auditor, the basis for writing off such debtors for which the Forensic Auditor had not received any documentation from the Company.

22.21. As on August 14, 2019, total trade receivables from 240 parties aggregated to Rs.389.57 crores, of which approx. 92% (Rs. 359.35 crores) pertained to trade receivables from 20 parties. Further, the receivable outstanding for more than one year aggregated to approx. 41% of total receivables (Rs. 161.09 crores).

22.22. Out of the total trade receivables, approx. 68% (Rs. 243.83 crores) were receivable from 7 entities (Zenith Fabricators Pvt. Ltd., MHJ Metals Techs Pvt Ltd, Abide Electronics Pvt. Ltd., Arjun Ispat India Private Limited, Ferrite Alloys Inc., Daga Trading Company Pvt. Ltd. & SK Metals India) which pertained to the Steel Trading Division at Jaipur and Okhla location.

22.23. The Transaction Auditor noted following anomalies

a) **Arjun Ispat Pvt. Ltd. ("AIPT")**

- During the period between May 2015 to Aug 2015, FEEL had entered into trading sales transactions amounting to Rs.13.08 crores with AIPT. Further, review of the sales register indicated that all the 140 invoices raised by FEEL to AIPT were in sequential order.

- Long outstanding receivable balance aggregated to Rs. 9.02 crores from AIPT since May 2016.
- Public domain searches indicated that AIPT did not have any website. Further, as per the MCA records, as on 17 June 2019, the status of AIPT was under liquidation. Confirmation letter of receivable balance on the registered office address of AIPT returned undelivered.
- No supporting documents such as copies of contract/ agreement, sample sales invoices along with underlying supporting documents and correspondences/ follow up actions taken by the company for recovery of balances were provided to the Transaction Auditor.

b) **Daga Trading Company Pvt. Ltd. (“DTCPL”)**

- During FY 2016-17 and FY 2017-18, FEEL entered into trading sales transactions aggregating to Rs. 33.67 crores with DTCPL. Further, as on 14 Aug 2019, the receivables from DTCPL aggregated to Rs. 3.87 crores which were receivable for more than one year.
- Review of the books of accounts indicated that as on 31 March 2018, Fedders had recorded adjustment transactions, wherein, the receivable balance from DTCPL, aggregating to Rs. 0.86 crores, were transferred to the receivable from MHJ Metal Tech Pvt. Ltd.
- Transaction Auditor was not provided with the critical supporting documents such as copy of contract/ agreements, sample sales invoices along with underlying supporting documents, reason / justification for book adjustments and follow-up communications for recovery of receivable balances.

22.24. Transaction Auditor had sent balance confirmation letters to 20 debtors. While 14 debtors did not respond. The letters sent to 6 debtors returned undelivered due to incomplete address/ address not found.

22.25. For 90.66% of the sample by amount and 87.5% by number of debtors and in case of creditors, 97.5% by amount, letters had either returned undelivered or they did not respond. Also, approx. 68% were receivables from 7 related / connected entities.

22.26. During the period FY 2015-16 to FY 2018-19, FEEL had written off receivable balances, aggregating to Rs. 113.59 crores. Out of the above, Rs. 97.81 crores (~86%) pertaining to 705 customers, were written-off during FY 2017-18. Further, the top 20 customers contributed ~78% (Rs. 76.23 crores) of total write-offs.

Table-13

Table: Debtors written off

(Rs. in crores)

Particulars	01.07.2012 to 30.06.2013	01.07.2013 to 30.06.2014	01.07.2014 to 30.06.2015	01.07.2015 to 31.03.2016	01.04.2016 to 31.03.2017	01.04.2017 to 31.03.2018	01.04.2018 to 31.03.2019	Total
Bad Debts	0.05	-	-	-	8.04	97.81	2.79	113.59
Provision for Doubtful Debts	-	0.06	-	4.95	-	-	-	-
Total	0.05	0.06	0.00	4.95	8.04	97.81	2.79	113.59
Total	0.05	0.06	0.00	4.95	8.04	97.81	2.79	113.59

Note: The Company had made provision for Expected Credit Loss against trade receivables amounting to Rs 6.53 Crores shown under the head other current liabilities in ABS for FY ending 31.03.2018.

22.27. The Statutory Auditor had qualified the Audit report for the year ended 31/3/2018 which reads as follows: -

“We sought External Confirmation from the top 10 customers and vendors for the year ended 31.03.2018 which we could not conclude because of confirmations not received from most of the parties, therefore we cannot satisfy ourselves for the balances of parties appearing in the Financial Statements. In view of these, read along with our comments mentioned in Point 1, and considering that the Company does not have process in place to perform periodical reconciliation of balances with customers and vendors we were unable to comment on recoverability of account receivable balance and advance given to suppliers and completeness of account payable balances.”

“Further, the balance confirmation from one of the vendor “POSCO India Holdings Private Limited formerly known as “POSCO India Chemical Steel Processing Centre Private Limited” has been received which is showing a difference of Rs 0.25 Crores.”

“The Company has done assignment of debt (i.e. Transfer of Debt, and all the associated rights and obligations from a creditor to a third party) during the FY 2017-18 with regard to Related Party Transactions. It has resulted into reduction debtors and creditors by Rs. 94.87 Crores”

IV Analysis of Advances Payable and Receivable

22.28. As on August 14, 2019, the advances receivable from 566 vendors aggregated to Rs. 22.57 crores, of which approx. 68% (Rs. 15.42 crores) pertained to advances receivable from 18 vendors.

22.29. Following anomalies were noted in transactions with six (6) vendors with advances aggregating to Rs. 10.67 crores.

Table -14

S. No.	Vendor Name	Nature of Transactions	Amount (Rs. in crores)	Observations
1	Vardhman Precision Profiles and Tubes Pvt. Ltd. ("VPTPL")	Unable to ascertain due to limited information	3.27	<ul style="list-style-type: none"> Advances long outstanding since 2011. Public domain searches indicated that the VPTPL does not have any website. Letter sent for balance confirmation on the registered office address of VPTPL returned undelivered due to incomplete address/ address not found.
2	Easykonnnect	Advance for Dubai Solar Project	2.00	<ul style="list-style-type: none"> An amount aggregating to Rs. 2 crore paid during the period between Feb 2017 to Aug 2017 Public domain searches indicated that Easykonnnect does not have any website. Further, the address of the entity was not available in the vendor master.
3	Beacon Skillvantage	Advance for Dubai Solar Project	1.90	<ul style="list-style-type: none"> During the period between March 2017 to Aug 2017, an amount aggregating to Rs. 1.90 crore was paid to Beacon Skillvantage for Dubai Solar Project. Public domain searches indicated that Beacon Skillvantage does not have any website. Further, the address of the entity was not available in the vendor master.
4	Laser Cables Pvt. Ltd. ("LCPL")	Unable to ascertain due to limited information	1.48	<ul style="list-style-type: none"> Advances long outstanding since 2012. Public domain searches indicated that the name of LCPL was changed to Laser Power & Infra Pvt. Ltd. and is situated at Kolkata. Further, the company is also having operational web-presence (website). No response with respect to the independent verification of balances on the registered office address of LCPL i.e. 4A, Pollock Street, 3Rd Floor, Kolkata, West Bengal.
5	M K Steel Traders	Purchase of trading goods	1.43	<ul style="list-style-type: none"> All the purchases made from M K Steel were from Jaipur and Delhi location of steel trading division All the invoices were sequential in order Potentially non-existing entity

S. No.	Vendor Name	Nature of Transactions	Amount (Rs. in crores)	Observations
6	V.K Sood Engineers & Contractors Pvt. Ltd. ("VKS")	Unable to ascertain due to limited information	0.59	<ul style="list-style-type: none"> Advance long outstanding since 2013. Independent verification of advances on the registered office address of VKS i.e. H. N. 1181, Indira Colony, Manimajara, Chandigarh, stated that the company owed an amount aggregating to Rs. 4.87 crores to VKS. Further, it was also noted VKS had submitted its claim amounting to Rs. 4.87 crores to RP, however, the same was not admitted.
Total			10.67	

22.30. The advances given by FEEL to six suppliers aggregating to Rs. 10.67 crores appeared to be non-recoverable. The Transaction Auditor noted multiple anomalies such as non-availability of critical supporting documentation, no follow-up action taken by the management, non-availability of contact details/ addresses of the suppliers, adverse independent balance confirmation. The Transaction Auditor had not ruled out the possibility of these transactions being potentially fraudulent/ wrongful trading transactions and non-compliant as per Section 66 of IBC.

V Inflation of Inventory

22.31. On comparison of the stock statements with stock register and audited balance sheets as on 30.6.2013, 30.6.2014, 30.6.2015, 31.03.2016, 31.03.2017 and provisional balance sheet dated 31.3.2018, it was noted that value of stock as reported in the stock statements & the audited balance sheet was significantly higher than the value of stock as per the stock register.

Table-15

Table:

(Rs in crores)

S.No	Particulars	30.06.2013	30.06.2014	30.06.2015	31.03.2016	31.03.2017	31.03.2018
1	Stock Statements	*	404.30	378.54	398.56	403.09	420.28
2	Balance Sheets	287.51	404.59	416.26	393.89	379.81	82.33
3	Stock Register	103.9	92.09	122.38	117.97	105.52	82.33
4	Difference (1-3)	*	312.21	256.16	280.59	297.57	337.95
4	Difference (1-2)	*	-0.29	-37.72	4.67	23.28	337.95

* Stock Statement of June 2013 was not provided to the Forensic Auditor by the Management or the bank.

*Stock Statements for 25.03.2016 and 25.03.2018 was available and hence they have been considered.

22.32. FEEL used to pass dummy journal entries in its accounting software (SAP) through JV vouchers. These dummy entries inflated the quantity and the value of stock appearing in the Trial Balance. However, the stock register which was an automated inventory reporting tool of SAP was not affected by such dummy entries. The Forensic Auditor was not provided with the list of such JV Vouchers by FEEL.

22.33. There were no audit qualifications with respect to the same until FY 2016-17. However, during the FY 2017-18, the Management of FEEL had acknowledged the difference in actual value of stock as compared to the value disclosed in the Financial Statements. Mr. Rajeev Kumar Bansal (CFO) in his letter dated 25.10.2018 to Mr. Siddiqi (former CFO and WTD) inquired about discrepancies in the value of closing stock as disclosed to the banks. In response to this letter, Mr. Siddiqi in his letter dated 10.11.2018 had accepted such manipulation in the books of accounts

22.34. Closing stock was overvalued until FY 2016-17 but for FY 2017-18 FEEL disclosed the correct value of the closing stock. As a result, the Cost of Goods Sold (COGS) to sales ratio had increased from 84.64% in F.Y. 2016-17 to 118.17% in F.Y. 2017-18, as tabulated below: -

Table-16

Table:		(Rs in crores)				
Particulars	As on 30.06.2013	As on 30.06.2014	As on 30.06.2015	As on 31.03.2016	As on 31.03.2017	As on 31.03.2018
Cost of Goods Sold	807.45	932.23	1,083.99	851.87	1145.64	1,462.03
Income from operations (Sales)	1,015.60	1,160.34	1,316.17	1,030.94	1,353.58	1,237.15
COGS to Sales Ratio (%)	79.50	80.34	82.36	82.63	84.64	118.17

22.35. The statutory auditor of FEEL for the FY 2017-18 had stated following reservation in his 'Basis for Disclaimer of Opinion Paragraph':

"Attention is invited to Note No 27 of the Financial Statements which states the Cost of Material Consumed during the financial year. There has been a significant change in the pattern of consumption of Raw Material in the 4th quarter. As extracted and computed from the published quarterly results for the first 3 quarters, average rate of consumption of raw material is around 86% which has drastically increased to 138% in the 4th quarter. Further, management has not provided any satisfactory explanations and documentary evidences to justify the above variation in the consumption pattern. Therefore, we were unable to comment on the possible adjustment in the Cost of Material Consumed."

"We were appointed as auditor of the Company after 31.03.2018 and thus could not observe the counting of physical inventories at the beginning and end of the year. The Company has also NOT maintained proper records including reconciliation of goods purchased/sold in terms of quantity and value. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31.03.2018 and 31.03.2017 which are valued at Rs 82.33 Crores and Rs 379.81 Crores respectively. Therefore, we were unable to determine any possible adjustments that might have been found necessary in respect of recorded or unrecorded inventories and the elements making up the Statement of Profit and Loss."

22.36. Comparison of debtors, as disclosed in balance sheets, and debtors, as per the stock statements, indicated that the debtors outstanding for less than 90 days (as per the stock statements) were more than debtors outstanding for less than 6 months (as per the Audited Balance Sheet). This showed that FEEL had inflated the debtors in the stock statements.

Table-17

Table: Comparison of debtors

(Rs. in crores)

S.No	As on 30.06.2013	As on 30.06.2014	As on 30.06.2015	As on 31.03.2016	As on 31.03.2017	As on 31.03.2018
Balance Sheet (Less than 180 Days)	287.3	309.6	379.84	363.42	375.78	*261.7
Stock Statements (Less than 90 Days)	Not available	332.92	373.06	370.18	405.13	313.67

* The above amount is gross of Expected Credit Loss amounting to Rs 6.53 Crores shown in ABS for FY ending 31.03.2018

22.37. During FY 2017-18, FEEL had written off the inventory aggregating to Rs. 297.48 crores through multiple JV entries recorded on 31 March 2018.

Table-18

Table:

(Rs. in crores)

Category	Closing balance of inventory as on 31 March 2017	Closing balance of inventory as on 31 March 2018	Reduction (write-off) in inventory
Work in progress	193.89	5.65	188.24
Raw Material	142.33	71.48	70.85
Finished Goods	43.13	4.92	38.21
Stock-in-transit	0.46	0.28	0.18
Total	379.81	82.33	297.48

22.38. The Transaction Auditor was not provided with the critical supporting documentation such as the break-up of item-wise inventory classification, basis of reduction, physical stock verification report, consumption details, etc. Hence, based on the work procedures carried out and the information provided, the Transaction Auditor noted that FEEL had written off the inventory, for which no supporting documentation/ clarification was provided. Further, this was also highlighted by the Statutory Auditor during the audit of FY 2017-18.

