

**IN THE SUPREME COURT OF INDIA**  
**WTM/KV/CFID/CFID-CORD/31338/2024-25**

Securities and Exchange Board of India

*... Petitioner*

v.

Onelife Capital Advisors Limited, Thane, Maharashtra & Ors.

*... Respondents*

**Securities and Exchange Board of India Act, 1992** — Investigation and Show Cause — Alleged diversion of funds and misrepresentation of financial statements by Onelife Capital Advisors Limited — Violations of PFUTP Regulations and LODR Regulations, read with §§. 11 and 11B of SEBI Act — Use of deceptive device leading to deceit of investors and incorrect financials — Noticees called upon to show cause for restraining orders, monetary penalties, and directions — Company, directors, and Audit Committee members found liable for non-disclosure of RPTs and breach of governance standards — Violations of §. 12A(a), (b), (c) and liabilities under §. 27 — Monetary penalties imposed under §§. 15HA and 15HB — Underscores need for accurate disclosures, diligent audits, and strict listing compliance.

**Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003** — Prohibition of Fraudulent and Unfair Trade Practices — SEBI investigation into misrepresentation of financial statements, fund diversion, and non-disclosure of RPTs — Noticees called upon to show cause under regulation 3(b), (c), (d), regulation 4(1), and clauses (e), (f), (k), (r) of regulation 4(2) — Conduct held to constitute fraudulent and unfair trade practices — Show Cause Notices issued for monetary penalties under the SEBI Act and these Regulations — Company, Directors, and KMP found liable — Emphasis on accurate disclosures, robust governance, and strict adherence to regulatory obligations.

**Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** — Non-disclosure and delayed disclosure of Related Party Transactions — Failure to obtain prior Audit Committee approval and material RPT approvals from shareholders in violation of regulation 23 — Misrepresentation of financial statements and non-compliance with disclosure principles under regulation 4 — Audit Committee lacking due diligence (regulation 18) — Further violations found under regulations 4(1)(a), 4(1)(b), 4(1)(g), 4(2)(f), 4(2)(k), 4(2)(r), 23(2), 23(4), 23(9), 30(2), 33(1)(c), 34(3), and 48 — Monetary penalties imposed and market access restricted — Highlights transparent governance, timely disclosures, and strict listing compliance.

**Companies Act, 2013** — Key Managerial Personnel — §. 203(4) mandates prompt filling of KMP vacancy; delay of 4 days amounts to violation — CFO is a KMP under the Act — Directors' interests must be disclosed as per §. 184 — Non-compliance and lack of supporting documents led to monetary penalties — Emphasizes timely appointments, accurate disclosures, and corporate governance.

**Ind AS 24 — Non-disclosure of Related Party Transactions — Requires separate disclosure of RPTs in financial statements — OCAL's failure to disclose transactions with affiliated entities amounts to concealment of material information — Held to misrepresent financial statements and breach listing and regulatory obligations — Monetary sanctions imposed.**

**SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 — Substitution of provisions from February 01, 2019 and February 01, 2022 — Previous regulations barred acts of manipulation and publishing untrue or misleading statements — SEBI's investigation into OCAL uncovered alleged fund diversion, financial misrepresentation, and RPT non-disclosure — Multiple show cause notices and appeals before SAT — Final order imposed monetary penalties on OCAL and key persons — Reinforces transparent disclosures, strong governance, and compliance with securities norms.**

**FACTS.** A complaint was lodged with SEBI on October 30, 2022, alleging that Onelife Capital Advisors Limited (OCAL) diverted funds and misrepresented its financial statements. The National Stock Exchange examined potential listing violations, prompting SEBI to investigate possible breaches spanning FY2018 to FY2023. An interim order-cum-show cause notice restricted OCAL and certain individuals, including directors and key managerial personnel, from dealing in securities. Appeals before the Securities Appellate Tribunal led to partial relief and set timelines for proceedings. OCAL and its associates were accused of inflating revenue, engaging in circular transactions with entities such as Dealmoney Securities Private Limited (DSPL) and Dealmoney E-Marketing Private Limited (DDEPL), and failing to disclose related party transactions as required under the LODR Regulations. Show cause notices were issued and personal hearings conducted. The company ratified some transactions through shareholder resolutions and responded to various allegations regarding CFO and Audit Committee roles, interest-free loans to promoter entities, and delayed disclosures of key managerial changes. Prior instances of irregularities in an IPO were also examined. Ultimately, in March 2025, SEBI issued a final order addressing the alleged violations and imposing directions and penalties against responsible parties.

**PRAYER.**

**ISSUES OF LAW.**

Whether OCAL and its directors, key managerial personnel, and other Noticees: engaged in misleading or inflated financial practices; failed to disclose related party transactions and comply with listing and disclosure obligations; participated in circular or artificial transactions inflating revenue or expenses; misrepresented financial statements contravening SEBI regulations; advanced or received interest-free loans without requisite approvals; and otherwise violated corporate governance standards under the LODR, PFUTP Regulations, and the SEBI Act, 1992.

**SUMMARY.** SEBI initiated an investigation of Onelife Capital Advisors Limited (OCAL) following allegations of fund diversion, misrepresentation of financial statements, and non-disclosure of related party transactions spanning several

financial years. The inquiry revealed transactions with Dealmoney group entities that allegedly lacked contractual clarity or formal approvals, inflating OCAL's reported revenue and expenses and obscuring its true financial position. Multiple show cause notices, interim orders, and appeals before the Securities Appellate Tribunal ensued. Audit Committee reviews and shareholder ratifications were introduced for certain dealings. Ultimately, SEBI's final order imposed monetary penalties on OCAL and key individuals for contravening listing regulations and engaging in fraudulent or unfair trade practices, underscoring the importance of transparent disclosures and robust governance.

**HELD.** The final order concluded that OCAL and certain directors or key managerial personnel violated multiple provisions of the SEBI Act, the PFUTP Regulations, and the LODR Regulations by misrepresenting financial statements and failing to disclose related party transactions. Monetary penalties were imposed, and some individuals were restricted from accessing the securities market. The order underscores the importance of accurate financial disclosures, appropriate governance structures, and strict compliance with listing obligations.

**FINAL STATUS.** A final order was passed by sebi, imposing directions and monetary penalties on certain noticees and disposing of the matter.

### **CASES REFERRED**

Commissioner of Income Tax (Central) -I, New Delhi vs. Vatika Township Private Ltd. (2014) 12 SCR 1037

G.V. Films Limited vs SEBI (Misc. Application No. 1634 of 2022 and Appeal No. 1043 of 2022)

Reliance Industries Limited vs SEBI (Criminal Appeal No. 1167 of 2022)

SEBI order dated August 30, 2013 in respect of IPO of OCAL

SEBI order dated December 28, 2011 in respect of IPO of OCAL

SEBI order dated November 28, 2014

SEBI vs. Shri Kanaiyalal Baldevbhai Patel (Order dated September 20, 2017 passed in Civil Appeal No. 2595 of 2013)

Settlement order dated February 9, 2017

T. Takano vs SEBI (Civil Appeal No. 487-488 of 2022)

### **COUNSELS**

### **Judgment Pronounced on**



WTM/KV/CFID/CFID-CORD/31338/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SUB-SECTIONS (1), (4) AND (4A) OF SECTION 11 AND SUB-SECTIONS (1) AND (2) OF SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

Sr. No.	Name of the <i>Noticee</i>	PAN
1.	Onelife Capital Advisors Limited	AAACO9540L
2.	Pandoo Naig	ACNPN2800J
3.	Prabhakara Naig	ABIPN2653D
4.	Manoj Ramgopal Malpani	AADPM9730A
5.	Ram Narayan Gupta	AAKPG9052E
6.	Amol Shivaji Autade	ANCPA3607Q
7.	Sonam Satish Kumar Jain	ANYPJ5733C
8.	Dhananjay Chandrakant Parikh	ACTPP2402L
9.	Gurunath Mudlapur	AEGPM9121C

*(The entities mentioned above are individually known by their respective name or Noticee No. and collectively referred to as “Noticees”)*

**In respect of Onelife Capital Advisors Limited**



### Synopsis of the order

	PARTICULARS	PAGE	PARAGRAPH NO.
A	BACKGROUND	2 to 5	1 to 6
B	PROCEEDING BEFORE HON'BLE SAT	6	7
C	SERVICE OF INTERIM ORDER, HEARING AND SUBMISSIONS	6 to 15	8 to 16
D	ALLEGATIONS MADE AGAINST NOTICEES	15 to 20	17
E	CONSIDERATION OF VARIOUS ISSUES	20 to 94	18 to 79
	E.1 CONSIDERATION OF PRELIMINARY ISSUES	20 to 21	18
	E.2 EXAMINATION ON MERITS	21 to 94	19 to 79
F	CONCLUSION	94 to 102	80 to 89
G	DIRECTIONS	103 to 105	90

#### A. BACKGROUND

1. Pursuant to a complaint dated October 30, 2022 received by Securities and Exchange Board of India ("**SEBI**") pertaining to alleged diversion of funds and misrepresentation in financial statements by Onelife Capital Advisors Limited ("**OCAL**" / "**the Company**") and an examination conducted by National Stock Exchange of India Ltd. (**NSE**) based on internal alerts generated at their end, the matter was investigated by SEBI for probable violations of provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") read with provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act, 1992**"), during the period from April 1, 2018 to March 31, 2023 (hereinafter referred to as "**Relevant Period/ Investigation Period**").
2. Pursuant to the investigation, an *Interim Order cum Show Cause Notice* dated October 21, 2024 (hereinafter referred to as the "**SCN**") was issued by SEBI against *Noticees*. In the said SCN, it was noted that OCAL was incorporated on August 31, 2007 and its registered office is located at Thane, Maharashtra. OCAL is in the business of providing advisory services and other related ancillary services. The Company was listed on BSE



and NSE on October 17, 2011. As on October 18, 2024, the scrip closed at INR 17.00 (BSE) with Company's market capitalization standing at INR 22.71 Crore.