22.39. For FY 2017-18, the Management of FEEL had acknowledged the difference in actual value of stock as compared to the value disclosed in the financial statements during the period under audit. No rationale /reply had been given to the Forensic Auditor for the differences appearing in the actual value of stock appearing in the Stock Registers as compared to the value submitted in Stock Statements.

VI Transactions with M/s Mindage Solutions Pvt. Ltd. ("MSPL") towards consultancy charges:

22.40. During the period April 2017 to June 2017, FEEL had entered into transactions with MSPL for an amount aggregating to Rs. 5.55 crores towards consultancy charges for marketing activity. FEEL made the following payments aggregating to Rs. 5.17 crores (net of taxes) to MSPL

Table-19

Table: (Rs. in crore)				
S. No.	Date	Bank Name	Bank Account No.	Amount
1	21-Apr-2017	SBOP	55055198033	2.07
2	8-May-2017	SBI	10277791569	2.05
3	3-Jun-2017	SBOP	55055198033	1.05
Total				5.17

22.41. Public domain searches indicated that FEEL and MSPL were PILE through a common director i.e. Mr. Nipun Singhal, who was also holding directorship in LEEL Electricals Limited (Related Party) during the period May 2013 to May 2017.

22.42. The following anomalies were noted in vendor on-boarding process and transactions with MSPL:

- a) **Different line of business:** Public domain searches indicated that MSPL primarily dealt in software publishing, consultancy and supply of software. However, FEEL had engaged MSPL for consultancy services pertaining to marketing activities which were not in line with nature of services/ business provided by MSPL.
- b) **No comparative quotations and price discovery:** FEEL had not obtained any quotations or comparative quotations from the vendor(s) to ascertain the market price of the services.
- c) **Significant increase in the revenue of MSPL:** As per MCA website, there was a significant increase (~37 times from average of previous two years) in the revenue of MSPL during FY 2017-18. The company had entered into transactions aggregating to Rs. 5.55 crores which indicated that FEEL was the major customer of MSPL.

Table-20

Table: (Rs. in crores)				
S. No	Period	Revenue of MSPL	Transactions with MSPL	% contribution
1	FY 2015-16	0.24	-	-
2	FY 2016-17	0.26	-	-
3	FY 2017-18	9.61	5.55	58%

- d) **Limited vendor credential available:** The Transaction Auditor noted that critical vendor details were not maintained (i.e. PAN, Contact Details, VAT / Service Tax number, Bank details etc.)
- e) **Invoice/ Payment approved by unauthorized personnel:** The Transaction Auditor was informed by the management of FEEL that the

invoices were approved by Ms. Anita Kakar Sharma- Noticee No.5, though she was not authorized to approve such transactions. Ms. Anita was an employee and Company Secretary of LEEL from April 2006 to December 2018.

- f) **Potential non-existence of MSPL:** Public domain searches indicated that MSPL did not have any website. Transaction Auditor had tried to establish contact with the representatives of MSPL on the contact details (i.e., 0240-24XX385 and +91 932623XXX9) mentioned on the invoice of MSPL. However, the contact number 0240-24XX385 was not existent (incorrect number) and +91 9326231999 was not reachable.
- g) **Non-availability of critical supporting documents:** Apart from the copies of invoices, the critical supporting documentation such as copy of agreement, vendor on boarding documents, quotations received from other parties for price benchmarking, supporting documents to proof of service delivered by vendor had not been provided to the Transaction Auditor by the Company.

22.43. Transaction Auditor noted multiple anomalies in the transactions with MSPL such as non-availability of supporting documentation, no comparative quotations obtained for price discovery, invoices approved by unauthorised personnel etc.

VII Related Party Transactions And Disclosure Violation

22.44. As per Regulation 23(2) of LODR Regulations, all related party transactions require Audit Committee (“AC”) approval. However, the members of AC and the Company Secretary, in their deposition before SEBI have submitted that no AC meeting has ever taken place in FEEL except for one-two times. Only the minutes of the meeting were circulated. The Company failed to provide the details of AC meetings to the Forensic Auditor and Transaction Auditor. This showed that there was never a prior approval of the AC for any of the related party transactions that FEEL had entered into.

22.45. FEEL had not disclosed significant related party transactions in its financial statements. Such transactions majorly included purchase and

sale of traded goods, payments made, payments received and inter-party transfers.

22.46. Neither there was any disclosure of advances given to related parties nor of advances received from related parties in any of the financial statements from the period dated June 30, 2012, to March 31, 2017.

22.47. FEEL had transferred the balances of one related party to another with the purpose of matching books of accounts with financial statements for the FY ended March 31, 2017 which had NIL disclosure of any balance due to or due from related parties. The management had not given the basis on which inter party adjustments were made.

22.48. The statutory auditor of FEEL for the FY 2017-18 had stated the following reservation in his Basis for Disclaimer of Opinion Paragraph:

“The Company has done assignment of debt (i.e. Transfer of Debt, and all the associated rights and obligations from a creditor to a third party) during the FY 2017-18 with regard to Related Party Transactions. It has resulted into reduction debtors and creditors by Rs. 94.87 Crores”

22.49. The following inconsistencies w.r.t. related party transactions/disclosures were noted:

Table-21

Table:

Sl. No.	Related party	KMPs	Shareholders	Observations
1	Fedders Lloyd Trading FZE (FLTf)	Mr. Brij Raj Punj (Director) Mr. Mukat Behari Sharma (Director)	Fedders Lloyd Corporation Limited - 100%	<ul style="list-style-type: none"> In the books of FLTf, Revenue from operations were recorded for FY 2014-15 only Also, during the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 Fedders has not disclosed any transactions with FLTf. However, in books of FEEL, sales of Rs. 0.43 crores were recorded in FY 2012-13. Advances of Rs. 0.43 & Rs. 1.48 crores were received in FY 2012-13 & FY 2013-14 respectively. Also inter-company/party settlement of Rs. 0.01 crores & Rs. (0.02) crores were noted in FY 2012-13 & FY 2016-17 respectively Further, the Statutory Auditor in its Audit Report for FY 2017-18 had stated that: “In relation to the “subsidiary financial statement”, the Entity has not carried out any commercial activity during the last 3 years and incurred a net loss of Rs. 1.76 crores (AED 993,133) during the year ended March 31, 2018 and had accumulated a net loss of Rs. 4.75 crores (AED 2,681,980) as of that date. The entity has also an equity deficit and negative working capital of Rs. 1.93 Crores (AED 1,086,456). The commercial license of the entity has expired on March 05, 2018 and has not been renewed till date. The Subsidiary’s auditor has not been provided with sufficient appropriate evidence to satisfy themselves about the nature and recoverability of a deposit balance of Rs 11.30 crores (AED 733,102).”
2	Airserco Private Limited	Mr. Shiv Kumar	Fedders sales Private Limited	<ul style="list-style-type: none"> Public domain searches indicated that APL do not have any website. Also, the site visits and source inquiries by TA revealed that it is a

Final Order in the matter of Fedders Electric and Engineering Limited

Sl. No.	Related party	KMPs	Shareholders	Observations
		Sharma (Director) Ms. Rita Joshi (Director) Ms. Madhvi Sharma (Company Secretary)	- 39.78% Zenith Impex Pvt Ltd - 20.00% Bharat Raj Punj - 14.00% Brij Raj Punj - 21.59%	<p>potentially non-existent entity. Also, the purchase/sales invoices raised by/to APL were in sequential order.</p> <ul style="list-style-type: none"> Further, as per MCA website, Fedders was the sole supplier of APL during FY 2014-15 and a major supplier of APL during FY 2015-16 to FY 16-17. During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 Fedders has not disclosed any transactions with APL. However, in the books of FEEL, Sales of Rs. 443.16 crores and Purchases of Rs. 7.81 crores were recorded with no corresponding receipts or payments. Also, advances worth Rs. 400.4 crores were received & Rs. 64.44 crores were paid. Intercompany/party settlement of Rs. 31.97 crores & Rs. (96.23) crores were noted during the IP
3	Perfect Radiators & Oil Coolers Pvt. Ltd	Mrs. Priya Pandey (Company Secretary) Mrs. Madhu Bhaskar (Director) Mr. Ashok Kumar Sharma (Director)	Fedders sales Private Limited - 40.00% Fedders Manufacturing Private Limited - 25.00% Airserco Private Limited - 12.50% Bharat Raj Punj - 8.75% Brij Raj Punj - 7.56% Renu Punj - 6.19%	<ul style="list-style-type: none"> During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 Fedders has not disclosed any transactions with PROC. However, in the books of FEEL, Sales of Rs. 6.01 crores and Purchases of Rs. 85.5 crores were recorded with corresponding receipts of Rs. 6.45 crores and payments of Rs. 95.23 crores. Advances worth Rs. 308.1 crores were received & Rs. 60.31 crores were paid. Also intercompany/party settlement of Rs. 173.62 crores & Rs. (5.02) crores were noted during the IP
4	PSI Engineering Pvt. Ltd	Mr. Mohan Singh Rawat (Director) Mrs. Rita Joshi (Director) Mr. Shagun Bajpai (KMP)	Fedders sales Private Limited (Formerly Lloyd Sales Pvt Ltd) - 40.00% Fedders Manufacturing Private Limited (Formerly Lloyd Manufacturing Pvt Ltd) - 25.00% Airserco Private Limited - 12.50% Bharat Raj Punj - 8.75% Brij Raj Punj - 7.56% Renu Punj - 6.19%	<ul style="list-style-type: none"> Public domain searches indicated that PSL do not have any website. Also, the site visits and source inquiries by the TA revealed that it is a potentially non-existent entity. Also the purchases/sales invoices raised by/to PSL were in sequential order. Further, as per MCA website, Fedders was the sole supplier of PSL during FY 14-15 and a major supplier of PSL during FY 15-16. During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017, the company has disclosed only 0.4 crores, 2.43 crores and 5.12 crores sales & only 0.71 crores, 0.09 crores & 0.02 crores purchases with PSL as related party transactions. However, in the books of FEEL, Sales of Rs. 582.16 crores and Purchases of Rs. 23.49 crores were recorded with corresponding receipts of Rs. 472.81 crores and payments of Rs. 12.5 crores. Also, advances worth Rs. 27.71 crores were received & Rs. 72.3 crores were paid. Also inter-company/party settlement of Rs. 214.74 crores & Rs. (291.82) crores were noted during the IP
5	LEEL Electricals Limited	Mr. Surjit Krishan Sharma (Director) Mr. Bharat Raj Punj (Managing Director) Mr. Archin Kumar Roy (Director) Mr. Ajay Dogra (Director) Mrs. Geeta	Fedders sales Private Limited (Formerly Lloyd Sales Pvt Ltd) - 8.22% Fedders Manufacturing Private Limited (Formerly Lloyd Manufacturing Pvt Ltd) - 5.59% Airserco Private Limited - 8.20% PSL	<ul style="list-style-type: none"> The purchase/sale invoices raised by/to LEEL were in sequential order. During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017, the company has disclosed only 45.54 crores, 21.52 crores and 59.72 crores sales and only 9.36 crores, 6.58 crores & 13.26 crores purchases with LEEL as related party transactions. Also, Fedders has disclosed Rs. 16.91 crores as security deposits for FY ended 30.06.2015 However, in the books of FEEL, Sales of Rs. 425.25 crores and Purchases of Rs. 790.37 crores were recorded with corresponding receipts of Rs. 425.25 crores and payments of Rs. 785.64 crores. Also, advances worth Rs. 1193.64 crores were received & Rs. 632.74 crores were paid. Also inter-company/party settlement of Rs. 423.65 crores & Rs. (9.38) crores were noted during the IP

Sl. No.	Related party	KMPs	Shareholders	Observations
		Ajit Tekchand (Director) Mr. Mukat Behari Sharma (Director) Mr. Ramesh Kumar Vasudeva (Director) Mrs. Deepti Sahaj (Director) Mrs. Anita Kakkar (VP Finance & CS)	Engineering Private Limited - 9.21%	
6	Regal Information Technology Pvt. Ltd. (RITPL)	Mrs. Rita Joshi (Director) Mr. Shiv Kumar Sharma (Director)	Mr. Brij Raj Punj - 59.28% Mrs. Renu Punj - 35.68 % Mr. Bharat Raj Punj - 5.04%	<ul style="list-style-type: none"> Public domain searches indicated that RITPL does not have any website. Also, the site visits and source inquiries by the Transaction Auditor revealed that it is a potentially non-existent entity. During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 Fedders has not disclosed any transactions with RITPL. However, in the books of FEEL, Purchases of Rs. 0.08 crores were recorded with corresponding payments of Rs. 0.08 crores. Also, advances worth Rs. 2.86 crores were received & Rs. 6.29 crores were paid. Inter-company/party settlement of Rs. 2.21 crores & Rs. (2.62) crores which involves "Job Project" were also noted during the IP.
7	Fedders Credits Limited (Formerly Lloyd Credit Limited)	Mr. Bharat Raj Punj (Director) Mrs. Rita Joshi (Director) Mr. Shiv Kumar Sharma (Director)	Fedders sales Private Limited - 17.00% Himalayan Minerals Waters Pvt Ltd - 17.00% Fedders Manufacturing Private Limited - 13.00% Fedders Electric & Engineering Ltd - 10.00% Renu Punj - 16.00% Brij Raj Punj- 7.00% Perfect Radiators and Oil Coolers Pvt Ltd - 17.00%	<ul style="list-style-type: none"> During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 Fedders has not disclosed any transactions with Fedders Credit Limited. However, in the books of FEEL, advances worth Rs. 1.94 crores were received & Rs. 2.33 crores were paid. Also intercompany/party settlement of Rs. 1.05 crores & Rs. (0.77) crores were noted during the IP.
8	Fedders Sales Private Limited (Formerly Lloyd Sales Private Limited)	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Mr. Brij Raj Punj - 33.47% Mrs. Renu Punj - 16.72% Mr. Bharat Raj Punj - 16.57% Mrs. Maya Rani Punj - 16.57% Ms. Bhavana Sareen - 7.46% Ms. Brinda Jajoo - 7.46%	<ul style="list-style-type: none"> Public domain searches indicated that FSPL do not have any website. Also, the site visits and source inquiries by the TA revealed that it is a potentially non-existent entity. As per MCA records, FSPL was non-complaint and the date of last Financial Statements submitted was March 31, 2017. During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 the company has not disclosed any transactions with Fedders Sales Private Limited. However, in the books of FEEL, advances worth Rs. 7.89 crores were received & Rs. 0.28 crores were paid. Also inter-company/party

Sl. No.	Related party	KMPs	Shareholders	Observations
				settlement of Rs. 17.69 crores & Rs. (10.73) crores which involves "Job Project" is noted in IP.
9	Himalayan Minerals Waters Pvt. Ltd.	Mr. Mohan Singh Rawat (Director) Mr. Kamla Butola (Director)	Brij Raj Punj (HUF) - 15.00% Fedders Manufacturing Pvt. Ltd.- 17.00% Fedders Aircool Pvt Ltd- 17.00% Airserco Pvt Ltd - 17.00% Renu Punj - 19.00% Pandit Kanahaya Lal Punj Pvt Ltd - 17.00%	<ul style="list-style-type: none"> Public domain searches indicated that HMWPL do not have any website. Also, the site visits and source inquiries by the TA revealed that it is a potentially non-existent entity. It is noted that HMWPL is engaged in the business of manufacturing of beverages. However, one of the KMPs, in his deposition to SEBI stated that HMWPL was not doing any water business but was only holding lands in its name. Further, employee master indicated that the directors of HMWPL were ex-employees of Fedders. As per MCA records, FSPL was non-complaint and the date of last Financial Statements submitted was March 31, 2017. The revenue from operations of HMWPL was solely from lease rental and did not have any other business income. Further, it is noted that the total lease rental income of HMWPL for FY 15-16 and FY 16-17 was solely contributed by Fedders. Fedders, in its books, has disclosed only Rs. 0.2 crores, 0.19 crores and 0.18 crores rent paid as related party transactions with HMWPL during the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 respectively. However, in books of FEEL, lease of Rs. 1.09 crores were recorded with a corresponding payment of 3.9 crores. Advances of Rs. 20.26 crores were received and Rs. 11.37 crores were paid. Also intercompany/party settlement of Rs. 12.46 crores which involves "Job Project" is noted in IP.
10	Fedders Aircool Private Limited (Formerly Lloyd Aircon Private Limited)	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Bharat Raj Punj - 16.00% Fedders Sales Pvt. Ltd. (Formerly Known as Lloyd Sales Pvt. Ltd.) - 17.00% Fedders Credits Pvt Ltd (Formerly Known as Lloyd Credits Pvt Ltd) - 17.00% Airserco Pvt Ltd - 17.00% Renu Punj - 13.00% Perfect Radiators and Oil Coolers Pvt Ltd - 17.00%	<ul style="list-style-type: none"> During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 the company has not disclosed any transactions with Fedders Aircool Private Limited. However, in the books of FEEL, advances worth Rs. 54,000 were received & Rs. 68,000 were paid.
11	Fedders IT Technology Pvt. Ltd (Formerly Lloyd It Technology Private Limited)	Mr. Shiv Kumar Sharma (Director) Mr. SS Dhawan (Director) Mr. Manohar Tharani (Director) Anil Kumar	Fedders Sales Pvt. Ltd. (Formerly Known as Lloyd Sales Pvt. Ltd.) - 30.00% Fedders Infotech Pvt Ltd - 10.00% Regal Information Technology Pvt Ltd - 10.00%	<ul style="list-style-type: none"> During the 3 FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 the company has not disclosed any transactions with Fedders IT Technology Private Limited. However, in books of FEEL, Advances of Rs. 9,000 were received and Rs. 1.328 crores were paid. Also intercompany/party settlement of Rs. 7.22 crores & Rs. (7.22) crores which involves "Job Project" is noted in IP.

Sl. No.	Related party	KMPs	Shareholders	Observations
		Vaswani (Director)	Mrs. Renu Punj - 50.00%	
12	Fedders Infotech India Pvt Ltd (Formerly Lloyd Infotech India Private Limited)	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Mr. Brij Raj Punj - 50.00% Mrs. Renu Punj - 50.00%	<ul style="list-style-type: none"> During the 3 FYs viz 30.06.2015, 31.03.2016 and 31.03.2017 the company has not disclosed any transactions with Fedders Infotech Private Limited. However, in books of FEEL, purchases of Rs. 1.07 crores were recorded with a corresponding payment of 0.9 crores. Advances of Rs. 0.44 crores were received and Rs. 0.22 crores were paid. Also intercompany/party settlement of Rs. (1.07) crores which involves "Job Project" is noted in IP.
13	Fedders Stock & Investment Pvt Ltd (Lloyd Stock And Investment Private Limited)	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Brij Raj Punj - 16.67% Lloyd Manufacturing Pvt Ltd - 16.67% Perfect Radiators & Oil Coolers Pvt Ltd - 16.67% Mrs. Renu Punj - 16.67% Lloyd Aircon Pvt Ltd - 16.67% Himalayan Mineral waters Pvt Ltd - 16.67%	<ul style="list-style-type: none"> During the 3 FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 the company has not disclosed any transactions with Fedders Stock & Investment Private Limited. However, in books of FEEL, payment of expenses Rs. 30,000, Advances of Rs. 1.2 crores were received and Rs. 46,000 were paid.
14	Punj Engineering Pvt. Ltd.	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Brij Raj Punj - 50.00% Mrs. Renu Punj - 50.00%	<ul style="list-style-type: none"> During the 3 FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 under the scope of audit the company has not disclosed any transactions with Punj Engineering Private Limited. However, in books of FEEL, Advances of Rs. 0.01 crores were paid and intercompany/party settlement of Rs. (0.01) crores is noted in IP
15	Punj Services Private Limited	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Mr. Brij Raj Punj - 74.38% Mrs. Renu Punj - 25.62%	<ul style="list-style-type: none"> During the 3 FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 under the scope of audit the company has not disclosed any transactions with Punj Services Private Limited. However, in books of FEEL, intercompany/party settlement of Rs. (77.71) crores which involves "Job Project" is noted in IP
16	Pandit Kanahya Lal Punj Pvt. Ltd.	Mr. Brij Raj Punj (Director) Mr. Bharat Punj (Director)	Lloyd Sales Pvt Ltd -17% Mrs. Renu Punj - 16% Fedders Credits Ltd (Formerly known as Lloyd Credits Ltd) - 17 % Perfect Radiators and Oil Coolers Pvt Ltd - 17 % Fedders Aircool Pvt Ltd (Formerly Known as Lloyd Aircon Pvt Ltd)- 17 % Fedders Stock & Investment	<ul style="list-style-type: none"> Public domain searches indicated that PKLPPL do not have any website. Also, the site visits and source inquiries by the TA revealed that it is a potentially non-existent entity. Also, as per MCA records, the status of PKLPPL was non-complaint and the date of last Financial Statements submitted was March 31, 2017. During the 3 FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 the company has not disclosed transactions with Pandit Kanahya Lal Punj Private Limited. However, in books of FEEL, intercompany/party settlement of Rs. 3.69 crores, Advances of Rs. 0.32 crores were received and Rs. 1.96 crores were paid during the IP

Sl. No.	Related party	KMPs	Shareholders	Observations
			Pvt Ltd (Formerly known as Lloyd Stock & Investment Pvt Ltd) - 17%	
17	Pandit Kanahya Lal Punj Trust			<ul style="list-style-type: none"> During the IP, donations worth Rs. 1.98 Cr was made to PKLPT and no prior AC approvals were taken and no documents including donation receipts, details of end use of donations were provided to the Transaction Auditor. Fedders, in its books, has disclosed only Rs. 0.56 crores, 0.08 crores and 0.33 crores donation given as related party transactions with PKLPT during the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 respectively. However, in books of FEEL, purchases of Rs. 0.01 crores were recorded with a corresponding payment of Rs. 30,000. Also, Advances of Rs. 0.18 crores were received and Rs. 0.18 crores were paid in IP
18	Brij Raj Punj (HUF)			<ul style="list-style-type: none"> During the 3 FYs viz 30.06.2015, 31.03.2016 and 31.03.2017 under the scope of audit the company has not disclosed any transactions with Brij Raj Punj (HUF). However, in books of FEEL, purchases/other services of Rs. 1.07 crores were recorded with a corresponding payment of Rs. 0.59 crores in IP
22	Fedders Manufacturing Private Limited (Formerly Lloyd Manufacturing Private Limited)	Mr. Shiv Kumar Sharma (Director) Mrs. Rita Joshi (Director)	Fedders Sales Pvt Ltd (Formerly Known as Lloyd Sales Pvt Ltd) - 17% Mrs. Renu Punj - 17% Fedders Aircool Pvt Ltd (Formerly Known as Lloyd Aircon Pvt Ltd)- 17 % Pandit Kanhaiya Lal Punj Pvt Ltd - 17% Airserco Pvt Ltd - 17% Perfect Radiators and Oil Coolers Pvt Ltd - 17 %	<ul style="list-style-type: none"> During the 3 FYs ended 30.06.2015, 31.03.2016 and 31.03.2017 under the scope of audit the company has not disclosed any transactions with the Related party. However, in books of FEEL, Advances of Rs. 11.51 crores were received and Rs. 2.15 crores were paid. Also inter-company/party settlement of Rs. 4.8 crores & Rs. (7.62) crores which involves "Job Project" is noted in IP.
20	Punj Technology Private Limited			<ul style="list-style-type: none"> This party has not been disclosed as Related Parties by the Company in its Financial Statements. However as explained below, this party is a Related concerns of the Company as per the definition given in Section 2 of the Companies Act 2013. Mr. Brij Raj Punj was director of this company till 30.03.2015 Public domain searches indicated that Fedders and PTPL are potentially interlinked through the past directors of PTPL and Ms. Kamla Butola (ex-employee of Fedders). On June 29, 2016, two directors of PTPL (i.e. Mr. Brij Raj Punj & Mr. Bharat Punj) transferred their entire share-holding (5,000 shares each) in PTPL to Ms. Kamla Butola and Mr. Ravindra Kumar Chopra. Further, Ms. Kamla Butola and Mr. Ravindra Kumar Chopra were also appointed as the Directors of PTPL. At the time of transfer of shares, Ms. Kamla Butola was an employee of Fedders, working as Executive, Human Resource, and Administration till May 01, 2019. Later, she was employed with LEEL. Further, it is noted that PTPL had disclosed Fedders as a Related Party, however, Fedders had not disclosed PTPL as its Related Party.

Sl. No.	Related party	KMPs	Shareholders	Observations
				<ul style="list-style-type: none"> As per MCA website, Fedders was the sole supplier of PTPL during FY 2014-15 and a major supplier of PTPL during FY 2015-16 & FY 2016-17.

23. Before proceeding further, it is relevant to refer to provisions of law violation of which have been alleged in the SCN, extract of the same are as follows: -

SEBI Act, 1992

“Section 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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;”

[Contravention] by companies.

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:

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 contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such [contravention].

(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.

Explanation : For the purposes of this section,—

(a) “company” means any body corporate and includes a firm or other association of individuals; and

(b) “director”, in relation to a firm, means a partner in the firm.

With effect from 08.03.2019, “offence” was substituted by “contravention” by the Finance Act, 2018.

SCRA

Conditions for listing.

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

Listing Agreement dated October 29, 2004

Clause 49 - Corporate Governance

The company agrees to comply with the following provisions:

.....XXXXXXXXXXXXX.....

II Audit Committee

(D) Role of Audit Committee

The role of the audit committee shall include the following:

- 1. Oversight of the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.*
- 2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.*
- 3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.*
- 4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:*
 - a. Matters required to be included in the Director’s Responsibility Statement to be included in the Board’s report in terms of clause (2AA) of section 217 of the Companies Act, 1956*
 - b. Changes, if any, in accounting policies and practices and reasons for the same*
 - c. Major accounting entries involving estimates based on the exercise of judgment by management*
 - d. Significant adjustments made in the financial statements arising out of audit findings*
 - e. Compliance with listing and other legal requirements relating to financial statements*
 - f. Disclosure of any related party transactions*
 - g. Qualifications in the draft audit report.*

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
 6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors any significant findings and follow up there on.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.*
- Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.*

(E) Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

IV. Disclosures

(A) Basis of related party transactions

- (i) A statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the audit committee.

(ii) Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the audit committee.

(iii) Details of material individual transactions with related parties or others, which are not on an arm's length basis should be placed before the audit committee, together with Management's justification for the same.

V. CEO/CFO certification

The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging that function shall certify to the Board that:

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

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

(ii) these statements together present a true and fair view of the company'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 company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) They accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of 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

(i) significant changes in internal control during the year;

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

(iii) 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 company's internal control system

Listing Agreement dated April 17, 2014

49. Corporate Governance

I. The company agrees to comply with the provisions of Clause 49 which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below. In case of any ambiguity, the said provisions shall be interpreted and applied in alignment with the principles.

.....XXXXXXXXXXXXX.....