3. The SCN contained the following findings:

*“(a) OCAL witnessed a sudden spike in its revenues and expenses from the time it started booking transactions with its related parties, Dealmoney Securities Private Limited (DSPL) and Dealmoney Distribution and E-marketing Private Limited (DDEPL). During FY 20 to FY 23, 100% of its revenues and 92% of its professional fees expenses were booked only with these two related parties. However, there were no written agreements/service contracts between OCAL and DSPL/DDEPL and there was no payment or deficient payment of Income Tax and GST by OCAL even though revenues and expenses were surging. Further, the inconsistencies in recording of transactions in the books of DSPL/ DDEPL vis-à-vis OCAL, garnering of apparent profit by privately held related parties at the expense of OCAL, a publicly listed company, without any tangible benefit in return, and failure to disclose and obtain necessary approvals for RPTs from Audit Committee/shareholders, definitely do not pass the common sense test of genuine transactions between related parties.*

*(b) It was also prima facie found that OCAL initially classified the amount given to DSPL as a Loan, however, DSPL classified the same as Income apparently to meet its net worth requirements as a broker. Upon receiving an enquiry from NSE regarding the mismatch in the accounting treatment given by OCAL and DSPL, OCAL re-classified the amount as Capital Works-in-Progress. A similar covering of its tracks was noticed in OCAL's Annual Report for FY 24 wherein it appeared that OCAL was attempting to seek ratification from shareholders' for the material RPTs already entered into during FY 20 to FY 23 instead of obtaining prior approvals for the same, presumably after learning that SEBI had initiated an investigation in the instant matter. Thus, the company appears to be having a penchant for consistently committing regulatory violations with impunity and later attempting to rectify the same in order to avoid penal proceedings.*



(c) *It was also prima facie found that OCAL did not report the RPTs related to sales of services to DDEPL and purchases of services from DDEPL in the Half Yearly RPT disclosures filed for the Half Year ended September 2023 and wrongly disclosed the sale and purchase transactions with DDEPL in the Half Yearly RPT disclosures filed for the Half Year ended March 2024. Thus, the regulatory violations prima facie found to have been committed by the company and its directors in the foregoing paragraphs are still continuing and there is an imminent need to put a stop on further wrongdoing by the company.*

(d) *Further, the misfeasances prima facie found to have been committed by the company are not restricted to the domain of securities markets and the tentacles are also seemingly spreading over to violations in the domains regulated by other authorities such as National Financial Reporting Authority (NFRA), Ministry of Corporate Affairs, GST Authorities, Income Tax Department, etc.*

(e) *As a result of the misrepresented financials of the Company, there has been a considerable surge in the retail investor interest in the shares of the Company and the number of public shareholders as at the end of September 2024 quarter is 9,855 as compared to 4,638 at the end of FY 19. On the other hand, one of the promoters, Mr. Pandoo Naig has divested almost his entire stake in the company and approx. 78% of the shareholding of the other promoter, Mr. Prabhakara Naig, is currently pledged.*

*Further, it is pertinent to note that Mr. Pandoo Naig offloaded almost his entire stake when the scrip was trading in the higher range and the pledge on the shares of the other promoter, Mr. Prabhakar Naig has come down from more than 99% at the end of the Investigation Period (March 2023) to approx. 78% as on date. Since there has been a general increase in the price of the scrip post the Investigation Period, there is a possibility that Mr. Prabhakar Naig may also offload his unencumbered shares at an opportune time or may again create a pledge on these shares ultimately at the peril of unsuspecting public shareholders.”*

4. Accordingly, the following directions, *inter alia*, were issued vide Interim Order cum SCN, against Noticees:



*“(a) ‘Noticees Nos. 1 to 3 are restrained from buying, selling or dealing in securities, or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders. If the said Noticees have any open position in any exchange-traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 7 days from the date of order or at the expiry of such contracts, whichever is earlier. The said Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.*

*“(b) Noticees Nos. 2 and 3 are restrained from acting as a Director or a Key Managerial Personnel of any listed company or its subsidiary or any company which intends to raise money from the public or any SEBI registered intermediary, until further orders.....”*

5. Vide the SCN, Noticees Nos.1 to 3 were also called upon to show cause as to why suitable directions/ prohibitions under sub-sections (1) and (4) of sections 11 and sub-section (1) of section 11B of the SEBI Act, 1992 including the directions of restraining them from accessing the securities market including buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary or any other directions as deemed fit by SEBI, should not be issued against them.
6. Further, Noticees Nos. 1 to 9 were also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under sub-section (4A) of sections 11 and sub-section (2) of section 11B read with sections 15HA and/or 15HB of the SEBI Act, 1992 for the alleged violations of provisions of the SEBI Act, 1992, the PFUTP Regulations and the LODR Regulations, as the case may be.



## **B. PROCEEDING BEFORE HON'BLE SECURITIES APPELLATE TRIBUNAL**

7. *Noticees* Nos. 1, 2 and 3 i.e. Onelife Capital Advisors Limited, Pandoo Naig and Prabhakara Naig, filed an Appeal against the Interim Order cum SCN (Appeal No. 653 of 2024), before Hon'ble Securities Appellate Tribunal (**SAT**). Vide its order dated November 25, 2024, Hon'ble SAT disposed of the said Appeal, *inter alia*, granting certain concessions to *Noticees* Nos. 1 to 3 (Appellants) in the form of permitting *Noticee* (appellant) Nos. 2 and 3 from acting as a Director or a Key Managerial Personnel (**KMP**) in *Noticee* (appellant) No. 1 company only and not in any other company or its subsidiary company. Relief was also granted with respect to receiving of shares for which payment has been made as well as for redeeming and receiving shares pledged. It also directed them to file reply to the SCN within two weeks. Hon'ble SAT also directed SEBI to conclude the proceedings within 8 weeks from the date of submission of reply to the SCN. Thereafter, Appeal No. 653 of 2024 was mentioned on December 10, 2024 before Hon'ble SAT and the appellants, *inter alia*, sought extension of one week's time from December 10, 2024 for filing their reply to the SCN, which was acceded by Hon'ble SAT. Accordingly, appellants were allowed to file their replies to the SCN by December 16, 2024. Thereafter, Miscellaneous Application No. 164 of 2025 was filed in Appeal No. 653 of 2024 by SEBI, seeking extension of timeline for concluding the proceedings. Hon'ble SAT, vide order dated February 12, 2025, extended the time till March 31, 2025 for concluding the present proceedings. This order is being passed within the timeline provided by Hon'ble SAT.

## **C. SERVICE OF INTERIM ORDER CUM SCN, HEARING AND SUBMISSIONS**

8. From the material available on record, I note that the Interim Order cum SCN was duly served on all *Noticees*. It is noted that upon service of the Interim order cum SCN, *Noticees* Nos. 1, 2, 3, 4 and 9 have, through their authorised representatives, sought inspection of documents and further sought for additional documents including cross examination of Mr. Manoj Malpani (*Noticee* No. 4) and Mr. Gurunath Mudlapur (*Noticee* No. 9) so as to enable them to defend these allegations. Inspection of documents was granted to *Noticees* Nos. 1, 2, 3, 4 and 9, who had sought for the same. All *Noticees* have filed their replies to the SCN on various dates as detailed in Table No. 1. Pursuant



thereto, an opportunity of hearing was granted by SEBI to all *Noticees* on December 19, 2024. However, *Noticees* requested for an adjournment and the same was granted.

9. Subsequently, an opportunity of hearing was granted to all *Noticees* on December 27, 2024, which was attended by *Noticees* Nos, 1, 2, 3, 5, 6, 7 and 8. Hearing for *Noticees* Nos. 4 and 9 was conducted on January 06, 2025. Thereafter, post hearing submissions were filed by *Noticees* Nos. 1, 2, 3, 4 and 9. Certain additional queries were raised during hearing and clarifications were sought from *Noticees* No. 1, 2 and 3 vide email dated January 10, 2025, to which response was received on January 20, 2025. Further, copies of Annexure 34 of reply dated December 16, 2024 and copy of the Order dated September 17, 2024 of Income Tax Department pertaining to FY 2021-2022 (AY 2022-2023), were also sought from *Noticees* Nos. 1, 2 and 3 which were not received by SEBI along with reply to SCN. The said documents were provided by *Noticees* Nos. 1, 2 and 3 vide letter dated January 21, 2025 and email dated January 22, 2025.
10. The details of replies filed, hearing granted and post hearing submission/additional clarifications filed are summarized in the table below-

**Table No. 1**

<b>Noticee No.</b>	<b>Noticee Name</b>	<b>Inspection granted on</b>	<b>Date of reply filed</b>	<b>Date of hearing</b>	<b>Date of post hearing submission/ additional clarifications filed.</b>
1	Onelife Capital Advisors Limited	November 29, 2024	December 16, 2024	December 27, 2024	January 08, 2025, January 20, 2025, January 21, 2022 and January 22, 2025
2	Pandoo Naig	November 29, 2024	December 16, 2024	December 27, 2024	January 08, 2025, January 20, 2025, January 21, 2022 and January 22, 2025



3	Prabhakara Naig	November 29, 2024	December 16, 2024	December 27, 2024	January 08, 2025, January 20, 2025, January 21, 2022 and January 22, 2025
4	Manoj Ramgopal Malpani	November 21, 2024	December 12, 2024	January 06, 2025	January 08, 2025
5	Ram Narayan Gupta	Not sought	December 06, 2024	December 27, 2024	-
6	Amol Shivaji Autade	Not sought	December 17, 2024	December 27, 2024	-
7	Sonam Satish Kumar Jain	Not sought	December 18, 2024	December 27, 2024	-
8	Dhananjay Chandrakant Parikh	Not sought	December 17, 2024	December 27, 2024	-
9.	Gurunath Mudlapur	November 29, 2024	December 23, 2024	January 06, 2025	January 09, 2025

11. Considering the facts mentioned above, I am of the view that sufficient opportunity has been accorded to *Noticees* and the matter is required to be concluded based on the material available on record.

#### SUMMARY OF SUBMISSIONS MADE BY NOTICEES

12. **OCAL (*Noticee* No. 1), Pandoo Naig (*Noticee* No. 2) and Prabhakara Naig (*Noticee* No. 3)**, vide various letters, as well as during hearing, made common submissions denying all the allegations contained in the SCN except as expressly admitted by them. The summary of submissions is as under-
- 12.1. The Interim Order cum SCN has not taken into consideration the nature of transactions as explained in OCAL's submissions from time to time during investigation.
- 12.2. The Interim Order cum SCN failed to appreciate that the alleged circuitous transactions were in fact genuine and also that the nature of services provided by the OCAL and the nature of services received by OCAL are totally different.



- 12.3. *Noticees* have not done any activity to inflate the revenue/ other expenses through circuitous transactions with related parties. All transactions have been done in the regular/ordinary course of business, in compliance with extant laws and with the sole intention to benefit the public shareholders/stakeholders of OCAL.
- 12.4. With respect to the allegation of inflation of revenue/ other expenses through circular transactions with related parties, SEBI has incorrectly compared the figures of DSPL and DDEPL to the standalone figures of OCAL which does not give a true picture of the affairs of the OCAL and its subsidiaries.
- 12.5. The spike in revenue and expenditure are as a result of the services given to and taken from DSPL and DDEPL which are group entities of OCAL. The said transactions have been duly recorded in OCAL's books as required under the law. Said transactions have been done to recover fair costs incurred by respective companies with some small margin in fairness to these companies for their efforts, and not to inflate revenue as alleged.
- 12.6. The mere fact of deduction or non-deduction of Tax Deducted at Source (TDS) does not justify the genuineness of the transactions. OCAL made provisions for TDS as required under the law while booking the payments for the services rendered by DSPL and DDEPL.
- 12.7. All the bills have been reported in the GST returns except 3 bills which only proves the fact that the transactions are recorded as required under law and genuine. Further, TDS and GST provisioning by OCAL are beyond the scope of SEBI's investigative powers/review.
- 12.8. With respect to Contracts inter-se OCAL, DSPL and DDEPL and the issue of arm's length pricing, there was no need for entering into an agreement and contract as the ultimate beneficiaries were almost the same, as the shareholders of OCAL were the major shareholders of DSPL and DDEPL considering that the merger was underway.



- 12.9. The allegation of non-creation of tangible or intangible assets due to the expenses created with DSPL and DDEPL is denied. It was also submitted that the Super App has been developed by the OCAL / Dealmoney group and entails to bring all services to one single app to enhance customer experience.
- 12.10. Different KMPs had different roles to play in OCAL and its subsidiaries. Not everyone was providing all the services to DSPL and DDEPL nor were they aware of the exact business development.
- 12.11. While prior RPT approval was not taken for all RPTs, all the RPTs have been ratified by shareholders of OCAL on September 30, 2024. Further, the RPTs among OCAL, DSPL and DDEPL do not meet the materiality threshold in terms of sub-regulation (2) of regulation 23 of the LODR, hence prior approval was not required;
- 12.12. There was no inflation in revenue in the manner alleged by SEBI or otherwise. The *Noticee* No.2 (Pandoo Naig) did not sell his shareholding when the scrip was trading in a “higher range” and SEBI’s allegations in this respect are prima-facie, factually incorrect.
- 12.13. Shareholding of the *Noticee* No.3 (Prabhakara Naig) was pledged entirely for the benefit of OCAL and its subsidiaries.
- 12.14. With respect to the allegation of delay in filing disclosures with stock exchanges, *Noticees* submitted that none of the delays in informing the exchange were intentional or meant to conceal the facts from the shareholders.
- 12.15. With respect to allegation that Mr. Pandoo Naig did not perform his duties and obligations which resulted in publication of misrepresented/ misstated financial statements of OCAL, many of the key responsibilities were forced upon or automatically fell upon him for lack of right candidate. In order to fulfil the responsibilities, Mr. Pandoo Naig engaged the expertise of CAs and auditors who were peer reviewed.