III. Audit Committee

D. Role of Audit Committee

The role of the Audit Committee shall include the following:

- 1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;*
- 2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;*
- 3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;*
- 4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:*
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013*
 - b. Changes, if any, in accounting policies and practices and reasons for the same*
 - c. Major accounting entries involving estimates based on the exercise of judgment by management*
 - d. Significant adjustments made in the financial statements arising out of audit findings*
 - e. Compliance with listing and other legal requirements relating to financial statements*
 - f. Disclosure of any related party transactions*
 - g. Qualifications in the draft audit report*
- 5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;*
- 6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;*
- 7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;*
- 8. Approval or any subsequent modification of transactions of the company with related parties;*
- 9. Scrutiny of inter-corporate loans and investments;*

10. *Valuation of undertakings or assets of the company, wherever it is necessary;*
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;*
13. *Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;*
14. *Discussion with internal auditors of any significant findings and follow up there on;*
15. *Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;*
16. *Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;*
17. *To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;*
18. *To review the functioning of the Whistle Blower mechanism;*
19. *Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;*
20. *Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.*
Explanation (i): The term "related party transactions" shall have the same meaning as provided in Clause 49(VII) of the Listing Agreement.

E. Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. *Management discussion and analysis of financial condition and results of operations;*
2. *Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;*
3. *Management letters / letters of internal control weaknesses issued by the statutory auditors;*
4. *Internal audit reports relating to internal control weaknesses; and*

5. *The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.*

VII. Related Party Transactions

A.XXX.....

D. All Related Party Transactions shall require prior approval of the Audit Committee.

E. All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

IX. CEO/CFO certification

The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging that function shall certify to the Board that:

- 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 company'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 company during the year which are fraudulent, illegal or violative of the company'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 company 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 company's internal control system over financial reporting.

LODR Regulation, 2015 w.e.f. November 30, 2015:

Principles governing disclosures and obligations.

4. (1).....XXXXXXXXXX.....

(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.

(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).....XXXXXXXXXXXXXXXXXX.....

(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).....XXXXXXXXXXXXXXXXXX.....

(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

(iii) Other responsibilities:

(1).....

(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.

Board of Directors.

17. (1).....

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

Audit Committee.

18. (1).....
(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.*

Related party transactions.

23. (1)
(2) *All related party transactions require prior approval of the audit committee:*
(4) *All material related party transactions shall require approval of the shareholders through resolution and such resolutions whether the entity is a related party to the particular transaction or not:*

Financial results.

33. (1)
(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.

Repeal and Savings

- 103.(1) *On and from the commencement of these regulations, all circulars stipulating or modifying the provisions of the listing agreements including those specified in Schedule X, shall stand rescinded.*
(2) *Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken including any enquiry or investigation commenced or show cause notice issued in respect of the circulars specified in sub-regulation (1) or the Listing Agreements, entered into between stock exchange(s) and listed entity, in force prior to the commencement of these regulations, shall be deemed to have been done or taken under the corresponding provisions of these regulations.*

SCHEDULE II: CORPORATE GOVERNANCE
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.**

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;*
- (2) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;*
 - (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;*
 - (4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:*
 - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;*
 - (b) changes, if any, in accounting policies and practices and reasons for the same;*
 - (c) major accounting entries involving estimates based on the exercise of judgment by management;*
 - (d) significant adjustments made in the financial statements arising out of audit findings;*
 - (e) compliance with listing and other legal requirements relating to financial statements; (f) disclosure of any related party transactions;*
 - (g) modified opinion(s) in the draft audit report;*
 - (5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;*
 - (6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a402[public issue or rights issue or preferential issue or qualified institutions placement], and making appropriate recommendations to the board to take up steps in this matter;*
 - (7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;*
 - (8) approval or any subsequent modification of transactions of the listed entity with related parties;*
 - (9) scrutiny of inter-corporate loans and investments;*
 - (10) valuation of undertakings or assets of the listed entity, wherever it is necessary;*
 - (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;*
 - (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;*
 - (14) discussion with internal auditors of any significant findings and*

- follow up there on;*
- (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;*
 - (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;*
 - (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;*
 - (18) to review the functioning of the whistle blower mechanism;*
 - (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;*
 - (20) Carrying out any other function as is mentioned in the terms of reference of the audit committee.*

PFUTP Regulations:

Prohibition of certain dealings in securities

Regulation 3. No person shall directly or indirectly—

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

Prohibition of manipulative, fraudulent and unfair trade practices

Regulation 4.

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:*
 - (e) any act or omission amounting to manipulation of the price of a security.*

- (f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*
- (k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors.*
- (r) planting false or misleading news which may induce sale or purchase of securities

Role of Noticee No.1

24. Noticee No.1 has submitted that: -

24.1. He was merely an employee who was provided the designation of WTD to comply with the provisions of the Companies Act, 2013. Theoretically, he was key managerial personnel of the company as he was designated as CFO cum WTM. In reality, he was merely an employee responsible for collection and compilation of data of various units and divisions of the company. He had no say in the business decisions taken by the management of the company as he was designated as CFO cum WTM for sake of complying with provisions of the Companies Act, 2013.

24.2. After procuring information about the discrepancies and malpractices prevalent in the accounts of the company, he acted as a whistle blower by writing a letter stating anomalies in the accounts of the company. He personally delivered letter to the Chairman of the Audit Committee and to the Independent Directors. When no action was taken by the committee on his letter, he tendered his resignation from the company. Thereafter, he again served the letter upon the chairman of the Audit Committee. Despite being safeguarded with legal privileges under Section 177 of the Companies Act, 2013, he has been dragged in this case.

24.3. As CFO, he had no knowledge of such transactions. When he became WTD, he came to know about unhealthy and malpractices taking place in the Company. Upon coming to know of such practices, he reported such malpractices to Late Mr. Punj (then CMD) and tendered his resignation to Late Mr. Punj on September 19, 2017. Considering seriousness of the issue and being overseas, Late Mr. Punj asked him to continue working in

the Company and not to share the issues with anyone else in the Company.

24.4. Post demise of Late Mr. Punj, he resigned on May 23, 2018, which was marked to Mr. Pulkit Bhasin. In response thereto, on May 25, 2018, Mr. Pulkit Bhasin asked him to re-join the office. On May 05, 2015, he responded via email to Mr. Pulkit Bhasin stating that owing to numerous discrepancies in the affairs of the Company, he could not resume office.

24.5. AC meetings, as disclosed in the Annual Reports of the Company, occurred on paper and never took place in reality. He was not part of any meeting of the AC as such meetings never took place in reality. Neither he had any authority to call such meetings nor was in a capacity to follow provisions of LODR Regulations with respect to AC meetings in letter and spirit.

24.6. He used to receive financial statements/balance sheet and other documents for the purpose of signing them without having actual knowledge of the contents of the same. Due to nature of his employment and being an employee, he was bound to sign the documents as asked by the management of the company.

24.7. Despite all odds, he was only employee who had blown the whistle and had acted in accordance with provisions of Section 177(9) of the Companies Act, 2013 by acting as whistle blower against the malpractices prevalent in the Company. He should be protected and provided immunity from any kind of victimization or retaliation as a result of making such disclosure under the said provision of law.

25. I note that Noticee No.1 has been disclosed as 'AVP Finance' in the Annual report of FEEL for FY 2012-13, 'CFO' in the Annual Reports from FY 2013-14 to FY 2016-17. He was appointed as an Additional Director and Whole-time Director, to be designated as "Whole-time Director & Chief Financial Officer", with effect from February 09, 2017. He was also inducted as a member of the Audit Committee

with effect from May 30, 2017. By virtue of designation as the CFO cum Whole-time Director, Noticee No.1 was a 'Key Managerial Personnel' in FEEL. As per Annual Reports, he had attended two board meetings for the FY 2016-17, four board meetings for the FY 2017-18, and four Audit Committee meetings for the FY 2017-18. For FY 2012-13 to FY 2016-17, he had signed the financials of FEEL as well as the CEO/CFO certification.

26. I note that Noticee No.1 in his reply dated May 24, 2022 to SEBI Summons dated May 13, 2022 stated that he joined the company in 2004 as DGM Finance of AC Division. In cross examination dated May 30, 2023, Noticee No.1 has stated that he joined as General Manager Finance in the year 2004. Further, Noticee No.2 in his statement dated June 21, 2022 stated as follows: -

9. Did you sign the financial statements of FEEL during the FY 2016-17 and the earlier years? What due diligence was done by you while signing it? Further, did you certify to the Board that the Financial Statements do not contain anything misleading?

Reply: I have not done any due diligence in this regard. All the financial statements were prepared by Mr Akhter Aziz Siddiqi and his team after the audit performed by Suresh C Mathur & Co and also approved by Audit Committee. Then after the approval of the Board and signatures of Mr Akhter Aziz Siddiqi and Mr Brij Raj Punj I have signed.

17. Who were the persons responsible for passing the journal entries, finalising Books of Accounts in FEEL?

Reply: Akhter Aziz Siddiqi and his team including Rajeev Bansal, Manjul Gupta were responsible for passing the journal entries & finalising Books of Accounts.

27. I note that Noticee No.1 vide reply dated May 24, 2022 provided email dated May 25, 2018, sent by Mr. Pulkit Bhasin, Company Secretary of FEEL, in response to Noticee No.1 email dated May 23, 2018, whereby, Noticee No.1 submitted his resignation from the post of WTD and CFO, which stated that Noticee No.1 was holding senior most position in finance and accounts department in FEEL and financial statements were being finalised under his supervision.

28. In view of fact that Noticee No.1 was appointed specifically for finance role, he held senior management position in FEEL and signed financial statements of FEEL, I do not find merit in the contention of the Noticee No.1 that he was

appointed as AVP, whole time director and CFO merely for complying with provisions of relevant law and his role was confined only to collating data from various divisions or units of FEEL.

29. I note that Section 166 of the Companies Act, 2013, inter-alia, require that director should: -

- a) act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment;
- b) exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;

30. Every reasonable person is expected to sign any document only after reading and understanding contents of the document. In absence of coercion or undue influence, signature of a person on document is proof that he has accepted or consented to contents of document. Noticee No.1 has admitted that financial statements of FEEL contained incorrect and inflated figures. The figures of inventories, debtors, assets, liabilities and creditors were totally different from original figures. In view thereof, I find that contention of Noticee No.1 that he had no knowledge of contents of financials and he merely followed dictates of management of FEEL, is merely an afterthought to escape liability arising from actions and omissions done by Noticee No.1 while he was associated with FEEL. In view of the above, I find that Noticee No.1 signed financials of FEEL for FY 2012-13 to FY 2016-17 as well as the CEO/CFO certification with complete knowledge that financials statements of FEEL contained manipulated and incorrect figures and do not show true and correct picture of FEEL.

31. Noticee No.1 has stated that, upon coming to know about malpractices and manipulations in accounts of FEEL, he submitted his resignation from post of WTD and CFO to Mr. B.R. Punj on September 19, 2017. On insistence of Mr. B.R. Punj, Noticee No.1 joined services of FEEL. Thereafter, Noticee No.1 submitted resignation to Mr. Pulkit Basin vide email dated May 23, 2018. Noticee No.1 has acted as whistle blower as he had reported malpractices and manipulations to

Independent Directors and Audit Committee of FEEL both prior to resignation as well as post resignation. In this regard, reliance is placed on an undated letter.

32. I note that Noticee No.1 has not placed on record any evidence proving that he reported malpractices and manipulations to Independent Directors and Audit Committee of FEEL prior to his resignation. Noticee No.1 has not placed on record any document proving that undated letter, relied upon by Noticee, was sent by Noticee No.1 to Independent Directors and Audit Committee of FEEL. The Noticee has stated that Audit Committee meetings were on paper only and never happened in reality. In view thereof, even if it is accepted that Noticee reported malpractices and manipulations to Audit Committee, it was of no consequence as Noticee was well aware that Audit Committee of FEEL was only on paper and was not functioning in reality. The Noticee has not stated any reason as to why he did not report manipulations and malpractices to the concerned government agencies. During cross examination of Noticee No.1, question was posed to Noticee No.1 whether he resigned within 2 weeks of invocation of bank guarantee and devolvement of letter of credit by lender banks in the year 2018. Noticee No.1 admitted knowledge of invocation of bank guarantee and devolvement of letter of credit by lender banks. In view of the above, I do not find merit in contention of Noticee No.1 that he acted as whistle blower. I find that Section 177 (9) of the Companies Act, 2013 provides for establishment of vigil mechanism for directors and Section 177(10) provides that vigil mechanism shall provide adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee.

33. I note that Hon`ble Securities Appellate Tribunal ("**SAT**") vide order dated October 05, 2012 in the matter of **N. Narayanan Vs. SEBI**, inter-alia, observed as follows: -

"The director of a company is expected to exercise due care and diligence in the approval of documents brought on the table during Board meetings. It is the responsibility of a director to identify deficiencies wherever possible by employing verification and scrutiny expected of a prudent man. Meetings of Board of Directors are not rituals where documents are signed at the behest of the chairman or managing director. A director cannot take a stand that he has approved the documents totally depending on the integrity and expertise of the managing director. We are not observing that the director of a company

should be a know all, but the duty expected of a prudent person cannot be abdicated by him.

... A whole time director is a director employed to devote the whole of his time and attention in carrying on all the affairs of the company. 7 The role of a whole time director is very significant and material in running day to day affairs of a company. His role and responsibility are equivalent to that of a managing director in as much as he is expected to spend his whole time in the management of the company. This implies a high level of accountability and knowledge of the overall functioning of the company..... As a whole time director he was duty bound to examine the accounts with a critical eye as expected from a prudent person and identify irregularities which were prominent in the financials of the company.

34. I note that the SAT vide order dated June 29, 2011 in the matter of **V. Natarajan Vs. SEBI**, inter-alia, observed as follows: -

“It is by now well understood that unaudited financial results that are required to be published by every listed company on a quarterly basis do form the basis for the investing public to take informed decisions. Any false information or false accounts depicting inflated revenues and profits by fictitious entries in accounts is, indeed, a very serious wrong doing which directly impacts the securities market and the investors. Since the appellant was a part of the board of directors which approved the financial results of the company which were actually false and untrue, we are satisfied that the appellant is guilty of the charges levelled against him...”

35. I note that Hon`ble Supreme Court vide judgment dated April 26, 2013 in the matter of **N. Narayan Vs. Adjudicating Officer, SEBI, Civil Appeal No. 4112-4113 of 2013**, held as follows: -

29. *SEBI Act read with Regulations of the Companies Act would indicate that the obligations of the Directors in listed companies are particularly onerous especially when the Board of Directors makes itself accountable for the performance of the company to share holders and also for the production of its accounts and financial statements especially when the company is a listed company.*

.....xxxxxxxxxxxxx.....

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

33. *Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. 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 provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially.

.....XXXXXXXXXXXX.....

35. Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 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 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.

36. I find that Noticee No.1, being key managerial personnel, part of board and Audit Committee of FEEL, violated Clause 49(V) of Listing agreement dated October 29, 2004, Clause 49(VII)(D)(E), 49(IX) of Listing agreement dated April 17, 2014 read with Regulation 103 of LODR Regulations, Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7), 17(8), 18(3), 23(2), 23(4), 33(2)(a) of LODR Regulations and Part A of Part C of Schedule II, Part B of Schedule II of LODR Regulations by failing to: -

- 36.1. Conduct himself so as to meet expectations of operational transparency to stakeholders;
- 36.2. Monitor effectiveness of FEEL's governance practices and make needed changes;

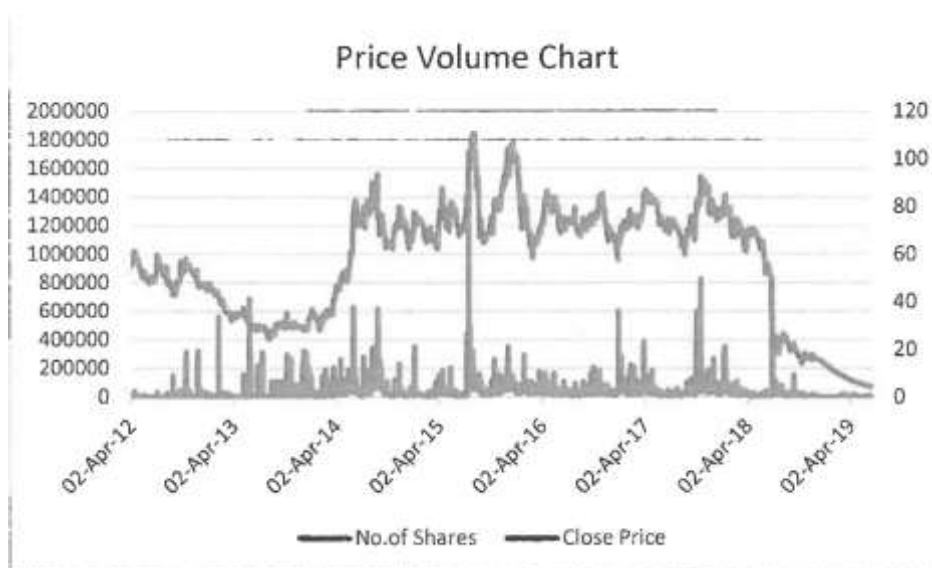
- 36.3. monitor and check misuse of corporate assets and abuse in related party transactions;
- 36.4. Ensure integrity of FEEL`s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- 36.5. To act on fully informed basis with due diligence and care and in the best interest of the Company and its shareholders;
- 36.6. To maintain high ethical standards and take into account the interests of stakeholders. provides that board of directors shall exercise objective independent judgment on corporate affairs;
- 36.7. To ensure prior approval of related party transactions by the audit committee;
- 36.8. To ensure that all material related party transactions are approved by shareholders through resolutions;
- 36.9. To ensure that 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 as misleading;
- 36.10. To review financial statements and ensure that they present a true and fair view of FEEL are in compliance with applicable laws and regulations;
- 36.11. Review information, required by the relevant provisions of law to be reviewed by the Audit Committee;
- 36.12. To ensure that financial statements and cash flow statement do not contain untrue statement or omit any material fact or contain misleading statements;
- 36.13. To ensure that financial statements present a true and fair view of FEEL`s affairs in compliance with existing accounting standards, applicable laws and regulations;
- 36.14. To indicate to the auditors and Audit Committee instances of significant fraud of which he became aware and the involvement therein of the management or an employee having a significant role in FEEL`s internal control system over financial reporting.

37. I note that Clause (a) of Section 12 of the SEBI Act prohibits use or employment of any manipulative or deceptive device or contrivance in contravention of provisions of SEBI Act or rules or regulations made thereunder in respect of issue, purchase or sale of listed securities or proposed to be listed on recognized stock exchange. Further, clause (b) prohibits employment of any fraudulent device, scheme or artifice. Further, clause (c) prohibits engagement in act, practice or course of business which operates or would operate as fraud or deceit upon any person. I note that Regulation 2(c) of PFUTP Regulations defines fraud which is an inclusive definition. Regulation 3(b) of PFUTP Regulations prohibits use or employment of manipulative or deceptive device in contravention of SEBI Act or rules or regulations made thereunder. Regulation 3(c) prohibits employment of any device, scheme or artifice to defraud in connection with dealing in or issue of listed securities or proposed to be listed on stock exchange. Regulation 3(d) prohibits engagement in any act, practice, course of business which operate or would operate as fraud or deceit. Regulation 4 prohibits indulging in fraudulent or unfair trade practice in securities. Manipulation of books of accounts or financial statements were treated as fraudulent, manipulative and unfair trade practice within meaning of PFUTP Regulations. However, in order to clarify what was implicit, an explanation was added to sub regulation (1) of Regulation 4 of PFUTP vide SEBI(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018, with effect from October 19, 2020, which clarified that any act of diversion, mis-utilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market. Regulation 4(2)(e) provides that act or omission amounting to manipulation of price of security shall be deemed to be fraudulent or unfair trade practice. Regulation 4(2) (f) provides that dealing in securities shall be deemed to be fraudulent or unfair trade practice if it involves publishing or reporting of any information which is not true. Regulation 4(2)(k)

provides that disseminating information or advice through any media which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities shall be deemed to be fraudulent or unfair trade practice. Regulation 4(2)(r) provides that planting of false or misleading news which may induce sale or purchase of securities shall be deemed to be fraudulent or unfair trade practice.

38. I note that financial statements of FEEL were fraudulently manipulated and the figures contained therein were significantly misstated/misrepresented which led to the publication of untrue and misleading financial results of the company during IP. The financial statements of FEEL were false and misleading and operated as deceit not only on the company's shareholders but it also misled investors and public at large about the financial health of the company. Publication of such manipulated financial figures by FEEL had a significant impact on the scrip price.

39. I note that financial statements of FEEL were fraudulently manipulated. Publication of such manipulated financial figures had a significant impact on the scrip price of FEEL. The price movement in the scrip of FEEL during the investigation period is as under:



40. The share price of FEEL, which was trading in the range of Rs. 24.25 to Rs. 61.35 during FY 2012-13 & FY 2013-14, subsequently traded in the range of Rs. 45.30 to Rs. 110.40 during the FY 2014-15 to FY 2017-18. The said price movement

have been correlated to the fact that the Company had misrepresented the financial statements.

41. The share price reached its peak of Rs. 110.40 /- on August 04, 2015 and the volumes clubbed with the price indicate that investors were misled by the supposedly healthy financials shown as a result of misrepresentation done by the company. It is also supported by the fact that pursuant to the said misrepresentation, the share price of the Company was maintained as is evident from the above graph.
42. The share price reached its peak of Rs. 110.40 /- on August 04, 2015, and then declined to a low of Rs. 4.40 /- on June 17, 2019. It is noted that the Company, vide BSE's corporate announcement dated June 27, 2018, intimated the revision in credit rating from BB to D for Long-term bank facilities & from A4 to D for Short-term Bank facilities. The downgrade in credit rating caused a decline in the share prices to as low as Rs. 4.40.
43. Financial statements are important disclosures made by the companies for informing the stakeholders about the financial position and financial performance of the company. Financial statements of a listed company influence the decision of the investors for buying, selling or dealing in the securities market. Financial statements frauds involve manipulation of books of accounts and other information used to prepare the financial statements which are commonly known as cooking of books of accounts with intent to report a false and misleading financial position and financial performance of the company. The act of manipulation of the books of accounts misleads the investors and prevents them from getting a true and fair view of the company's financials. FEEL had committed serious irregularities in its books of accounts and showed inflated profits, debtors, turnover and stock in the financial statements and lured the general public to invest in the shares of the company based on such false and misleading financial statements. In view of the above, I find that Noticee No.1 violated Section 12A(a), (b), (c) of SEBI Act and Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations.

Role of Noticee No. 2

44. Noticee No.2 has submitted that he was elevated as WTD on April 28, 2008 with specific assignment of looking after business development of scaffolding, Air System and Steel Fabrication divisions of the company. Vide HR department circular dated January 08, 2016, his role was limited to look after development of International Business- International Projects Department (IPD Division) only. He resigned from position of WTD on January 04, 2018 and vacated office on May 04, 2018. During the tenure of his directorship, he used to travel overseas extensively.

45. He never took part or overseen or looked after day to day financial matters, accounting and audit aspects of the company. He was not involved in domestic operations of the company. Late BR Punj, CMD of the company, used to take key managerial decisions including financial decisions and implemented them through CFO and his team of finance persons. Board of FEEL by decision dated February 09, 2017 appointed Noticee No.1 CFO and WTD to deal with all financial matters of FEEL. He never signed CEO/CFO compliance certificate since his appointment as WTD in 2008 except on May 30, 2017, when he signed on instructions of Late BR Punj. As per Section 129(7) of the Companies Act, 2013, WTD of the Company is responsible for contravention of Section 129 only when: -

- a) Whole Time Director is in charge of finance of the company; or
- b) The Company does not have Managing Director, Chief Financial Officer or any other officer charged by the Board with the duty of complying with requirements of such section in which case all directors would be punishable.

46. I note that Noticee No.2 was appointed as WTD of FEEL vide appointment letter dated April 28, 2008. In addition to other components of remuneration, Noticee No.2 was entitled to commission of 2% of Net profit of scaffolding, air systems & steel fabrication division of FEEL. In his cross examination, Noticee No.2 accepted receipt of commission on profits generated by Steel Division of FEEL. The

appointment letter did not confine duties of Noticee No.2 to any particular division only. Rather, it provided that *“Your duties and the responsibilities as the Whole Time Director are governed by the Companies Act, 1956 in addition to those specified in those specified in your erstwhile appointment letter.”* Noticee No.2 has not placed on record erstwhile appointment letter. As per submissions of Noticee No.2, he was involved in various divisions including steel division of FEEL till January 08, 2016.

47. I note that Noticee No.2, contrary to his above mentioned submissions of non-participation in financial matters of FEEL, signed declaration of compliance certificate dated May 30, 2017 which inter-alia read as follows: -

“We have reviewed the financial statements together with the cash flow statement of Fedders Electric and Engineering Limited for the nine months period ended 31st March, 2017 and that to the best of our knowledge and belief, we state that:

- 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 Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.*
- 3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2017 which is fraudulent, illegal or violative of the Company's Code of Conduct.*
- 4. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and there had been no deficiency in design or operation of such internal controls during the year under review.”*

48. Noticee No.2 in his statement dated June 21, 2022 stated as follows: -

- 9. Did you sign the financial statements of FEEL during the FY 2016-17 and the earlier years? What due diligence was done by you while signing it? Further, did you certify to the Board that the Financial Statements do not contain anything misleading?**

Reply: I have not done any due diligence in this regard. All the financial statements were prepared by Mr Akhter Aziz Siddiqi and his team after the audit performed by Suresh C Mathur & Co and also approved by Audit Committee. Then after the approval of the Board and signatures of Mr Akhter Aziz Siddiqi and Mr Brij Raj Punj I have signed.

6. Have you ever attended any of the Board Meetings? Who circulated and presented the agenda and minutes for Board meetings?

Reply: I used to attend maximum Board Meetings during my tenure if I'm in town. My role was to make a presentation of the business development of FEEL to the Board Members.

Mr Pulkit Bhasin used to circulate the agenda and minutes for Board Meetings.

49. Noticee No.2 is blowing hot and cold at the same by submitting on one hand that he had no knowledge of financials of FEEL and was involved only in IPD Division. Contrary to said submission, Noticee No.2 had signed declaration of compliance certificate dated May 30, 2017. In view of the above, I do not find merit in submissions of Noticee No.2 that he had no knowledge of financials of FEEL and had no concern with Steel Division of FEEL.

50. I note that Section 129(7) of the Companies Act, 2013 reads *"If a company contravenes the provisions of this section, the managing director, the whole time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirement of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall be punishable with imprisonment for a term"* Liability provided in Section 129(7) is confined to contravention of Section 129 (1) of the Companies Act, 2013. I note that the SCN has alleged violation of provisions of PFUTP Regulations, LODR Regulations and SEBI Act against Noticee No.2. Accordingly, liability of Noticee No.2 is to be seen in context of provisions of SEBI Act, PFUTP Regulations and LODR Regulations, in addition to provisions of the Companies Act, 2013.

51. Regulation 4(1) of LODR Regulations, inter-alia, provides that the listed entity shall make disclosures in accordance with principles stipulated therein which includes (a) the listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading, (b) the listed entity shall ensure that disseminations made are adequate, accurate. Regulation 4(2)(f) enlists the responsibilities of board of directors of listed entities. Clause (ii) of Regulation 4(2)(f) deals with key functions

of the board of directors and Clause (iii) deals with other functions of the board of directors. Any liability arising out of the violation of these principles because of violation of disclosure or other obligation of the listed entity under the LODR Regulations, is of the board of directors of the listed entity. Section 2(10) of the Companies Act, 2013 defines "Board of Directors" as collective body of the directors of the company. As noted above, none of the Noticee(s) have denied that financial statements of FEEL during the IP contained manipulated and inflated figures, thus, incorrect disclosures were made by FEEL. In view of the above, I do not find merit in submission of Noticee No.2 that he is not liable for violations alleged in the SCN in view of Section 129(7) of the Companies Act, 2013.