12.16. Mr. Manoj Malpani was the KMP of the company and was responsible for not only the preparation, monitoring, coordinating and finalization of the financial statements and financial control of the organization, but also ensuring the regulatory disclosures as may be required under the statute and was designated as the Chief Financial Officer (CFO) of the Company.

12.17. Audit committee members were sufficiently qualified and experienced to provide the company with the expertise and credibility it needed. OCAL had ensured board meetings and audit committee meetings as required under the law were conducted.

13. **Manoj Ramgopal Malpani (Noticee No. 4)**- The *Noticee* denied all the allegations made against him in the SCN. The summary of submissions made by the *Noticee* No. 4 is as under-

13.1. SEBI has failed to provide copies and inspection of all relevant documents relied on by it while making the allegations and charges against him. In this regard, *Noticee* referred to the judgement of Hon'ble Supreme Court passed in the matter of ***T. Takano v. SEBI*** (Civil Appeal No. 487-488 of 2022) and ***Reliance Industries Limited v. SEBI*** (Criminal Appeal No. 1167 of 2022).

13.2. The *Noticee* was CFO of OCAL from June 23, 2022 to April 01, 2024 i.e. during the Financial years 2022-2023 (part) and 2023-2024 and he cannot be held liable for any financial or other irregularities in the Company during 2022-23.

13.3. The *Noticee* was not involved in the day-to-day affairs of OCAL. Mr. Pandoo Naig took all decisions in the company as confirmed by other KMPs in their statements to SEBI.

13.4. The *Noticee* only signed the financial statements for FY 2022-23 and the quarterly statement for the first quarter ending on June 30, 2022, while the rest of the statements were signed by Mr. Prabhakara Naig.

13.5. The *Noticee* was only a signatory to the financial statements of the Company which were prepared by the accountant of OCAL and finalized by the Internal



and Statutory Auditors. In this regard reference has been made to the order of Hon'ble SAT in the matter of **G.V. Films Limited vs. SEBI** (Misc. Application No. 1634 of 2022 and Appeal No. 1043 of 2022).

- 13.6. The financial statements, are prepared with the approval of the Audit Committee, the statutory and internal auditors and under the scrutiny of the independent directors of the company, which were reviewed by *Noticee* No. 4, did not contain any materially untrue statements and he did not have any reason to believe that there might have been any fraudulent and illegal activities. The *Noticee* was only a signatory of the same.
- 13.7. The *Noticee* has not been named in the complaint filed against the Company. The *Noticee* was not involved in the day to day affairs of the Company. He was aware of the transactions between OCAL and DDEPL. However, his role was limited to coordination between the Audit team and team overseeing the accounts of the company.
- 13.8. All operational decisions including those regarding payments for services availed were taken by Mr. Pandoo Naig and not by the *Noticee*. The loan transactions between Company and DSPL, the Companies (Auditor's Report) (**CARO Report**) of FY 2021 and movement of funds (till May 31, 2022) occurred before the *Noticee* joined the Company. There is no ground to pass any directions against the *Noticee* or for imposing penalty on him.
14. **Ram Narayan Gupta (Noticee No. 5)**- The *Noticee* denied all the allegations contained in the SCN and adopted the detailed submission made by the *Noticee* No. 1 to the extent that it pertains to his role as a member of Audit Committee. The summary of submissions made by the *Noticee* is as under:
- 14.1. Audit Committee has ensured full disclosures of the transactions and the financial results as required under the laws incorporating all the figures, details as required to their best knowledge and ability and exercised due diligence and prudence while reviewing all affairs of the Company.



14.2. The *Noticee* submitted details of various activities followed and observed by the Audit Committee in compliance with the requirements of sub-regulation (3) of regulation 18 of the LODR Regulations.

14.3. The *Noticee* submitted his resignation from Directorship of OCAL with effect from January 01, 2020. Since then (i.e. December, 2019 onward) he had no longer been associated with the company in any capacity or in any way whatsoever. The *Noticee's* involvement with regard to the period of impugned SCN was for a very short initial period.

15. **Amol Shivaji Autade (*Noticee* No. 6), Sonam Jain (*Noticee* No. 7) and Dhananjay Parikh (*Noticee* No. 8),** made similar submissions which are summarized below:

15.1. *Noticees* denied all allegations contained in the SCN and adopted the detailed submissions made by the *Noticee* No. 1 to the extent that it pertains to their role as a member of Audit Committee.

15.2. As members of Audit Committee, *Noticees* have ensured full disclosures of the transactions and the financial results. No fraudulent transactions have been executed.

16. **Gurunath Mudlapur (*Noticee* No. 9)-** *Noticee* denied all allegations made against him in the SCN. The summary of submissions made by the *Noticee* No. 9 is as under-

16.1. SEBI has failed to provide copies and inspection of all relevant documents relied on upon by it while making the allegations and charges against him. In this regard, the *Noticee* referred to the judgement of Hon'ble Supreme Court passed in the matter of ***T. Takano v. SEBI*** (Civil Appeal No. 487-488 of 2022) and ***Reliance Industries Limited v. SEBI*** (Criminal Appeal No. 1167 of 2022).

16.2. The *Noticee* served as Non-Executive Non-Independent Director of OCAL, for the period September 15, 2020 to July 20, 2023. He was also a Director of Dealmoney Financial Services Pvt. Ltd. (**DFSPL**), Dealmoney Real Estate Pvt. Ltd. (**DRSPL**) and Dealmoney Commodities Private Limited (**DCPL**).



- 16.3. On July 20, 2023, the *Noticee* filed fresh resignation letter for resignation from post of Director as his previous resignation letter sent on March 29, 2023 was not considered by the Company.
- 16.4. His role was limited to being a strategic advisor for the Company's ventures into various business verticals, including stock broking business and advised on the same whenever sought, from time to time. He also provided advice regarding strategic decisions of the Company and its subsidiaries etc., on the basis of express instructions of the Managing Director of OCAL. He was not part of the operational team of the company or its related entities at any point.
- 16.5. All major decisions of the Company were taken by Mr. Pandoo Naig and group's finance team.
- 16.6. He was inducted into the Audit Committee on July 30, 2022 and he had attended only three Audit Committee Meetings dated July 30, 2022, November 14, 2022 and February 14, 2023.
- 16.7. The RPTs with its related entities i.e. DSPL and DDEPL were placed before the Audit Committee and approved in the normal course of business. Further, they were subsequently approved by Shareholders of the Company.
- 16.8. The *Noticee* was involved in the setting up and operationalizing the business verticals for the Company and DSPL relating to the "TOUCH" and Dealmoney apps. The *Noticee* was not involved in the day to day affairs of the Company.
- 16.9. While Audit Committee is responsible for the financial reporting process, it is not responsible for the timely disclosure of financial information, as the same falls squarely within the duties and responsibilities of the Company Secretary of the Company.
- 16.10. As Independent Director of the Company, the *Noticee* had applied due diligence, prudence and precautions on all the affairs of the company so as to safeguard the interest of all stakeholders particularly minority stakeholders.



16.11. Audit Committee has ensured full disclosures of the transactions and the financial results as required under the laws incorporating all the figures, details as required to their best knowledge and ability and exercised due diligence and prudence while reviewing all affairs of the company.

#### **D. ALLEGATIONS MADE AGAINST NOTICEES**

17. Before proceeding in the matter, it would be useful to list out various allegations made in the SCN against *Noticees*, based on the investigation in the matter. The specific violations of the relevant provisions of the SEBI Act, 1992 and provisions of various regulations issued thereunder as stated in the SCN are presented below-

**Table No. 2**

<b>Entity Name / Designation / Tenure</b>	<b>Nature of allegations/ findings in brief</b>	<b>Violations observed</b>
OCAL ( <i>Noticee</i> No. 1)	a) Act of OCAL in misrepresenting financial statements and publishing the misrepresented financial results in contravention of the provisions of applicable Accounting Standards, operated as a device to deceive and defraud investors dealing in the shares of OCAL. Hence, the company concealed correct picture of its financials from its stakeholders which was in contravention of the applicable accounting standard and prescribed financial disclosures.	Sub-regulations (b), (c) and (d) of regulation 3, sub-regulation (1) of regulation 4, clauses (e), (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992, clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations.



	<p>b) OCAL failed to disclose its RPTs with related entities, viz., DSPL, DDEPL, FCHL and Mr. Prabhakara Naig, its Promoter/Director, in half yearly filings with exchanges and not taking necessary prior approvals from Audit Committee/ Shareholders for the RPTs.</p> <p>c) OCAL failed to disclose in its Annual Report, the RPTs with DDEPL for FY 2020 and with the Promoter/ Director of OCAL for FY 2022 and FY 2023. Non-disclosures of RPTs by OCAL in its Annual reports were not in accordance with Ind AS 24.</p>	<p>Clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4 sub-regulations (2), (4) and (9) of regulation 23, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations .</p>
	<p>d) OCAL, without Audit Committee/ Shareholders' approval, granted loans to its related party, and not made half yearly disclosures. Further, OCAL granted interest free loans to its related entities and OCAL failed to disclose RPTs with PFPPL in FY2019</p>	<p>sub-regulation (d) of regulation 3, sub-regulation (1) of regulation (4), clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-sections (c) of section 12A of the SEBI Act, 1992, clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, , sub-regulations (2), (4) and (9) of regulation 23, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations.</p>
	<p>e) OCAL made delays in making disclosures to the stock exchange regarding the</p>	<p>sub-regulations (2) of regulation 30 read with Part A of Schedule III of the LODR Regulations</p>



	appointment/ resignation of a Director and CFO.	
	f) OCAL did not appoint a KMP i.e., the Company Secretary within the specified time period of 6 months from the date of vacancy.	Sub-clause (g) of sub-regulation (1) of regulation 4 of the LODR Regulations.
Mr. Pandoo Naig (Noticee No. 2)	He is responsible for acts of OCAL as ex-MD, CFO, ED. He was a signatory to the Financial Statements of OCAL for the FY 2019 to FY 2023, which were mis-stated/ misrepresented. He, as CFO, issued compliance certificate which is false and misleading. As Audit Committee member, he failed to exercise oversight.	Sub-regulations (b), (c) and (d) of regulation 3, sub-regulation (1) of regulation 4, clauses (e), (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992, clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, sub-regulations (2), (4) and (9) of regulation 23, sub-regulations (2) of regulation 30 read with Part A of Schedule III, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations read with section 27 of the SEBI Act, 1992 and article (2) of sub-clause (i) of clause (f) of sub-regulation (2) of regulation 4, articles (2), (6), (7) and (8) of sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 and articles (1), (3), (6) and (12) of sub-clause (iii) of clause (f) of sub-regulation (2) of regulation 4 of the LODR Regulations.