52. Hon`ble Supreme Court in judgment dated April 26, 2013 in the matter of **N. Narayan (Supra)** observed that responsibility is cast on the directors to prepare the annual records and reports and those accounts should reflect 'a true and fair view'. The over-riding obligation of the Directors is to approve the accounts only if they are satisfied that they give true and fair view of the profits or loss for the relevant period and the correct financial position of the company. 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. Companies whose securities are traded on public market, disclosure of information about the company is crucial for the accurate pricing of the companies` securities and also for the efficient operation of the market.

53. I note that SAT vide order dated October 05, 2012 in the matter of **V. Naryanan (Supra)** observed as follows: -

A whole time director is a director employed to devote the whole of his time and attention in carrying on all the affairs of the company. The role of a whole time director is very significant and material in running day to day affairs of a company. His role and responsibility are equivalent to that of a managing director in as much as he is expected to spend his whole time in the management of the company. This implies a high level of accountability and knowledge of the overall functioning of the company. He cannot take shelter, under the argument that he was in charge of only human resource management and other aspects like business operations, financial management and preparation of accounts were totally alien to him. As a whole time director he was duty bound to examine the accounts with a critical eye as expected from a prudent

person and identify irregularities which were prominent in the financials of the company.

54. In the present case, as stated by Noticee No.2 in his cross examination, Noticee No.2 was associated with FEEL from 1978 to 1993 and thereafter from the year 2000 till May 2018. Noticee No.2 was appointed as WTD w.e.f April 26, 2008 and during IP he attended 24 board meetings. As per Annual Reports for FY 2012-13, FY 2013-14, FY 14-15, FY 2015-16 and FY 2016-17, Noticee No.2 was WTD, Executive Director and KMP of FEEL and was drawing remuneration more than all other WTD including Chairman & Managing Director of FEEL. Further, Noticee No.2 signed financials of FEEL for the FY 2007-08 to FY 2016-17 and signed CEO/CFO certification for the FY 2016-17. In view of the above, I find that Noticee No.2 violated Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act. Noticee No.2 failed to perform his duties and obligations provided under Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7), 17(8), 23(2), 23(4) and 33(2)(a) of LODR Regulations read with Clause 49(VII)(D)(E) of erstwhile listing agreement dated April 17, 2014 read with Regulation 103 of LODR Regulations.

Role of Noticee No.3 and 4

55. The SCN has alleged that Noticee No.3 and 4 were part of the AC for FY 2013-14 to FY 2017-18. As per the Annual Reports, both of them had individually attended 19 AC meetings during IP.

56. Noticee No. 3 and 4 have stated in their separate reply dated February 03, 2023 as follows: -

56.1. They became independent director of FEEL on insistence and assurances of their distant relative i.e. Late Mr. BR Punj. They were unaware about their role, responsibilities and obligations as independent director and member of the AC under the relevant provisions of law. They had no experience, degree or knowledge about finance and accounting. Their appointment in the AC

was in gross violation of Clause 49 II (A) of Listing Agreement, thus, void-ab-initio.

56.2. Section 205 of the Companies Act, 2013 read with Rule 10 of Companies (Appointment and Remuneration of Managerial Personnel) rule, 2014 states that functions of the Company Secretary includes to report to the Board about compliance with provisions of the Companies Act, rules made thereunder and other laws applicable to the Company. Rule 10(1) and 10(5) of Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014 require the Company Secretary to provide to the directors of the company guidance and provide assistance to the Board in the conduct of the affairs of the company. The professional management grossly violated their duties towards them.

56.3. Regulation 4(2)(f)(iii)(14) and Clause 49(I)(D)(3)(n) of LODR Regulations states that the Board and senior management should facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee. Regulation 25(7)(c) and Clause 49(II)(B)(7)(a) states that the Company shall familiarize the Independent Directors with the Company, their roles, rights and responsibilities in the Company, nature of the industry in which the Company operates, business model of the company, etc., through various programs. Management has failed in their duties towards the Independent Directors in letting them know their roles, responsibilities, rights and duties and also to be aware about the Company and its affairs.

56.4. Noticee No.3 and 4 were unaware about relation of the company with other party with whom transactions were taking place. The management never disclosed such nature of relations with other party with whom transactions were taking place. Hence, monitoring of Related Party Transactions was not possible on her part especially when information was disclosed to Independent Directors on need to know basis.

57. I note that the SCN contains allegations against Noticee No.3 and 4 for their failure to perform their duties and obligations as independent director and member of AC of FEEL. From May 06, 2013 to August 24, 2018 and November 11, 2013 to August 24, 2018, Noticee No.3 and 4, respectively, were independent director and members of AC of FEEL. KMPs of FEEL, in their depositions, admitted that AC meetings never took place and these were only paper compliances by FEEL. Vide separate letter dated September 24, 2022, Noticee No.3 and 4 were given opportunity to provide their reply/clarification/submissions on admission of KMP`s. In response thereto, Noticee No.3 and 4 vide their letter dated October 13, 2022 and October 17, 2022, respectively, inter-alia, stated that board meetings of FEEL used to happen physically which they used to attend. Being an independent director, it was their endeavour that decisions are taken at the meetings were transparent, fair and in compliance with applicable provisions of law and in the interests of the company and its shareholders. On one hand Noticee No.3 and 4 have pleaded ignorance or unawareness of their obligations and duties under the respective laws. On other hand, they have pleaded that they endeavoured that decisions are taken fairly and in compliance with provisions of law. Noticee No.3 and 4 cannot be allowed to approbate and reprobate. As per settled principles of law, ignorance of law is no excuse. Accordingly, I do not find merit in submission of Noticee No.3 and 4 that they should not be held liable as they were not aware of their duties and obligations as independent director.

58. I note that the SAT vide order dated October 05, 2012 in the matter of **V. Naryanan (Supra)** observed as follows: -

“The members of the audit committee are expected to exercise due oversight of the company’s financial reporting process and to ensure that the financial statement is correct, sufficient and credible. It is also expected to conduct a meaningful review with special emphasis on major accounting entries and significant adjustments made in the accounts before putting up the statements for the approval of the Board. The board of directors of the company has entrusted the audit committee with an onerous duty to see that the financial statements are correct and complete in every respect. In this background, the members of the audit committee cannot take shelter under the verifications made by the internal auditor and other professionals.”

59. I note that the SAT vide order dated June 29, 2011 in the matter of **V. Natarajan Vs. SEBI**, inter-alia, observed as follows: -

“3. It is contended by the learned counsel for the appellant that his client was financially illiterate and was not even a graduate and was not a member of the audit committee that submitted its report to the board of directors. That may be so but we do not think that this would be a mitigating factor. He was the chairman of the company and a whole time director looking after its day to day affairs and having approved the financial results which were untrue, he cannot escape his responsibility by pleading that the financial accounts had been approved by the audit committee set up under Section 292A of the Companies Act, 1956”

60. Noticee No.3 and 4 have contended that they were unaware about relation of FEEL with other party with whom transactions were taking place. I note that Noticee No.3 and 4, being independent directors and members of Audit Committee of FEEL, were responsible for approving related party transactions and were expected to be aware of related party transactions. It is incomprehensible as to how Noticee No.3 and 4 were attending Audit Committee meetings when they were not even aware of relation of the company with parties with whom transactions were taking place. Accordingly, I do not find merit in submission of Noticee No.3 and 4 that they were not aware of relation of FEEL with parties with whom transactions were taking place.

61. In any listed company, AC is expected to play a vital role as far as ensuring compliance with existing accounting standards, true and fair presentation of the financial statement, approving related party transactions, monitoring the financial health of the company, apart from ensuring compliances with applicable laws and regulations, are concerned. Under LODR Regulations, AC is entrusted with oversight of the company's financial reporting process, to ensure that the financial statement is correct, sufficient, and credible. Further, AC is mandated with responsibility of approving as well as reviewing the disclosure of any related party transaction, reviewing major accounting entries involving estimates based on the exercise of judgment by management. AC members are expected to be independent, vigilant, and cautious against any fraudulent acts committed by the company and raise their concerns.

62. Annual Reports of FEEL during IP showed Noticee No.3 and 4 as members of Audit Committee and also numbers of meetings which they attended every year. Noticee No.3 and 4 never objected to information being disseminated in such

Annual Reports. Being members of AC, Noticee No.3 and 4 were responsible for reviewing and approving the financial statements before they are placed before the Board for approval. In the present case, AC meetings were taking place only on papers and Noticee(s) did not raise even whisper. I find that financial illiteracy cannot be allowed as a defence to escape liability and Noticee(s) should be held liable for failure to perform duties and obligations attached to their position of independent director and members of AC. In view of the above, I find that Noticee No.3 and 4 have failed to perform their duties and obligations under Regulation 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii) (6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7), Regulation 18(3) read with Para A of Part C of Schedule II of LODR Regulations read with Clause 49(II)(D)(E), Clause 49(IV)(A) of SEBI Circular dated October 29, 2004, Clause 49(III)(D)(E) of erstwhile listing agreement dated April 17, 2014 read with Regulation 103 of LODR Regulation. I find that Noticee No.3 and 4 by failing to raise any voice on conduct of AC meetings on paper and by failing to perform their responsibilities and duties as member of AC and independent directors of FEEL have violated Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) of SEBI Act.

Role of Noticee No.5

63. The SCN has alleged that Noticee No.5, KMP of LEEL, was acting as treasury head to group companies including FEEL. Noticee No.5 is stated to be key official of FEEL based on statement of Noticee No.1 and findings of Transaction auditor that invoices to MSPL were approved by Noticee No.5 without any authority to approve such transactions. The SCN alleges that Noticee No.5 by indulging in manipulative, fraudulent and unfair trade manner diverted funds from FEEL and misrepresented financials of FEEL, thereby, misleading investors trading in security of FEEL.

64. I note that TAR noted that FEEL entered into transaction with MSPL during April 2017 to June 2017 for amount of Rs.5.55 crores towards consultancy charges for marketing activity. MSPL and FEEL were noted to be potentially inter-linked entity through a common director i.e. Mr. Nipul Singhal, who was also holding directorship in LEEL during May 2013 to May 2017. MSPL was noted to be dealing

in software publishing, consultancy and supply of software. However, FEEL had engaged MSPL for consultancy services pertaining to marketing activities which were not in line with services/business provided by MSPL. TAR noted that *“we were informed by the management that the invoices were approved by Ms. Anita Kakkar, though she was not authorised to approve such transactions.”* FEEL was found to have made payment of Rs.2.07 crores, Rs.2.05 crores and Rs.1.05 crores on April 21, 2017, May 08, 2017 and June 03, 2017, respectively, to MSPL.

65. With regard to role of Noticee No.5 in affairs of FEEL, Noticee No.1 in his statement dated June 20, 2022 has stated as follows: -

- a) Noticee No.5 used to initiate the process of creation of LC for purchase of steel, compressors, transformers, etc., The decisions w.r.t margins, approval of LC was done by Noticee No.5.
- b) Mr. Pulkit Bhasin was circulating the agenda and minutes for AC meetings. Mr.Pulkit was acting as per the directions of Noticee No.5, who was CS of LEEL as well as Treasury head of the group.
- c) Mr. Pulkit Bhasin was circulating the agenda and minutes for Board meetings. He was acting as per the directions of Noticee No.5.
- d) The treasury team including Noticee No.5 used to discuss, prepare and finalise the financial statements.
- e) Noticee No.5 and Sushil Kabra used to coordinate with Statutory Auditors.
- f) Noticee No.5 was handling treasury of FEEL along with group companies. She was very close to Punj family. She was also responsible for implementing fictitious transactions in steel trading division on the directions of Mr. Brij Raj Punj.

66. During cross examination of Noticee No.1, Noticee No.5 confronted Noticee No.1 with email dated February 14, 2017, sent by Mr. Sushil Kabra, Group CFO, stating that when Noticee No.5 shall proceed for maternity leave, the treasury function shall be dealt by Noticee No.1. The email is marked to Noticee No.1 also. In response thereto, Noticee No.1 stated that *“I am unable to recollect at the moment.”* Noticee No.5 has stated that she was on maternity leave during the month of June 2017 when invoices to MSPL were issued.

67. Noticee No.2 was also cross examined by Noticee No.5, wherein, Noticee No.2, inter-alia, stated as follows: -

3	In your statement dated June 21, 2022, in reply to question no. 9 you stated that financial statements were prepared by Mr. Akhter Aziz Siddiqui(Noticee No.1) and his team. Is it correct?
A	Yes.
4	Did Anita Kakkar Sharma prepare any Financial Statement of Fedders Electric and Engineering Ltd (FEEL)?
A	Not in my knowledge.
5	In reply to question no. 13, you mentioned that Akhter Aziz Siddique was reporting to group CFO and taking approvals of all financial matters in addition to Mr. Brij Raj Punj. Do you stand by the said statement?
A	Yes
6	Is it correct to say that Mr. Akhter Aziz Siddique was responsible for the financial decisions taken by FEEL?
A	All financial decisions of FEEL were taken by Mr Akhter Aziz Siddique in consultation with and approval of group CFO (Mr. Sushil Vij and later Mr. Sushil Kabra) and Mr. Brij Raj Punj.

68. On the basis of statement of management, TAR noted that Noticee No.5 approved invoices for payment to MSPL, though, she was not authorised to approve such transactions. Payments were made to MSPL during April 21, 2017 to June 03, 2017. However, as per email dated February 14, 2017, sent by Mr. Sushil Kabra to Noticee No.1 as well as 5, Noticee No.1 was to look after treasury function when Noticee No.5 shall proceed for maternity leave. As per submissions of Noticee No.5, she was on maternity leave when invoices for MSPL were approved. Documents on record do not indicate that Noticee No.5 was holding any position in FEEL by virtue of which or otherwise she was involved in preparation or verification or approval of any financial statements of FEEL. In my view, Noticee's association with LEEL which led to her incidental association with treasury functions of FEEL is not sufficient to conclude that she was involved in or was aware of manipulation of financial statements or figures underlying financial statements of FEEL. Hence, I find that allegation of violation of Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b), (c) and 27(2) of SEBI Act does not stand established against Noticee No.5.

Role of Noticee No.6

69. I note that Noticee No.6 is son of Mr. Brij Raj Punj, who was CMD of FEEL. Noticee No.6 was promoter of FEEL and held 4,54,990 shares (constituting 1.48%) in FEEL.

70. With regard to role of Noticee No.6 in FEEL, I note that Noticee No.1 in his statement dated June 20, 2022 stated as follows: -

12. What is the role of Mr. Bharat Raj Punj in the company?

Reply: He was as good as CMD of the company. Behind the scene Bharat was having all the powers in the company. He used to attend all meetings through Video Conferencing.

16. Explain the relation of FEEL with LEEL Electricals Limited (LEEL). It is noted that LEEL has made net payments to FEEL amounting to Rs 660.55 crores during FY 2010-11 to FY 2016-17. In this regard, explain the reasons/ rationale for such receipts and the services given to LEEL. Were these transactions approved by AC or Board? What was the due-diligence done by AC or Board? Who proposed these transactions?

Reply: All group company's transactions were monitored & executed by the treasury team in coordination with Mr Brij Paj Punj & Mr Bharat Raj Punj. I had no role in the finance decisions of FEEL. Mr. Bharat Punj used to be present while making the journal entries.

I am not aware of the amount Rs 660.55 crores received by FEEL from LEEL.

FEEL used to purchase coils, Heat exchangers, etc., from LEEL with a credit period of 30 days.

LEEL used to purchase steel structures from FEEL with a credit period of 30 days. These inter se transactions amounted to not more than 10-15% of total turnover for the respective entities. Excise Invoices, Tax Payments, Audit by Suresh Mathur & Co were the internal controls for these transactions.

Since AC meeting was only on paper, proper approval was never taken.

71. Noticee No.2 in his statement dated June 21, 2022, inter-alia, stated as follows: -

12. What is the role of Mr. Bharat Raj Punj in the company?

Reply: Even when Mr Brij Raj Punj was alive, Mr Bharat Raj Punj was in loop for all the review meetings, discussions, emails concerning FEEL. He was actively involved in the affairs of the company behind the curtains. He used to attend and give directions during almost all the review meetings, discussions etc.

72. Noticee No.5 in her statement dated August 08, 2022, inter-alia, stated as follows:-

9. What is the role of Mr. Bharat Raj Punj in the FEEL?

Reply: Mr. Bharat was not a Director on record but he was a promoter. He has participated actively in business decision making of FEEL. He was engaged in the AC business of FEEL.

12. Do you want to say anything else?

Reply: Mrs. Purnima Sharma was handling the legal functions of LEEL, assisting Mr. Bharat Raj Punj.

In this group nothing can be done without the knowledge of the promoters. All the decisions and directions in FEEL have been made by the promoters Mr. Brij Raj Punj and Mr. Bharat Raj Punj.

He participated in the quarterly review meetings of the Company. These meetings were happening when Mr. Bharat was in India. He was key in appointing the business heads of FEEL.

He was directing the treasury to transfer funds to businesses of FEEL.

I will be providing the details of Mr. Bharat's role in FEEL by August 16, 2022.

73. Noticee No.6 has submitted that present proceedings suffer from inordinate delay as it pertains to transactions starting from the year 2012-2013 and SCN has been issued in January 2023. He has been prejudiced due to said delay. Though no period of limitation is prescribed in the SEBI Act and Regulations for completion of investigations or for issuance of SCN, the authority is required to exercise its powers within a reasonable period. In this regard, I note that SEBI initiated the present matter based on a complaint dated October 27, 2020 and references received from various enforcement agencies. The evidences in present case are TAR, FAR, investigation report of SEBI and statement of Noticee(s). During investigation, SEBI sought TAR and FAR and examined the same. Pursuant thereto, SEBI summoned entities acquainted with facts of the case including Noticee(s) herein and recorded their statements. Noticee No.6 has been provided with all relevant and relied upon documents. Upon completion of investigation and approval of actions by the Competent Authority, SCN dated January 13, 2023 was issued. In about 2 years and 3 months from complaint dated October 27, 2020, SEBI completed investigation and issued SCN to Noticee No.6. In view of the above, I am of the view that there is no delay on part of SEBI in investigation of instant matter and no prejudice has been caused to Noticee No.6.

74. As per submission of Noticee No.6, he started filing income tax returns in India from 2012-2013. His stay in India during below mentioned period was as follows:-

Table No.22

Year	No. of days abroad	No. of days in India
2012-2013	196	169
2013-2014	180	185
2014-2015	232	133
2015-2016	77	289
2016-2017	256	109
2017-2018	211	154

75. As per statement of Noticee No.1, 2 and 5, Noticee No.6 was de facto CMD of FEEL though he was not holding any official position on paper. Noticee No.1 has stated that Noticee No.5 used to attend meetings through video conferences. Noticee No.5 was promoter and shareholder of FEEL. Since 2012-13, Noticee No.5 started filing income tax returns in India as he started having income in India. During 2012-2018, Noticee No.5 was in India for more than 100 days in each year. In view of the above, I do not find any substance in submission of Noticee No.5 that he is permanent citizen of USA having personal and professional reasons to be in USA and he had no knowledge about internal functioning or financials of FEEL.

76. I note that during the course of investigation, it was observed that FEEL's 85% to 90% (approximately) of sales and 72% to 92% (approximately) of purchases was concentrated among top 22 parties. Some of sales were by way of two way dealings i.e. both sales and purchases were made with same party or with parties having common partners/directors. FEEL had significantly increased two-way dealings from 5.71% of total sales and 26.91% of total purchases in FY 2012-13 to 48.95% of total sales and 43.5% of total purchases in FY 2017-18. Analysis of list of parties involved in two way dealings with FEEL, having sales and purchases greater than Rs.1 crore, showed that following sales and purchases were done with LEEL: -

Table No.23**(Rs. In crores)**

Period	Party Name		Sales	Purchase
01.07.2012 to 31.06.2013	LEEL Electricals Limited	Related Part	56.88	235.32
01.07.2013 to 31.06.2014	LEEL Electricals Limited	Related Part	36.38	232.72
01.07.2014 to 31.06.2015	LEEL Electricals Limited	Related Part	147.01	245.41
01.07.2015 to 31.03.2016	LEEL Electricals Limited	Related Part	20.92	5.64
01.04.2016 to 31.03.2017	LEEL Electricals Limited	Related Pa	57.59	11.71
01.04.2017 to 31.03.2018	Punj Technology Pvt Ltd	Related Part	308.14	101.64
	Zenith Fabricators Pvt Ltd	Related Part	107.99	349.7
	LEEL Electricals Limited	Related Part	60.2	2.55
	Airserco Pvt. Ltd.	Related Part	56.85	6.62
	PSL Engineering Pvt. Ltd	Related Part	56.53	14.75
	Abide Electronics Pvt. Ltd.	Third Part	14.29	30.21
	Total		922.78	1236.27

From the above table, it is noted that FEEL showed sales transactions amounting to Rs.378.98 crore and purchases amounting to Rs.733.35 crore with LEEL.

77. Following anomalies w.r.t related party transactions/disclosures were noted with respect to LEEL: -

Table No. 24

Sl. No.	Related party	KMPs	Shareholders	Observations
5	LEEL Electricals Limited	Mr. Surjit Krishan Sharma (Director) Mr. Bharat Raj Punj (Managing Director) Mr. Archin Kumar Roy (Director)	Fedders sales Private Limited (Formerly Lloyd Sales Pvt Ltd) - 8.22% Fedders Manufacturing Private Limited (Formerly Lloyd Manufacturing Pvt Ltd) -	<ul style="list-style-type: none"> The purchase/sale invoices raised by/to LEEL were in sequential order. During the FYs ended 30.06.2015, 31.03.2016 and 31.03.2017, the company has disclosed only 45.54 crores, 21.52 crores and 59.72 crores sales and only 9.36 crores, 6.58 crores & 13.26 crores purchases with LEEL as related party transactions. Also, Fedders has disclosed Rs. 16.91 crores as security deposits for FY ended 30.06.2015 However, in the books of FEEL, Sales of Rs. 425.25 crores and Purchases of Rs. 790.37 crores were recorded with corresponding receipts of Rs. 425.25 crores and payments of Rs. 785.64 crores. Also, advances worth Rs. 1193.64 crores were received & Rs. 632.74 crores were paid.

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Sl. No.	Related party	KMPs	Shareholders	Observations
		Mr. Ajay Dogra (Director) Mrs. Geeta Ajit Tekchand (Director) Mr. Mukat Behari Sharma (Director) Mr. Ramesh Kumar Vasudeva (Director) Mrs. Deepthi Sahaj (Director) Mrs. Anita Kakkar (VP Finance & CS)	5.59% Airserco Private Limited - 8.20% PSL Engineering Private Limited - 9.21%	<ul style="list-style-type: none"> Also inter-company/party settlement of Rs. 423.65 crores & Rs. (9.38) crores were noted during the IP. During FY 2016-17 and FY 2017-18, FEEL recorded adjustment transactions with the balances of seven Related Parties (PSI-Engineering Ltd. ("PSL"), Punj Sons Pvt. Ltd. ("PSPL"), Punj Technology Pvt. Ltd. ("PTPL"), Perfect Radiators Pvt. Ltd. ("PFT"), Zenith Fabricators Pvt. Ltd. ("ZFPL"), Air Serco Pvt. Ltd. ("ASPL") & Ms. Renu Punj) which resulted in a net decrease in the payable balance of LEEL aggregating to Rs. 56 crores. During FY 2018-19, FEEL had recorded adjustment transactions with the balances of 88 third parties which resulted in a net increase in the payable balance of LEEL aggregating to Rs. 14.29 crores. Further, it is noted that the book adjustments with 14 third parties represented - 96% i.e. Rs.13.68 crores of such book adjustments.

78. Further, steel trading division of FEEL had following trading sales and purchase transactions with FEEL: -

Table No. 25

S.No.	Name of Entity	Relationship	Trading Purchases	% of Purchase in Steel trading division	Trading Sales	% of sale in Steel trading division
1	LEEL Electricals Ltd. (LEEL)	Related Party	237.22	8%	104.15	3%

79. FEEL inflated its turnover and profit by showing fictitious sales and purchases with related entities including LEEL. By showing inflated turnover and profit, FEEL encashed credit limits from banks. Substantial amount of fictitious sales and purchases were entered into by FEEL with related parties including LEEL. FEEL engaged in related party dealings without approval of Audit Committee as meetings were happening on paper only. In the above context, I proceed to examine role of Noticee No.6, who was shareholder, son of CMD of FEEL, promoter of FEEL and Managing Director of LEEL. Noticee No.6 in his reply has also admitted to be KMP of LEEL. Father of Noticee No.6 was CMD of FEEL. Further, Mr. Ajay Dogra and Mr. Surjit Krishan Sharma, husband of Noticee No.3 and 4, were directors of LEEL. Prior to appointment of Noticee No.3 and 4 as independent directors and Audit Committee members of FEEL, Mr. Ajay Dogra

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and Mr. Surjit Krishan Sharma were independent director of FEEL. Mr. Ajay Dogra, Mr. Surjit Krishan Sharma, Noticee No.3 and 4 were relatives of Mr. Brij Raj Punj and Noticee No.6. The above facts show that LEEL and FEEL, which were group companies, were controlled and managed by related group of persons. Due to control of related group of persons, FEEL managed to divert funds to related entities including LEEL by showing fictitious entries without obtaining required approval of Audit Committee.

80. From the statements of Noticee No. 1, 2 and 5, I note that Noticee No.6 was not only in knowledge of affairs of FEEL but he was driving and managing affairs of FEEL by remaining behind the curtains. Statements of Noticee No. 1, 2 and 5 were annexed as annexure(s) to the SCN and made available to Noticee No.6. Despite that, Noticee No.6 chose not to cross examine any of the said Noticee(s). Noticee No.6 submitted that the said statements are inconsistent and contrary to each other. In my view, the said statements are consistent and state that Noticee No.6 was managing affairs of FEEL from behind the curtains. Statements of Noticee No.1, 2 and 5 remain unrebutted.

81. I note that the Hon`ble Supreme Court vide its judgment dated May 05, 2016, in the matter of **Muddasani Venkata Narsaiah (D) Th. Lrs Vs. Muddasani Sarojana**, observed as follows: -

“The cross-examination is a matter of substance not of procedure one is required to put one's own version in cross-examination of opponent. The effect of non cross-examination is that the statement of witness has not been disputed. The effect of not cross-examining the witnesses has been considered by this Court in Bhoju Mandal and Ors. v. Debnath Bhagat and Ors. AIR 1963 SC 1906. This Court repelled a submission on the ground that same was not put either to the witnesses or suggested before the courts below. Party is required to put his version to the witness. If no such questions are put the court would presume that the witness account has been accepted The High Court of Calcutta in A.E.G. Carapiet v. A.Y. Derderian AIR 1961 Cal. 359 has laid down that the party is obliged to put his case in cross-examination of witnesses of opposite party. The Rule of putting one's version in cross-examination is one of essential justice and not merely technical one. A Division Bench of Patna High Court in Karnidan Sarda and Anr. v. Sailaja Kanta Mitra AIR 1940 Patna 683 has laid down that it cannot be too strongly emphasized that the system of administration of justice allows of cross-examination of opposite party's witnesses for the purpose of testing their evidence, and it must be assumed

that when the witnesses were not tested in that way, their evidence is to be ordinarily accepted.

82. I note that the Hon`ble High Court of Punjab in the matter of **Chuni Lal Dwakra Nath Vs. Hartford Fire Insurance Co. Ltd. And Ors**, observed as follows: -

"It is a well establish-ed rule of evidence that a party should put to each of his opponent's witnesses so much of his case as concerns that particular witness.