		<p>Sub-regulation (8) of regulation 17 read with Part B of Schedule II of the LODR Regulations for filing CEO-CFO compliance certificate for the FY2019 to FY2022.</p> <p>Sub-regulation (3) regulation 18 read with sub-clauses (1) and (4) of clause A under Part C of Schedule II of the LODR Regulations read with section 27 of the SEBI Act, 1992 for not exercising due diligence as Audit Committee Member.</p>
Prabhakara Naig (Noticee No. 3)	As Chairman and ED of OCAL, he is responsible for acts of the company. He was a signatory to the Financial Statements of OCAL for the FY 2019 to FY 2023, which were mis-stated/ misrepresented.	sub-regulations (b), (c) and (d) of regulation 3, sub-regulation (1) of regulation 4, clauses (e), (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992, clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, sub-regulations (2), (4) and (9) of regulation 23, sub-regulations (2) of regulation 30 read with Part A of Schedule III, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations read with section 27 of the SEBI Act, 1992 and article (2) of sub-clause (i) of clause (f) of sub-regulation (2) of regulation 4, articles (2), (6), (7)



		<p>and (8) of sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 and articles (1), (3), (6) and (12) of sub-clause (iii) of clause (f) of sub-regulation (2) of regulation 4 of the LODR Regulations.</p> <p>Sub-regulation (8) of regulation 17 read with Part B of Schedule II of the LODR Regulations for filing CEO-CFO compliance certificate for the FY2023.</p>
Manoj Malpani (Noticee No. 4), CFO (2022 – 2024)	<p>As CFO (2022 – 2024), he failed in his duties which led to publication of misrepresented/ misstated financial statements. He was a signatory to the Financial Statements of OCAL for the FY 2023, which were mis-stated/ misrepresented. He, as CFO, issued compliance certificate for FY 2023, which is false and misleading.</p>	<p>clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, sub-regulations (2), (4) and (9) of regulation 23, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations read with Section 27 of the SEBI Act, 1992</p> <p>sub-regulation (8) of regulation 17 read with Part B of Schedule II of the LODR Regulations for filing CEO-CFO compliance certificate for the FY2023.</p>
Ram Narayan Gupta ( Noticee No. 5)	<p>Noticees Nos. 5 to 9 were part of the Audit Committee and failed to discharge their duties as required.</p>	<p>Sub-regulation (3) of regulation 18 read with sub-clauses (1) and (4) of clause A under Part C of Schedule II of the LODR Regulations read with section 27 of the SEBI Act, 1992.</p>
Amol Shivaji Autade; (Noticee No. 6)		



Sonam Satish Kumar Jain; ( <i>Noticee</i> No. 7)		
Dhananjay Chandrakant Parikh; ( <i>Noticee</i> No. 8)		
Gurunath Mudlapur ( <i>Noticee</i> No. 9) Non-Executive Non- Independent Director of OCAL		

## **E. CONSIDERATION OF VARIOUS ISSUES**

### **E.1 CONSIDERATION OF PRELIMINARY ISSUES**

18. I note that all *Noticees* were personally heard and thereafter *Noticees* were further granted time to file written submissions. I have perused the written replies and submissions filed by *Noticees* and have also heard their arguments during the personal hearing. I note that some *Noticees* have raised certain preliminary objections in their replies regarding conduct of the instant proceedings, which is required to be dealt with first, before I proceed on merits.

**18.1. Inspection and Cross – Examination-** It is observed that Manoj Ramgopal Malpani (*Noticees* No. 4) and Gurunath Mudlapur (*Noticee* No. 9), vide their replies dated December 12, 2024 and December 23, 2024, stated that they had not been provided with a copy of the Sales and Purchases booked for the financial year 2022-23 during inspection. I note that SEBI had provided inspection to both *Noticees* on November 21 2024. Further, vide letter dated December 26, 2024 (addressed to Gurunath Mudlapur) and letter dated December 16, 2024 (addressed to Manoj Malpani), it was clarified that documents sought by said *Noticees* were provided as part of Annexure to Investigation Report, which was provided during inspection of documents conducted by *Noticees*. I note that no further objections were raised by *Noticees* Nos. 4 and 9 either during the hearing



or in the additional post hearing submissions in this regard. In view of the same, I find that the objections raised with respect to inspection/ providing copies of documents have been adequately addressed. Additionally, I note that OCAL (*Noticee* Nos. 1), Pandoo Naig (*Noticee* No. 2) and Prabhakara Naig (*Noticee* No .3), vide common reply dated December 16, 2024, had sought cross-examination of *Noticees* Nos. 4 (Manoj Malpani) and *Noticee* No. 9 (Gurunath Mudlapur). However, vide letter dated January 07, 2025, it was informed that *Noticees* Nos. 1, 2 and 3 would not press for cross-examination and withdrew their request in the interest of the timeline set by Hon'ble SAT. Accordingly, I find that the issue of inspection and cross-examination is settled and warrants no further consideration.

## **E.2 EXAMINATION ON MERITS**

19. After dealing with the preliminary issues, I now proceed to discuss the issues on merit. Having gone through the allegations levelled in the interim order cum SCN and materials available on record, I find that the following issue(s) arise for consideration in the extant matter-

19.1. Whether *Noticees*, by their acts, have violated provisions of the SEBI Act, 1992, the LODR Regulations and the PFUTP Regulations with respect to following allegations

- (i) Misrepresentation in financials
- (ii) Mis-utilization of funds
- (iii) Non approval and non-disclosures of RPTs
- (iv) Failure in Corporate Governance
- (v) Failure on the part of Directors/ KMPs
- (vi) Failure on the part of Audit Committee Members

19.2. If answers to the above are in affirmative, what directions to be issued and penalties to be levied against the said *Noticees*?

20. Before moving further, it is pertinent to have the relevant provisions and the same are reproduced in **Annexure A** to this order (as it existed for the period under consideration):



### **E.2.1 Consideration and finding with respect to the allegation of misrepresentation in Financials**

21. I have gone through the allegation in the show cause notice, submissions of the *Noticees* and other materials on record with respect to the allegation of misrepresentation in financials of OCAL by way of inflated revenue/expenditure through circuitous transactions with related entities. After considering all this I am of the view that the following findings would support the allegation of misrepresentation in the Financials of OCAL.

**21.1. No Evidence of services:** It has been claimed that OCAL gave services to DSPL and DDEPL while at the same time DSPL and DDEPL gave services to OCAL. These are as under:

a. The details of revenue from operations of OCAL for FY2016 to FY2023 (including sales made to DSPL and DDEPL) are provided in the table below:

		<b>Table No. 3</b> (Amount in INR Lakh)						
<b>FY/Particulars</b>	<b>15-16</b>	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
<b>Revenue from operations shown by OCAL</b>	<b>1.10</b>	<b>36.71</b>	<b>210.00</b>	<b>210.07</b>	<b>345.00</b>	<b>267.00</b>	<b>334.50</b>	<b>313.00</b>
Sales made to DSPL	-	-	210.00	200.00	230.00	267.00	334.50	64.75
Sales made to DDEPL	-	-	-	-	115.00	-	-	248.25
<b>Total Sales to DSPL &amp; DDEPL</b>	<b>-</b>	<b>-</b>	<b>210.00</b>	<b>200.00</b>	<b>345.00</b>	<b>267.00</b>	<b>334.50</b>	<b>313.00</b>
<b>% of total Sales recorded towards DSPL &amp; DDEPL</b>			<b>(100%)</b>	<b>(95%)</b>	<b>(100%)</b>	<b>(100%)</b>	<b>(100%)</b>	<b>(100%)</b>

b. A summary of the expenses relating to professional fees booked under 'other expenses' during FY2016 to FY2023 is provided below:



**Table No. 4**

(Amount in INR Lakh)

<b>FY/Particulars</b>	<b>15-16</b>	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
<b>Professional Fees shown by OCAL</b>	<b>17.61</b>	<b>13.83</b>	<b>42.65</b>	<b>39.19</b>	<b>220.67</b>	<b>268.39</b>	<b>436.14</b>	<b>268.02</b>
Professional services from DSPL	-	-	-	-	115.00	258.00	424.00	30.00
Professional services from DDEPL	-	-	-	-	60.00	0	0	215.45
<b>Total Professional services DSPL &amp; DDEPL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175.00</b>	<b>258.00</b>	<b>424.00</b>	<b>245.45</b>
<b>% of total Professional Fee/ Purchases towards DSPL &amp; DDEPL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79.30%</b>	<b>96.12%</b>	<b>97.21%</b>	<b>91.57%</b>

- c. DSPL furnished the year-wise professional services provided by it to its customers /clients and the employee cost incurred, to SEBI. The same is provided below:

**Table No. 5**

(Amount in INR Lakh)

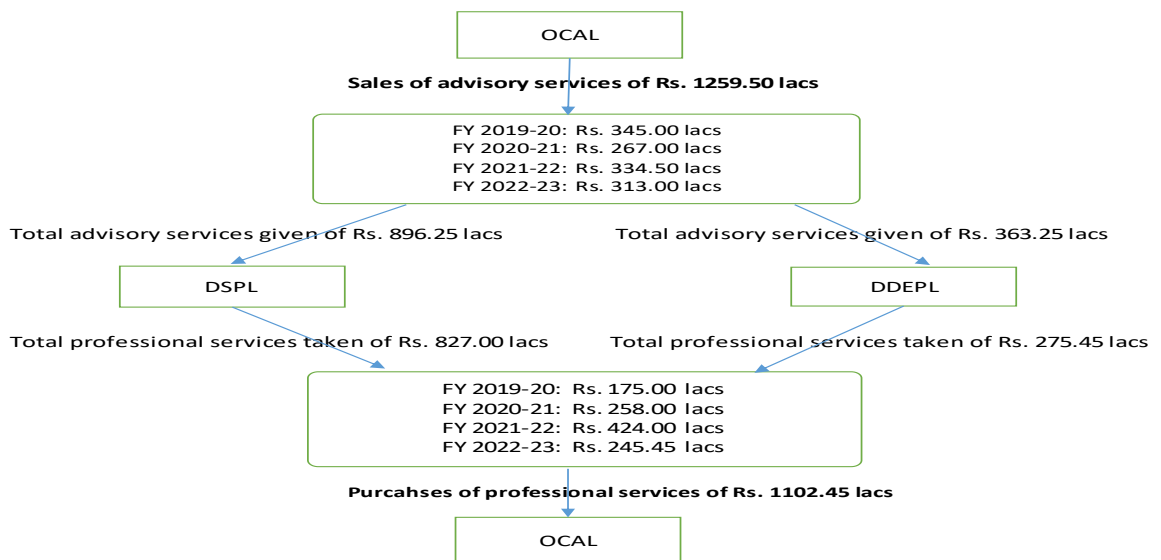
<b>Name of the Party</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Anjali Patel	25.00	-	-	-	-
Cdsl Investor Protection Fund	0.25	-	-	-	-
Ecosys Ooh	10.00	-	-	-	-
Navigant Corporate Advisors Ltd.	1.00	0.88	-	-	-
Rse Legal Docs Pvt Ltd.	2.00	-	-	-	-
Eric Apparel Private Limited	-	0.50	-	-	-
Indus Motor Company Pvt Ltd.	-	4.00	-	-	-
<b>Onelife Capital Advisor Ltd.</b>	<b>-</b>	<b>115.00</b>	<b>258.00</b>	<b>424.00</b>	<b>30.00</b>
<b>Total</b>	<b>38.25</b>	<b>120.38</b>	<b>258.00</b>	<b>424.00</b>	<b>30.00</b>
Employee Cost of DSPL	2,390.97	1,651.29	731.74	991.60	254.18



- d. The year-wise details of professional services provided by DDEPL (a subsidiary of DSPL) and the employee cost incurred, as submitted by DDEPL to SEBI, is as under:

Table No. 6		(Amount in INR Lakh)			
Name of the Party	2018-19	2019-20	2020-21	2021-22	2022-23
Onelife Capital Advisors Limited	-	60.00	-	-	215.00
<b>Total Professional services given by DDEPL as shown in the financials of DDEPL</b>	-	60.00	-	-	215.00
Employee Cost of DDEPL	-	1350.64	-	-	-

- e. A flowchart indicating the abovementioned circuitous transactions involving OCAL, DSPL and DDEPL is given below:



- f. As seen from above, there is a pattern of booking revenue and expenses with the related entities i.e. DSPL and DDEPL. One of the easiest and quick way to counter the allegation of misrepresentation is to provide evidences of these services rendered. Despite asking *Noticees* to produce these evidences, no conclusive evidence has been produced. Further, *Noticees* could not provide any agreements to substantiate its claims.



- g. During investigation, OCAL was advised to provide the details of goods/ services sold to DSPL and DDEPL. In this regard, OCAL, vide its email dated June 13, 2024, *inter-alia*, submitted that:

*“OCAL is providing advisory services for smooth functioning of DSPL to fulfill the objects of the company mainly being dealing in shares & securities & to carry on the business as Stockbroker, Depository Participant, Stock Exchange Research Consultant or any other services in relation to above. It also helps DDEPL in attaining its object of carrying on the business of management and services; carrying on the business of brokers, traders, portfolio Management, etc & also to act as online marketplace or online e-commerce marketplace to provide all type of financial products, distribution of products & services.*

*OCAL is advising DSPL & DDEPL in business development by deputing its people, Directors and helping to grow their businesses by way of strategy, day to day operations, funding, references and connects, customers, strategic tie-ups through professionals, software development and implementation, legal matters, negotiations, litigation and other functions which help to manage and grow the business activities of DSPL & DDEPL.....”*

- h. OCAL was also advised to provide the details of goods/ services purchased from DSPL and/or DDEPL and in this regard, OCAL, vide its email dated June 13, 2024, *inter-alia*, submitted that:

*“OCAL is in the process of developing a Superapp namely “TOUCH” which constitutes multiple segments; some of which falls under the expertise of DSPL. They are namely: a). Broking; b). Insurance c). Wealth Management d). Mutual Fund e). Research & Advisory*

*DSPL provides advisory services in the form of guidance, infrastructure, integration, Data, feeds, Advisory, Customer Services, fulfilment & other related services to OCAL for development of the above mentioned segments etc. Since it is a bundle of services*



*received from DSPL and mostly interlinked with lots of overlap, it is billed under the head of “Advisory services.....”*

*OCAL is in the process of developing a Superapp viz. “TOUCH” for which DDEPL provides advisory services in relation to the Travel and Vacation segment of the app. DDEPL has an active business in the tourism industry viz. “Deal Vacation” & “Deal Travel”. Furthermore, it guides OCAL in relation to Distribution of 3rd Party Products....*

*DDEPL provides advisory in the form of guidance, infrastructure, integration, Data, feeds, Advisory, Customer Services fulfilment, marketing services & other related services to OCAL for development of the above mentioned segments etc. Since it is a bundle of services received from DDEPL and mostly interlinked with lots of overlap, it is billed under the head of “Advisory services.....”*

- i. Further, vide reply dated December 16, 2024, OCAL, *inter alia*, submitted that as under-

*“OCAL is further advising DSPL in business development by deputing its people, directors and helping to grow their businesses by way of strategy, day to day operations, funding, references and connects, customers, strategic tie-ups through professionals, software development and implementation, legal matters, negotiations, litigation and other functions which help to manage and grow the business activities of DSPL.”*

- j. Only evidences that has been produced in support of these services are invoices and certain emails on sample basis for services rendered by OCAL through Annexure 4 and 5 of reply dated December 16, 2024. Nothing has been produced for services rendered by DSPL and DDEPL to OCAL. At para 45 of the reply dated 16<sup>th</sup> Dec 2024, it has been stated that samples attached as Annexure 4 would serve as proof that almost all the activities were advised by executives of OCAL. When one goes through these sample emails at Annexure 4 at folder namely “control”, it is seen that these emails were sent by one Mr.



Vikas Pandey (vikaXXXXXXXXXX@destimoney.com) to Mr. Amit Tyagi (amiXXXXXXXXXX@gmail.com). However, it was noticed that Mr. Vikas Pandey's name was not appearing in the list of employees of OCAL. On being asked by SEBI vide email dated January 10, 2025, whether Mr. Vikas Pandey and Mr. Amit Tyagi are its employees, OCAL gave the following response vide letter dated January 20, 2025-

*"No, Mr. Vikas Pande and Mr. Amit Tyagi are not employees of OCAL. However, Mr. Vikas Pande is the director of DDEPL and an employee of DSPL. Further Mr. Amit Tyagi is an employee of another group company, namely Family Care Hospitals Limited. The email ID amiXXXXXXXXXX@gmail.com is a common ID created by Mr. Amit Tyagi only for the purpose of convenience and used by OCAL and some of its group companies to address all audit-related matters. A common ID is accessible to all parties which are involved in audit and account functions."*

- k. This clearly shows the lack of evidences cited. How can email issued by Mr. Vikas Pandey could be proof of service by OCAL to DSPL/DDEPL when Mr. Vikas Pandey is not an employee of OCAL but is in fact a director of DDEPL and an employee of DSPL. Even the contents of these emails would not suggest rendering of any services. The sample emails have vague subjects such as *"FW: SSPL FINANCIALS REVISED DEC'19"*, *"FW: DCPL Ind AS Financials Mar-21 v2.pdf"*, *"DDASPL FINANCIALS FY 2017-18"*, *"DDASPL Financial Statements"*, *"Jogeshwari Office Extension list as on 23.6.2017.xls"*, *"SSPL-CTC to Enrollment of GST.PDF"* etc. Further, attachment mentioned therein such as *"DDASPL Mar-17.xlsx"*, *"DCP Financial Mar 17 FINAL.xls"*, *"DCPL Financials FY 2017-18 P&L.pdf"*, *"DCPL Financials FY 2017-18 BS.pdf"*, *"Sarsan Financials Dec-19 V4.xlsx"*. However, there are no further details available in the body of the emails. Further, Invoices which were produced, have only used common wording *"Advisory services for business development"*, which does not give any details of services.



- I. From the above, I find that the most of the emails have been sent by Mr. Vikas Pandey, who is not an employee of OCAL, but director of DDEPL and employee of DSPL. Similarly, the emails were received by Mr. Amit Tragi who was employee of some other group company. Even though they are not employees of OCAL, still their emails are given as evidence of OCAL providing services to DSPL and DDEPL. Further, in the said emails, it is also observed that some details pertaining to other group companies of OCAL (viz. DCPL, DDASPL, Eyelid Infrastructure Private Limited, Sarsan Securities P Ltd.) were exchanged between Mr. Vikas Pandey and Mr. Amit Tyagi, however, no revenue from operations (as advisory services) were booked by OCAL against these entities unlike DSPL and DDEPL. Even emails produced on sample basis do not provide any evidences of services rendered.

#### 21.2. **Reciprocal Service without justification:**

- a. OCAL, in its reply dated December 16, 2024, *inter alia*, stated that it is providing services to DSPL and helping them to grow its business by way of software development and implementation. Further, OCAL stated as under-

*“iv. Software: OCAL provides LMS software to DSPL which is used by the sales team to manage lead flows and business closures. Till date, 297883 user logins are created on the LMS application by Dealmoney. E-KYC software developed by OCAL is used by DSPL for opening all its accounts. Till date 4960 clients are opened on the e-KYC system developed by OCAL. Broking back-office portal developed and managed by OCAL is used by DSPL for managing and implementing back-office use across the segments for Dealmoney clients. An IPO module which would enable the clients of DSPL to see, evaluate and buy IPO, right issues, open offers etc. is being provided by OCAL..... The website of Dealmoney has been developed and managed by OCAL. Generally, depending upon the efforts and requirements a quarterly bill is raised for the same. Since it is a bundle of services provided by OCAL and mostly interlinked with lots of overlap, it is generally billed under the head of “Advisory Services for Business Development”.*



- b. Similarly, OCAL, *inter alia*, stated that it provided services to DDEPL including software development and implementation. In support of the same, OCAL mentioned about designing and maintaining Deal vacation portal, Deal Travel portal, load and credit card sections and the healthcare bundle pages of Dealmoney.
- c. With respect to receiving services from DSPL and DDEPL, OCAL mentioned that it had developed a “Touch app”, a super app, which provided its customers services relating to finance, healthcare, leisure products, shopping, cab services etc. OCAL also stated that it had availed the services of DSPL and DDEPL for developing the said app. Further, it stated that DSPL provided advisory services in the form of guidance, infrastructure, integration, data, feeds, advisory, customer services, fulfilment and other related services to OCAL for development of the broking, insurance, wealth management, mutual fund, research and advisory segments etc. Additionally, DDEPL provided services to OCAL for the development of the infrastructure for the interface for dealtravel, deal vacation, credit card, bundled products of health and wealth etc., relating to the business of the DDEPL, for which the DDEPL has raised invoices on the OCAL. According to OCAL, DSPL and DDEPL also provided facilities for seamless integration of their clients into touch and vice versa.
- d. From the above, I find that the type of reciprocal services in the form of software provided by OCAL to DSPL and DDEPL and vice versa are confusing and do not make sense to common man particularly in the absence of any evidence of the service.

21.3. **Admission of wrong entries in financials-** On perusal of the SCN and the submissions regarding mismatch/ wrong entries in the financials of OCAL and DSPL, I note that *Noticees* have admitted to it and the same have been attributed to wrong placement or clerical error. Though the violations on account of non-disclosures are discussed in later part, they are produced here in belief as they also support the finding of misrepresentation of financials. The same has been brought out below-



- a. It has been alleged that there is mismatch in the year-wise figures pertaining to “Advisory Services” taken from DSPL as reported in OCAL’s books vis-à-vis the figures for advisory services reported under the head “Income from operations” in the financials of DSPL. Further, mismatch was also observed in the figures for advisory services reported by OCAL and DSPL to SEBI. With regard to the allegation of mismatch of amounts of “Advisory Services” taken by OCAL from DSPL as reported in the books by OCAL and DSPL, OCAL, vide reply dated December 16, 2024, has admitted that the amount of INR 258 Lakh (during FY 2020-21), INR 424 Lakh (during FY 2021-22), and INR 30 Lakh (during FY 2022-23) were mistakenly shown under the head “*Income from Third Party Product*” by DSPL due to lack of constant staff and high turnover due to COVID-19.
- b. Similarly, with regard to mismatch in amount of “Advisory Services” taken by DSPL from OCAL, it has been submitted by OCAL that for FY 2019-20, total amount of Professional and Consultancy Charges is less than the amount of professional services taken from OCAL due to reversal and cancellation of advisory services of the previous year of other parties. For mismatch in FY 2020-21, OCAL, *inter alia*, submitted that the accountants had transferred the amount of INR 267 Lakh “Advance/Bad Debts written off” from “Legal and Professional expenses”. OCAL also stated that during FY-2021-22, it missed to report the figure of INR 334.50 Lakh in the RPT transactions in Notes to Accounts of DSPL. OCAL, in its response dated January 20, 2025 to the additional queries, stated that the advisory services taken by DSPL from OCAL was written off due to unavailability of invoices and confirmation of services received.
- c. It has also been alleged in the SCN that OCAL did not disclose certain sales and purchase transactions with related parties and loan transactions with related parties (Mr. Prabhakara Naig), in its half-yearly RPTs details filed by OCAL. In this regard, OCAL, in its reply dated December 16, 2024 (at paras 105 and 109) has stated that transactions have been duly disclosed under one head or the other, voluntarily in the financial statements for the relevant years.



However, the absence of disclosures in the half-yearly statements was due to organizational lapses and bona-fide error.

- d. Further, with respect to allegation of non-disclosure of interest free loan transactions of OCAL with PFPPL and OSIL in its half yearly RPTs disclosure (during FY-2018-19 and 2019-20) and failure to disclose RPTs with PFPPL in its Annual Report of FY 2018-19, it has been submitted by OCAL (in paras 117 and 119 of reply dated December 16, 2024) that any lapses are bona-fide errors without the intention to commit fraud.
- e. With respect to issue of non-disclosure of loan transactions with promoter and director Mr. Prabhakara Naig, in the Annual Report 2021-22 and 2022-23 under RPTs disclosures, I note that OCAL, in its response dated January 20, 2025 (at para 54), attributed the same to inadvertent human error.
- f. With respect to the allegation of non-disclosure of RPTs in the financials, OCAL, at para 94 of its reply dated December 16, 2024, admitted that absence of the same being reported specifically under the head of RPTs in the financial statements of some of the financials years was technical mistake, without the intent to fraudulently suppress/misrepresent.

**21.4. Unsubstantiated claim of apportionment of expenses:**

- a. OCAL, in its reply dated December 16, 2024 (at para 25-27) gave details of how it has been running its business through its various subsidiaries which are six in the chart given. Thereafter, it submits that:

*“Since the business was being done substantially through the subsidiaries and the resources of OCAL were being used by these subsidiaries (by usage of OCAL’s employees and directors to carry out certain functions of subsidiaries) it was necessary that the transactions between them happened at arm’s length and the value of services received and provided be recorded in books of accounts of both the holding company and the subsidiaries. The aforesaid structure also*



*enabled the cost of advisors and qualified management executives to be distributed proportionately among subsidiaries. Advisors and qualified management executives are employees of OCAL and are on its payroll. For the services they provide to various subsidiaries, they are paid a fee. The fee is distributed /borne by the subsidiary availing of the services proportionately. Invoices are duly raised in this respect by said professionals”*

- b. However, it is noted that OCAL has charged expenses to only DSPL and DDEPL and not any other subsidiaries. If the work of OCAL is done through its six subsidiaries, then all of these six subsidiaries would have been charged for common expenses. This aspect needs to be seen with the fact that when OCAL was asked to provide list of employees who rendered services to DSPL and DDEPL, it replied vide its reply dated July 09, 2024 (answer no 3) that employees of every department were involved in a way or other to provide advisory services and hence stating any particular employee won't be apt. Thus, not only OCAL failed to identify specific employees providing services to DSPL and DDEPL, it even failed to provide evidences of these services as already discussed above.

#### **21.5. Statements made by KMPs:**

- a. Statements of KMPs were recorded during investigation and certain statements were found to be contradicting the claim of OCAL regarding rendering of services. The said statements are mentioned below-
- (i) Mr. Manoj Malpani, CFO of OCAL, *inter alia*, submitted that OCAL sold some software type advices to DSPL / DDEPL and took financial / marketing advices from DSPL / DDEPL, however, OCAL did nothing after taking these advices from DSPL and DDEPL.
  - (ii) Further, one Ms. Aditi Mahamunkar, Compliance Officer of OCAL, *inter alia*, submitted that she was not aware of what type of goods/items/services were sold and purchased to/from DSPL and



DDEPL during her tenure and what OCAL did after taking services from DSPL and DDEPL. She also submitted that she did not give any services to DSPL and/or DDEPL as an employee of OCAL during her tenure.

(iii) Mr. Gurunath Mudlapur, Non-Executive Non-Independent Director of OCAL, *inter alia*, submitted that he did not provide any services to DDEPL as a director/employee of OCAL. He also submitted that he was not aware of the type of services sold/purchased and the sale/purchase transactions between OCAL, DSPL and DDEPL. Further, all the said three persons submitted that the MD, Mr. Pandoo Naig, used to take all the major business decisions in the Company.

b. With respect to statements of KMPs, I note that OCAL, in its reply dated December 16, 2024, has made submission regarding contradictory statements made by *Noticees* Nos. 4 (Manoj Malpani) and *Noticee* No. 9 (Gurunath Mudlapur). Further, OCAL also stated that Mr. Manoj Malpani was primarily responsible for the finance functions like tax and accounting, and not about the software and detail stage of its progress. Further he has also signed the financials and if there were any confusion about the genuineness, he would have raised it. With respect to statement of Mr. Gurunath Mudlapur, OCAL submitted that he was referred by OCAL to the Dealmoney Group for strategy, and was in every stage of the Touch App project. Further due to his expertise with reference to fundraising and business strategy, in his role and capacity with DSPL he has not only advised DSPL but also DDEPL and its business. With respect to the statement of Ms. Aditi Mahamunkar, it has been stated by OCAL that she was the Compliance Officer from 2018-2020 and was responsible only for the secretarial part including taking RPTS where ever necessary. Further, she was responsible for independently verifying the correctness of the disclosures and was directly in touch with the finance/audit departments.



c. I have gone through the statements of KMPs referred in the SCN and the submissions of OCAL contradicting the same. The said statements are mentioned below-

(i) I note that *Noticee No. 4*, Manoj Malpani, in his reply to Q.14 (statement before SEBI on June 19, 2024) regarding details of professional services taken by OCAL, stated that *"OCAL collected information from Dealmoney Securities and Dealmoney E Marketing relating to broking activities, travel activities etc. which were being used for making software for these entities viz. Dealmoney Securities and Dealmoney E Marketing."*

(ii) The *Noticee No. 4*, in his reply to Q3. (statement before SEBI on July 31, 2024) regarding action taken by OCAL after taking financial advice from DSPL, stated that *"As far as I know OCAL did nothing after taking these financial advice from DSPL. I have only seen the bills of purchase of professional services from DSPL but I have not seen any type of services/products taken by OCAL from DSPL or any benefit taken by OCAL from the advices of DSPL."*

(iii) Further, in reply to Q5. (statement before SEBI on July 31, 2024), *Noticee No. 4* submitted that *"As far as I know OCAL did nothing after taking these marketing type advices from DDEPL. I have only seen the bills of purchase of professional services from DDEPL but I have not seen any type of services/products taken by OCAL from DDEPL or any benefit taken by OCAL from the advices of DDEPL."*

d. On plain reading of the statements of Manoj Malpani, it is seen that he has categorically denied relevance of any services provided by DSPL to OCAL. If the answer to Q14. is read with answer to Q3 and answer to Q5. as stated above, it can be made out that the *Noticee No. 1* collected the information for the purpose of making software. However, the *Noticee No.1* did nothing after that except generating bills and that no services/products were taken by OCAL from DSPL and DDEPL.



e. Further, OCAL has submitted that the statement of Gurunath Mudlapur (*Noticee* no 9), relied upon in the SCN, has been misquoted and the statements are contradictory. The SCN stated that Mr. Gurunath Mudlapur, Non-Executive Non-Independent Director of OCAL, *inter alia*, submitted that he did not provide any services to DDEPL as a director/employee of OCAL. He also submitted that he was not aware of the type of services sold/purchased and the sale/purchase transactions between OCAL, DSPL and DDEPL. The following replies are seen from the statement of Gurunath Mudlapur-

- (i) I note that in reply to Q12, *Noticee* stated that “*Management consultancy were provided by OCAL to DSPL. I don’t know what type of services were purchased by OCAL from DSPL. I am also not aware about the purchase transactions of OCAL with DSPL.*”
- (ii) In reply to Q13. Gurunath Mudlapur stated that “*I don’t know what type of services were sold by OCAL to DDEPL and I don’t know what type of services were purchased by OCAL from DDEPL. I am also not aware about the sale and purchase transactions of OCAL with DDEPL.*”
- (iii) In reply to Q14. regarding major professional services taken by OCAL from DSPL and DDEPL, *Noticee* stated that “*OCAL has provided services to DSPL. However, I don’t know the services taken by OCAL from DSPL. Further, I don’t know the sale and purchase transactions of OCAL with DDEPL.*”
- (iv) Further, I also note that Gurunath Mudlapur, in reply to Q19 submitted that “*As a director /employee of OCAL, I had provided advisory and support services to DSPL.*”

f. On consideration, I find that while the *Noticee* has spoken only about management service provided by OCAL to DSPL. It however, categorically denied having knowledge of service provided by OCAL to DDEPL or the receipt of service by OCAL from DSPL/DDEPL. Therefore, in my view there is no contradiction in the above statements of *Noticee* No. 9.



- g. I note that the *Noticee* No. 1, vide letter dated December 16, 2024, sought cross-examination of Mr. Manoj Malpani (*Noticee* No. 4) and Mr. Gurunath Mudlapur (*Noticee* No. 9). However, subsequently, vide letter dated January 07, 2025, they had not pressed for cross-examination. It is settled law that the veracity of statements can be tested by cross examination of the persons whose statements are relied upon. However, by not pressing for cross-examination, the *Noticee* No. 1 cannot impugn the veracity of statements. Therefore, statements of the aforesaid *Noticees*, who were KMPs, can be relied upon and the contentions of the *Noticee* in this regard are not tenable. With respect to the statement of Ms. Aditi Mahamunkar, it has been stated by OCAL that she was the Compliance Officer from 2018-2020 and was responsible only for the secretarial part including taking RPTS where ever necessary. This does not explain how a compliance officer would not be aware of the services rendered if at all such services are rendered to/taken from related parties
- h. I note that OCAL, in its reply, has repeatedly stated that OCAL's employees and directors were being used to carry out functions of subsidiaries. If most of the employees are rendering services to DSPL and DDEPL as submitted, how some of these KMPs were not aware of it? KMPs are typically expected to have a comprehensive understanding of their company's operations, including the services it provides.

#### 21.6. **Shifting claims about DSPL:**

- a. I note that OCAL, at para 85 of the reply dated December 16, 2024, has submitted that DSPL is a nearly 100% subsidiary of OCAL. This has again been repeated at para 127 of the said reply. However, the Annexure 38 submitted by OCAL along with its reply dated January 07, 2025 states something else. This annexure is NSE's Limited Purpose Inspection Report dated February 02, 2024 which OCAL has produced to support its claim of conversion of loan of INR 3606 Lakh into equity. Though this issue of conversion of loan into equity is discussed later in this order, it is



important to note here the question raised by NSE in its report and the answer submitted by OCAL.

*“ Also, this outstanding balance of Rs 3606 Lakhs are not reflected in the Related Party Transactions disclosure in OCAL’s Annual Report FY 2022-23. Provide reasons for the same*

*Company response-*

*Dealmoney Securities Private limited (DSPL) is not a subsidiary of Onelife Capital Advisors Limited (OCAL)”*

- b. Thus, it can be seen that not only there is default in correct disclosure of loan of INR 3606 Lakh from OCAL to DSPL as RPT, when the explanation was sought by NSE for this non-disclosure, OCAL claimed that DSPL is not its subsidiary (i.e. not related party).

**21.7. Error in RPT Filings in NSE:**

- a. It is noticed that the company has not made correct RPT filing with respect to various transactions with DSPL and DDEPL. First example of this is the NSE report dated February 02, 2024 which OCAL has produced as Annexure 38 to its reply dated January 07, 2025. Extracts of the same is as under:

*“Advance recoverable in cash of Rs 4383.64 lakhs o/s as on 31.03.2023*

*a) Advance recoverable in Cash from DCPL:*

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*Exchange has sought clarification for the above-*

*As per the company’s previous response, w.r.t break up of Advances Recoverable in Cash on a consolidated basis, out of Rs 4383.64 lakhs,*



*the company has mentioned Rs 3606 lakhs pertain to DCPL. However, DCPL is a subsidiary of OCAL hence balance against subsidiary (DCPL) should not reflect in consolidated financials. Please provide your comments on the same.*

*Company's response*

*"There was a typographic mistake in consolidated financials in the name of company to which loan given by OCAL. Loan was given to Dealmoney Securities Private Limited -36,06 lakhs."*

*Exchange Observations-*

*As per the company response, the advance of Rs. 3606 lakhs pertain to DSPL and not DCPL (as erroneously submitted in the company response as seen above). However, the Closing balance of Advance given to DSPL as per company's filing under Reg 23(9) for FY 2022-23, is Rs 267.61 lakhs only. Therefore, there appears to be error in RPT Filings."*

- b. The above clearly shows that OCAL has filed different numbers in financials and different numbers in its RPT filings.
- c. There are other violations of RPT disclosures, non-approval by audit committee and non-approval by shareholders, which are discussed later in this order. Even though those violations are discussed separately as they are separate violations, however, the fact of such violation is also relevant for determining misrepresentation in financials.

**21.8. No proper explanation of service provided by DSPL and DDEPL:**

- a. As stated earlier, no proper evidence of services provided by OCAL to DSPL and DDEPL was submitted. The sample email communications were not supportive of any services as discussed earlier. With respect to services provided by DSPL and DDEPL, infact no evidences were filed, not even sample emails. Further, general reply was filed vide answer no 4 to reply dated July 09, 2024 that employees from each department of



DSPL provided services of their expertise and no single person can be addressed for the same. To the question as to how employee cost has reduced from FY 2020 while services provided to OCAL has increased, it was replied at para 85 of reply dated December 16, 2024 that employee cost has reduced due to restructuring and lay-offs. Thus, no satisfactory explanation was provided even to that question. With respect to DDEPL, when it was pointed out how it provided services to OCAL during FY 2022-23 when there is no employee cost, it was explained vide para 89 of reply dated December 16, 2024 that the professional services given to OCAL by DDEPL was relating to software integration, client integration etc. for which the directors of DDEPL at the time, namely Mr. Samir Sawant and Mr. Vikas Pandey were capable enough to carry out the service and hence there was no need to appoint any separate person for the same. First of all, it is not possible to render advisory services without any employee cost. Secondly, if there is no employee cost, what cost is charged to OCAL is not clear. It has been submitted time and again that cost incurred by both OCAL as well as DSPL/DDEPL have been allocated to beneficiaries on arm's length basis. This means if no cost is incurred by DDEPL, it cannot be allocated to others. What is also important to note that in defense of services provided by DDEPL to OCAL, it has been mentioned that services have been provided by Mr. Vikas Pandey, director of DDEPL to OCAL (without he drawing any salary) though in sample evidences of services provided by OCAL to DDEPL email communication of Mr Vikas Pandey (who is not employee or director of OCAL) has been provided. This means, as per *Noticee no 1*, Vikas Pandey is the reason for OCAL providing services to DDEPL and he is also the reason for DDEPL providing services to OCAL though he is not deriving any salary from either. This clearly shows how there is circuitous services without proper justification.

- b. Further it is seen that there are six/ seven subsidiaries working in different verticals. All their work is relevant to the super app but still services are provided only by DSPL and DDEPL to OCAL for the super app. And that



service is also for integration of their functions with OCAL super app. How will that amount to services rendered by DSPL and DDEPL, is also doubtful.

**21.9. Development of “Touch APP” software by OCAL was completed in 2019:**

- a. It has been submitted at para 36 of the reply dated January 20, 2025 that development of the “Touch App” software was started in April 2017 and the software was completed in February 2019. The same was capitalized with the expenditure of INR 75,36,957/-. It was further explained that depreciation is charged on it and it is shown under the head “software”. It has a residual value of INR 3,66,377/-. It is claimed that services rendered by DSPL and DDEPL to OCAL is with respect to this software. DSPL has stated to have provided service to OCAL of INR 115 Lakh in FY 19-20, INR 258 Lakh in FY 20-21, INR 424 Lakh in FY 21-22 and INR 30 Lakh in FY 22-23. Similarly, it has been claimed that DDEPL has provided services to OCAL with respect to this software of INR 60 Lakh in FY 19-20 and INR 215.45 Lakh in FY 22-23. The fact is that the software was originally developed for INR 75.37 Lakh. Now DSPL and DDEPL are claiming to have provided service of the nature of software integration and client integration to this software which is of the value of INR 1102.45 Lakh. This in itself would raise a doubt as to how a software which is originally developed for INR 75.37 Lakh has a support service of INR 1102.45 Lakh and there is no evidence of such support service like which employee worked on it and in what manner they provided service.
- b. I also note that though OCAL claimed to have taken service of the nature of software integration and client integration to this software which is of the value of INR 1102.45 Lakh, as per its reply to the Miscellaneous Application No. 164 of 2025 in Appeal No. 653 of 2024 filed by SEBI before Hon'ble SAT, OCAL submitted that the said app is yet to be launched. However, during hearing before me, OCAL has categorically submitted that “*super app is developed, it is active and it is live.*” Therefore, the submissions made by OCAL in this regard are not tenable.



21.10. **Change of loan into CWIP and then into equity –**

- a. NSE had conducted examination of loan transaction of INR 2,449 Lakh between OCAL and DSPL and also conducted a Limited Purpose Inspection (LPI) of DSPL. As per the examination report and LPI, it was found that OCAL had given loan to DSPL, however, DSPL treated the same as income to fulfil its net-worth calculation requirement. Further, it was seen that OCAL converted this amount to Capital Works-in-Progress (**CWIP**) in Q1 of FY2023 post communications from NSE inquiring about mismatch in the accounting treatment. OCAL had also submitted that it had given loans to DSPL from time to time and the net outstanding of INR 3,606 Lakh as on September 21, 2022 was converted into equity and the shares of DCPL were allotted to OCAL since DSPL had merged with DCPL. Thus, it was found that the loans given by OCAL to DSPL did not return back to OCAL, however, after the merger of DSPL with DCPL (a wholly owned subsidiary of OCAL), the loans given by OCAL were converted into equity shares of DCPL.
- b. I note that OCAL, in its additional submissions made vide letter dated January 07, 2025, *inter alia*, stated that the rationale for such conversion of loan to CWIP was that the Super App was in its final stage of completion and it had every possibility of generating income for OCAL. Thus following Ind AS 38, OCAL had converted the same to CWIP. However, the said conversion was rejected by NSE. Thereafter, by way of preferential issue through private placement, 87,95,121 equity shares of DCPL (holding company of DSPL pursuant to merger order dated July 09, 2021), amounting to INR 3606 Crore was issued to OCAL on September 20, 2022. Thus, the income shown in DSPL's book was accordingly reversed and converted into equity of DCPL, which was then issued to OCAL on September 20, 2022.



- c. I note that OCAL, in para 3 of its additional submissions made vide letter dated January 07, 2025, *inter alia*, stated that the amount of INR 24.75 Crore was given as an advance to DSPL towards the development of “Super App”.
- d. I also note that OCAL, at para 40 of its response dated January 20, 2025, has justified showing of loan provided by OCAL as “income” in the books of DSPL by stating that *“the professional services taken by OCAL from DSPL was for the purposes of SuperApp including integration of OCAL’s systems with DSPL. The income from the said services was booked by DSPL as income from third party services and was clubbed with the income that DSPL had overall booked under third party products (including the SuperApp) and the same are filed with the GST, returns copies of the same are already provided to your honor. The total figures were submitted to NSE during its inspection and no bifurcation was done. Hence it is submitted that NSE had recorded the total funds as funds received for the SuperApp. DCPL converted the amount of Rs. 36.06 cr as required under networth requirement) as a total amount by crediting the share capital account and thus did not alter the sales figures of DSPL which it has done wrt to the SuperApp.”*
- e. On consideration of the above, it shows how conveniently services claimed to be provided by DSPL to OCAL (for the purpose of Super App) was shown as loan by OCAL in its books which later got converted into equity investment in DCPL. Thus the claim of service provided by DSPL to OCAL finally turned out to be equity investment by OCAL in the merged entity.

22. While the above facts points to financial misrepresentations, at the same time, it is seen that Noticee no 1 has relied on TDS/GST evidence to support its argument that there was no misrepresentation. Facts on TDS and GST are as under:



- a. During investigation, in order to confirm the veracity of the advisory/professional services provided by OCAL, DSPL and DDEPL, details of TDS deduction was sought. On examining the same, it was found that though OCAL, DSPL and DDEPL had deducted TDS on the payments made for the advisory services/professional services, they did not deposit the TDS amount to Income Tax Department due to liquidity problem as claimed by OCAL. As per OCAL's submission, it had also reversed the TDS payable/receivable and credited/debited to the parties' accounts in FY 2024.
- b. It was also observed that three sales transactions (during FY 2020, FY 2022 and FY 2023) were not reported in the GST returns filed by OCAL.
- c. With respect to observation on TDS, I note that OCAL has relied on an order dated September 17, 2024 passed by Income Tax Department to show that the department has accepted the plea of OCAL to offer tax in the income tax returns of respective recipient of income.
- d. On perusal of the Order dated September 17, 2024 of Income Tax Authority, as submitted by OCAL, I note that Income Tax Authority issued a show cause notice to OCAL for non-payment of TDS on the amount of INR 424 Lakh for the services taken from DSPL. In reply to the said show cause notice, OCAL submitted to the authority that "...while computing the tax liability for the year under consideration, the assessee company based on the Tax Audit Report issued by the Chartered Accountant under Form3CA-3CD disallowed expenses to the tune of 30% of the amount of Rs. 4,24,00,000/- u/s. 40(a)(ia) of the Income Tax Act, 1961 on account of non-deduction of TDS. Thereby not claiming the expenses while computing the total tax liability for the year....."
- e. I note that the Income Tax Authority, while accepting the submission of OCAL, observed the following-  
"11. In view of the above, the claim of the assessee is acceptable as the provisions of TDS are not applicable where there was no claim of



*expenditure made by the taxpayer. In the case under the consideration, the taxpayer has made suo-motto disallowance of the entire provisions under section 40(a)(i)/(ia) of the IT Act, 1961. Once the amount is disallowed, under section 40(a)(i)(ia) for non-deduction of tax, it could not be subjected to TDS provisions again so as to make the taxpayer liable to interest under section 201(1A) of the Income Tax Act, 1961. The taxpayer (deductor) got exonerated from the applicability of TDS provisions on disallowance of the expenditure in question under section 40(a)(i)/(ia) of the I.T.Act. ....”*

- f. From the above, it is noted that OCAL has not paid TDS on the services taken from DSPL. Further, the tax liability arising out of the income paid by OCAL has been offered for tax by DSPL and 30% of the same was not claimed by OCAL as an expenditure while computing total tax liability for the year. Based on this, the income-tax department did not hold the Noticee no 1 as assessee in default with respect to non-deduction of tax at source.
- g. Further, with respect to the observation regarding filing of GST Returns, I note that except three entries for which OCAL claimed to have inadvertently missed reporting in GST, it has reported all the bills. OCAL has accepted its lapse in filing the same. On perusal of the GST details filed by OCAL, it is noted that the GST amount payable by OCAL on the services given to DSPL and DDEPL were reduced/adjusted by taking GST input tax credit on the purchases shown by OCAL from DSPL and DDEPL during this period.
- h. Thus, there is merit in claim that there is no major non-compliance with TDS/GST provisions with respect to services provided to/taken from DSPL/DDEPL, except for three GST bills. However, the question remains whether compliance with Income Tax/GST provisions (except for three GST bills) in the given facts and circumstance of the case are sufficient to conclude that there is no misrepresentation in accounts?



23. On appreciation of various factors in support of misrepresentation and against misrepresentation of financials, I find that the financial statements of OCAL are misstated/ misrepresented. The main reason is that there are no evidences of services rendered/taken. Proper evidences of these services would have been sufficient to exonerate the *Noticee* no 1 from this charge. There are also reciprocal services with respect to software without any justification. Statements of KMPs do not support services rendered/taken. There are many mistakes in financials which have been admitted (including RPT violations, non-approval by audit committee/shareholder), there are shifting stands with respect to DSPL and the loan given to it which was shown as income by DSPL and later got converted into equity. All this taken together sufficiently proves misrepresentation in financials. The fact that TDS and GST provisions have been complied with will not provide sufficient safeguards against such misrepresentation. If this view is taken then any corporate would misrepresent their accounts and get away by following TDS and GST provisions. That cannot be the intention of the regulations.
24. In terms of clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4 of the LODR Regulations, a listed entity is obligated to abide by the principles governing disclosures and obligations under the LODR Regulations, including preparing and disclosing information in accordance with applicable standards of accounting, refraining from misrepresentation, providing adequate and timely information etc. Further, in term of clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48, a listed entity shall comply with the relevant guidelines/ Accounting Standards while preparing financial results/ Annual Report.
25. I find that OCAL failed to abide by the principles governing disclosures and obligations under the LODR Regulations. OCAL also failed to comply with the guidelines as per the LODR Regulations, while preparing the financial results and Annual Reports. Accordingly, I find that OCAL has violated clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of



regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations.

26. I note that the interim order cum SCN, *inter alia*, alleged that misrepresentation/ mis-statement in financial statements and publishing the same, operated as a device to deceive and defraud investors dealing in the shares of OCAL. Accordingly, it has been alleged that OCAL has violated various provisions of the PFUTP Regulations.
27. I note that OCAL, in its reply dated December 16, 2024, *inter alia*, stated that there is nothing which was done or not done to induce buying of the shares from the general public and no manipulation or fraud as defined in the above section has been done by it.
28. Sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992 and sub-regulation (b), (c) and (d) of regulations 3 of the PFUTP Regulations, *inter alia*, prohibit, buying, selling, dealing in securities in a fraudulent manner, employment of any manipulative/ deceptive device, scheme or artifice to defraud in connection with dealing in securities, engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities.
29. Further, sub-regulation (1) of regulation 4 of the PFUTP Regulations, *inter alia*, seeks to prohibit manipulative, fraudulent or unfair trade practices relating to securities market. The acts mentioned in the Explanation to sub-regulation (1) of regulation 4 of the PFUTP Regulations were already covered under sub-regulation (1) of regulation 4 as being fraudulent as well as unfair trade practices. What was earlier implicit has now been made explicit by adding the 'Explanation' to sub-regulation (1) of regulation 4 of the PFUTP Regulations with effect from October 19, 2020. The amendment in the above mentioned provision, though made effective from October 19, 2020, is a clarificatory explanation explaining the existing situation that acts of diversion/ mis-utilisation/ siphoning of funds of a listed company or employment of any device, scheme or artifice to manipulate the books of accounts or financial statements of such company, that would directly or indirectly manipulate the price of the securities of that company, thereby inducing the investors to deal in securities or to remain invested in the securities of that company, are fraudulent and amount to unfair trade practices



relating to the securities market, which are covered under sub-regulation (1) of regulation 4 of the PFUTP Regulations.

30. Further, the terms “dealing in securities” and “fraud” as defined in clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations, are inclusive. In terms of sub-clause (ii) of clause (b) of sub-regulation (1) of regulation 2 of the PFUTP Regulations, dealing in securities includes such acts which may be knowingly designed to influence the decision of investors in securities.
31. Further, sub-regulation (2) of regulation 4 of the PFUTP Regulations lays down specific rules that prohibit conduct by deeming them fraudulent activities. In terms of clause (e) of sub-regulation (2) of regulation 4 of the PFUTP Regulations (prior to amendment), any act or omission amounting to manipulation of the price of a security, was deemed to be a fraudulent activity. The aforesaid provision was amended vide SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018, w.e.f. February 1, 2019. The amended provision provides that any act or omission amounting to manipulation of the price of a security including, influencing or manipulating the reference price or bench mark price of any securities is deemed to be a fraudulent activity.
32. Further, in terms of clause (f) of sub-regulation (2) of regulation 4 of the PFUTP Regulations (prior to amendment), the act of 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, was deemed to be a fraudulent activity. The aforesaid provision was amended vide SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018, w.e.f. February 1, 2019. The amended provision provides that the act of knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities, is deemed to be a fraudulent activity.



33. Further, in terms of clause (k) of sub-regulation (2) of regulation 4 of the PFUTP Regulations (prior to amendment), an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors, was deemed to be fraudulent or unfair trade practice. The said provision was amended vide the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019. The amended provision provides that an act of disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities, was deemed to be fraudulent or unfair trade practice. The above provision was again amended with effect from January 25, 2022 vide the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2022. The amended provision provides that the act of disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities, shall be deemed to be a fraudulent activity.
34. In terms of clause (r) sub-regulation (2) of regulation 4 of the PFUTP regulation (prior to amendment), an act of 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, was deemed to be a fraudulent activity. The said provision was amended vide the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018, w.e.f. February 01, 2019. The amended provision provides that an act of knowingly planting false or misleading news or information which may induce sale or purchase of securities, shall be deemed to be a fraudulent activity.
35. I note that as per SCN, the scrip was trading on BSE at INR 20.25 on April 03, 2018 (first trading day of investigation period) which increased to INR 28.50 on April 19, 2018 before declining to INR 13.37 on March 31, 2023 (last trading day). On examining the price movement of shares of OCAL, it was found that there was a general decline in the price of the scrip after April 2018. I further note that Mr. Pandoo Naig sold his shares on



November 16, 2021, November 17, 2021 and November 18, 2021 when the shares of the company were being traded at INR 17.85, INR 18.45 and INR 18.3 respectively. Further, I note that there was also 100% increase in the number of public shareholders of OCAL during the investigation period. Had the above instances of misstatement/ misrepresentation in the financial statements of OCAL been correctly reflected and published in the form of actual financials, the profit/ losses and financial position of the company would have been different from the reported financial statements, which would have bearing on the price of the scrip. I find that OCAL has used deceptive device, scheme or artifice which operated as deceit upon investors/ shareholders of OCAL by not reflecting the correct financials of the OCAL. Thus, I find that the acts of OCAL leads to violation of provisions of sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992 read with sub-regulations (b), (c) and (d) of regulation 3 and sub-regulation (1) of regulation 4 of the PFUTP Regulations.

36. With respect to the allegation of violation of cause (e) of sub-regulation (2) of regulation 4 of the PFUTP Regulations, I note that there is no evidence of manipulation of price of the shares of OCAL. However, the price of the shares is not truly and properly reflected due to misrepresentation of financials of the company. Accordingly, I find that the allegation of violation of cause (e) of sub-regulation (2) of regulation 4 of the PFUTP Regulations against OCAL is not established.
37. Further, I find that the acts of OCAL in misrepresenting/ mis-stating financial statements and publishing the same, are fraudulent activities and practices as per clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 of the PFUTP Regulations, as per both pre-amended and amended provisions. Financials statements are crucial in influencing the decisions of investors as they provide a comprehensive overview of a company's health, performance and cash flows. Hence their misrepresentation has misguided investors in taking informed decisions and hence falls under fraudulent category.
38. It may be noted that in the matter of **SEBI vs. Shri Kanaiyalal Baldevbhai Patel** (Order dated September 20, 2017 passed in Civil Appeal No. 2595 of 2013), Hon'ble Supreme Court held that

*"37. It should be noted that the provisions of regulations 3 (a), (b), (c), (d) and 4(1) are couched in general terms to cover diverse situations and possibilities.*



*Once a conclusion, that fraud has been committed while dealing in securities, is arrived at, all these provisions get attracted in a situation like the one under consideration. We are not inclined to agree with the submission that SEBI should have identified as to which particular provision of FUTP 2003 regulations has been violated. A pigeon-hole approach may not be applicable in this case instant.”*

39. Accordingly, I find that the acts of OCAL as discussed above are in violation of sub-regulation (b), (c) and (d) of regulation 3, sub-regulation (1) of regulation 4, clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992, and clauses (a), (b) (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations, stands established against OCAL.

#### **E.2.2 Consideration and Finding on Non-approval and Non-disclosure of Related Party Transactions**

There are violations alleged with respect to non-approval of Audit committee and shareholders, non-disclosure of RPTs and non-adherence to accounting standards. All these are dealt one by one.

#### **40. *Related Party Transactions with DSPL and DDEPL-***

- 40.1. As regards non-disclosure and non-approval of RPTs with DSPL and DDEPL, it has been found that in terms of clauses (zb) and (zc) of sub-regulation (1) of regulations 2 of the LODR Regulations, DSPL and DDEPL are related parties of OCAL and transactions of OCAL with DSPL and DDEPL are within the ambit of RPTs due to the following reasons-



- a. Mr. Pandoo Naig (Ex Managing Director, CFO and Executive Director of OCAL) was a director in DSPL, and DDEPL was a wholly owned subsidiary of DSPL.
- b. Further, OCAL showed DSPL as a related party in its financial statements for FY2019 to FY2023 and DDEPL as a related party in its financial statements for FY2023.

40.2. Details of RPTs amongst these entities are as under

**Transactions with DSPL**

**Summary of transactions**

**Table No. 7**

(Amount in INR Lakh)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Sale of advisory services</b>					
Sale of Advisory services by OCAL to DSPL	200.00	230.00	267.00	334.50	64.75
Revenue from operations of OCAL	210.07	345.00	267.00	334.50	313.00
% of OCAL's revenue from operations from DSPL	95%	67%	100.00%	100%	21%
<b>% of advisory services given to DSPL as compared to total consolidated turnover of OCAL for the previous FY</b>	<b>27%</b>	<b>22%</b>	<b>28%</b>	<b>51%</b>	10%
<b>Purchase of professional services</b>					
Purchase of Professional services by OCAL from DSPL	-	115.00	258.00	424.00	30.00
Total Professional Fee for services taken shown by OCAL	39.19	220.67	268.39	436.14	268.02
% of professional fee booked for DSPL for the services taken by OCAL as compared to the total professional fee booked by OCAL	-	52%	96%	97%	11%
<b>% of professional fee booked for DSPL for the services taken by OCAL as compared to total consolidated turnover of OCAL for the previous FY</b>	<b>-</b>	<b>11%</b>	<b>27%</b>	<b>65%</b>	5%



### Transactions with DDEPL

#### Summary of transactions

**Table No. 8**

(Amount in INR Lakh)

Particulars	2019-20	2022-23
Advisory services given by OCAL to DDEPL	115.00	248.25
Revenue from operations of OCAL	345.00	313.00
% of OCAL's revenue from operation from DDEPL	<b>33%</b>	<b>79%</b>
<b>% of advisory services given to DDEPL as compared to total consolidated turnover of OCAL of the previous FY</b>	<b>11%</b>	<b>38%</b>
Professional services taken by OCAL from DDEPL	60.00	215.45
Total Professional Fee for services taken shown by OCAL	220.67	268.02
% of professional fee booked for DDEPL for the services taken by OCAL as compared to the total professional fee booked by OCAL	27%	80%
<b>% of professional fee booked for DDEPL for the services taken by OCAL as compared to total consolidated turnover of OCAL for the previous FY</b>	<b>6%</b>	<b>