If no such questions are put, the Courts presume that the witness' account has been accepted. If it is intended to suggest that a witness was not speaking the truth upon a particular point, his attention must first be directed to the fact by cross-examination so that he may have an opportunity of giving an explanation. In Browne v. Dunn (1893) 6 R 67 Lord Herschell observed :

"I cannot help saying, that it seems to me to be absolutely essential to the proper conduct of a cause, where it is intended to suggest that a witness is not speaking the truth on a particular point to direct his attention to the fact by some questions put in cross-examination showing that that imputation is intended to be made, and not to take his evidence and pass it by as a matter altogether unchallenged, and then, when it is impossible for him to explain, as perhaps he might have been able to do if such questions had been put to him, the circumstances which, it is suggested, indicate that the story he tells ought not to be believed, to argue that he is a witness unworthy of credit,

I have always understood that if you intend to impeach a witness, you are bound, whilst he is in the box, to give him an opportunity of making any explanation which is open to him; and, as it seems to me, that is not only a rule of professional practice in the conduct of a case, but it is essential to fair play and fair dealing with the witnesses."

83. Statements of Noticee No. 1, 2 and 5 also assumes significance because the said Noticee(s) by virtue of their respective positions were privy to actual state of affairs in FEEL and LEEL. Actual state of affairs of FEEL was at variance with what was shown in books and financial statements of FEEL. In view thereof, I find that Noticee No.6 managed affairs of FEEL while ensuring that his name is not there in board of directors or KMP or any committee of FEEL. Board, KMPs and officials of FEEL were acting on directions and instructions of Noticee No.6. Accordingly, I do not find merit in submission of Noticee No.6 that he had no knowledge or involvement in affairs of FEEL as he was not holding any position in FEEL.

Further, I do not find merit in submission that Noticee No.6 did not benefit or gained out of affairs of FEEL.

84. I note that SCN, inter-alia, stated that facts stated showed that Noticee No.6 was part of day to day decision making of FEEL. Transactions undertaken by FEEL were detrimental to interest of shareholders and violative of various regulatory requirements, detailed therein. The said transactions were executed with involvement of Noticee No.6. The SCN alleged that Noticee No.6 indulged in manipulative, fraudulent and unfair trade manner diverted funds from FEEL for the benefit of other promoter group entities and misrepresented financials of FEEL misleading the investors trading in scrip of FEEL. In view of facts and allegations made in the SCN and statements made by Noticee No. 1, 2 and 6, I do not find merit in submission of Noticee No. 6 that no direct allegation was made in the SCN and no documentary proof was placed on record to prove allegations made in the SCN.

85. Noticee No.6 has submitted that Section 27 of SEBI Act was amended with effect from March 08, 2019 by substituting word “offence” with “contravention”. Prior to said amendment, Section 27 contained concept of vicarious liability for criminal offences only. It did not provide for vicarious liability for civil violations. Post said amendment, Section 27 contained vicarious liability with regard to civil violations as well as criminal violations committed by the company. In this regard, reliance is placed by Noticee on order dated July 08, 2021, passed by the Whole Time Member, SEBI in the matter of V.B. Industries Limited. I note that the said order examined whether Noticee can be held independently liable for violations without any reference to vicarious liability under Section 27 of the SEBI Act. Accordingly, I proceed to examine liability of Noticee No.6 independently of Section 27 of the SEBI Act. I note that the SCN has alleged violation of Section 12A(a), (b) and (c) of the SEBI Act and Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations. The SCN called upon Noticee No.6 to show cause as to why suitable directions be not issued and/or penalty be not imposed on him under Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15 HA of the SEBI Act for violation of above mentioned provisions of SEBI Act and PFUTP Regulations.

86. I note that in **Karnavati Fincap Ltd. And Alka ... vs SEBI**, decided on May 6, 1996, [1996 87 CompCas 186 Guj] the Hon'ble Gujarat High Court held that *Section 11(1) of the SEBI Act imposes a paramount duty on the Board (SEBI) to protect the interest of investors in securities and to promote the development of, and to regulate the securities market, and for achieving this object, it gives plenary powers to resort to such measures as it thinks fit. Section 11(1) not only prescribes duties but confers powers as well, to effectively discharge those duties. Viewed in this way, sub-section (2) which commences with the words "without prejudice to the generality of the foregoing provisions" and proceeds to enumerate matters for which the Board may provide such provision, is to be read as illustrative and not exhaustive of the matters in respect of the measures which can be provided for by the Board in furtherance of the discharge of its duties referred to in sub-section (1). Section 11(2)(e), specifically provides for power to take such measures so as to prohibit fraudulent and unfair trade practices relating to securities markets. Section 11B (1) inter alia provides that, after making an enquiry, in the interest of investors or orderly development of securities market, SEBI may issue such directions to any person associated with the securities market. Further, Section 11B(2) provided power to levy penalty against such person, inter-alia, under Section 15HA after holding inquiry in the prescribed manner. As to who will be considered as 'persons associated with securities market', reference may be made to para 5 of the judgement in Karnavati Fincap Ltd. Matter, wherein, the Hon'ble Gujarat High Court observed as follows: -*

"The words "other persons associated with the securities market" have not been defined in the Act. The question then arises whether "persons associated with the securities market" takes its colour from persons enumerated in clause (ba)? If one has to go by the literal meaning, the interpretation which restricts the meaning of "persons associated with the securities market" to the persons enumerated in clause (ba) is not acceptable. In ordinary meaning, the persons associated with the securities market would include all and sundry who have something to do with the securities market. It is to be noted that the securities market in the sense is not confined to stock exchanges only. The words "persons associated with the securities market" are of much wider import than intermediaries. "Persons associated with" denotes a person having connection or having intercourse with the other; in the present case that "other" with whom a person is to have connection or intercourse is the securities market"

87. As held by the Hon'ble Gujarat High Court, the contention that "words 'persons associated with securities market' will draw its colour from the initial words of Section 11B(1)(a) i.e. 'to any person or class of persons referred to in section 12'", is not acceptable, as doing so would severely restrict the meaning of the words 'persons associated with the securities market'. I note that these words must be interpreted in light of the purpose for which it can be exercised, which is mentioned in Section 11B (i), (ii) and (iii). These purposes inter alia include 'in the interest of investors, or orderly development of securities market'. Considering this purpose of exercise of power under Section 11B(1), in the backdrop of the finding that Noticee No.6 was managing affairs of FEEL by remaining behind the curtains, I am of the view that Noticee No.6 is person associated with securities market.

88. Section 12A of the SEBI Act, inter-alia, reads as "No person shall directly or indirectly" which means it prohibited both natural person and artificial legal persons from engaging in activities mentioned in its clause (a) to (f). Accordingly, I find that Noticee No.6 can be held independently liable for violation of provisions of SEBI Act and PFUTP Regulations without any reference to vicarious liability for acts of the company provided in Section 27.

89. FEEL showed inflated turnover by showing sales and purchases to related entities including LEEL. However, corresponding figures of purchase and sales shown by LEEL were less than what was shown by FEEL. Such arrangement of diversion of funds by showing fictitious transactions with related entities became possible because both FEEL and LEEL were managed by common group of persons, as detailed hereinabove. In view of the above discussion about role of Noticee No.6, I find that Noticee No.6 violated Section 12A(a), (b) and (c) of the SEBI Act and Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations.

90. In view of the aforesaid violations committed by Noticee No. 1, 2, 3, 4 and 6, I find that directions under Section 11(1), 11(4), 11A and 11B of the SEBI Act needs to be issued.

91. SCN in the matter also called upon Noticee Nos. 1, 2, 3, 4 to explain as to why appropriate penalty be not imposed on them, jointly and/or severally, under Section 11(4A), 11B(2), 15 HA and 15 HB of SEBI Act and Section 23E of SCRA. Further, the SCN called upon Noticee No.6 to explain why penalty be not imposed on him under Section 11(4A), 11B(2) and 15 HA the SEBI Act. Extract of these penalty provisions, as existing at the relevant time is as under:

Extract of Section 15HA and 15HB of SEBI Act, 1992:

“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.....”

Extract of Sections 23E of SCRA, 1956:

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

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

92. From the analysis of the aforesaid penalty provisions, I note that Section 15HA of the SEBI Act provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. I find that penalty under Section 15HA of the SEBI Act is attracted for the violations of the PFUTP Regulations by Noticee Nos. 1, 2, 3, 4 and 6. I also note that Section 23E of SCRA provides for penalty for failure to comply with, *inter alia*, listing conditions by “a company or any person managing collective investment scheme or mutual fund”. Accordingly, no penalty is attracted under Section 23 E of SCRA against the Noticee No. 1, 2, 3 and 4.

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

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

15J. *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
(b) the amount of loss caused to an investor or group of investors as a result of the default;
(c) the repetitive nature of the default.

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

94. The Hon`ble Supreme Court in its Judgment dated February 28, 2019, in the matter of **Adjudicating Officer, Securities and Exchange Board of India v Bhavesh Pabari, (2019) 5 SCC 90**, has observed as follows:

“8. we are inclined to take the view that the provisions of clauses (a), (b) and (c) of Section 15-J are illustrative in nature and have to be taken into account whenever such circumstances exist. But this is not to say that there can be no other circumstance(s) beyond those enumerated in clauses (a), (b) and (c) of Section 15-J that the Adjudicating Officer is precluded in law from considering while deciding on the quantum of penalty to be imposed.”

95. As noted above, share price of FEEL, which was trading in the range of Rs. 24.25 to Rs. 61.35 during FY 2012-13 & FY 2013-14, subsequently traded in the range of Rs.45.30 to Rs. 110.40 during the FY 2014-15 to FY 2017-18. The share price reached its peak of Rs. 110.40 /- on August 04, 2015, and then declined to a low of Rs. 4.40 /- on June 17, 2019. It is noted that the Company, vide BSE's corporate announcement dated June 27, 2018, intimated the revision in credit rating from BB to D for Long-term bank facilities & from A4 to D for Short-term Bank facilities. The downgrade in credit rating caused a decline in the share prices to as low as Rs. 4.40.

96. During IP, the full market capitalisation of FEEL, at its peak, was Rs. 339.69 crores (free float market capitalisation is Rs. 179.78 crores) and full market capitalisation

of the Company at its lowest was Rs. 14.94 crores (free-float market capitalisation Rs.7.18 crores). This caused a loss of Rs. 172.60 crores to the public shareholder's wealth.

Table No. 26:

Date	Share price	Type	Full market capitalisation (Rs. in crores)	Free-float market capitalisation (Rs. in crores)
August 04, 2015	110.40	peak	339.69	179.78
June 17, 2019	4.40	Lowest	14.94	7.18
Loss to Public shareholder's wealth				172.60

97. Further, as noted by the Transaction Auditor, as on August 14, 2019, the outstanding dues towards the banks aggregated to Rs. 997.76 crores. The details of outstanding dues are as mentioned below:

Table No.27:

Rs. in crores

S. No.	Name of Bank	Nature of facility	Claims submitted to RP as on 14 Aug 2019
1	State Bank of India	CC and WC	582.60
2	Axis Bank	cc	107.37
3	Punjab National Bank	cc	122.45
4	Central Bank of India	cc	87.72
5	Karnataka Bank	cc	44.95
6	ICICI Bank	cc	46.12
7	Standard Chartered Bank	wc	6.52
8	Toyota Financial Services India Ltd.	Car Loan	0.03
Total			997.76

Source: financial records provided by FEEL to the Transaction Auditor.

98. Annual Reports of FEEL for IP noted remuneration received by the respective Noticee(s) which is as follows: -

Table No.28:

(in Rs.)

Noticee No.	2012-13 (for year ended June 30, 2013)	13-14	14-15	15-16	16-17	17-18
1	-	-	-	20,35,832	4,46,354	34,65,840

Noticee No.	2012-13 (for year ended June 30, 2013)	13-14	14-15	15-16	16-17	17-18
2	74,42,660	81,28,647	86,97,523	63,99,266	92,36,280	1,03,84,364
3	15,000	60,000	60,000	30,000	75,000	75,000
4		45,000	60,000	45,000	75,000	75,000

99. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) of the SEBI Act read with Section 19 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, direct as under:

- (i) The Noticee No.1 to 4 and 6 are, hereby, restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 2 years, from the date of coming into force of this order;
- (ii) The Noticee No.1 to 4 and 6 are, hereby, restrained from holding any position of Director or Key Managerial Personnel in any listed company or any intermediary registered with SEBI, or associating themselves with any listed public company or a public company which intends to raise money from the public or any intermediary registered with SEBI for a period of 2 years, from the date of coming into force of this order;
- (iii) The Noticee Nos. 1, 2, 3, 4 and 6, are hereby imposed with monetary penalties, as specified hereunder:

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalty Amount (Rs.)
1	Mr. Akhter Aziz Siddiqi	Section 15 HA of SEBI Act	1 Crore
		Section 15HB of SEBI Act	25 Lakh
2	Mr. Sham Sunder Dhawan	Section 15 HA of SEBI Act	1 Crore
		Section 15HB of SEBI Act	20 Lakh
3	Ms. Bindu Dogra	Section 15 HA of SEBI Act	30 Lakh
		Section 15HB of SEBI Act	5 Lakh

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalty Amount (Rs.)
4	Ms. Ritushri Sharma	Section 15 HA of SEBI Act	30 Lakh
		Section 15HB of SEBI Act	5 Lakh
6	Mr. Bharat Raj Punj	15HA of SEBI Act	1 Crore

(iv) The Noticees shall remit / pay the said amount of penalties within 45 days from the date of receipt of this order. The Noticees shall remit / pay the said amount of penalties 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 ED/ CGM -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to "The Division Chief, CFID-1, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in in the format as given in table below:

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

(v) The SCN against Noticee No. 5 is disposed of without any adverse directions, in terms of observations at paragraphs 68.

100. The obligation of the Noticee(s), restrained/ prohibited by paragraph 99 of this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Final Order in the matter of Fedders Electric and Engineering Limited

Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticee(s), restrained/prohibited in the present Order, in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

101. This Order shall come into force with immediate effect.

102. This Order shall be served on all the Noticee(s), Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents of mutual funds to ensure necessary compliance.

Date: December 22, 2023

Place: Mumbai

K. SARAVANAN

CHIEF GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA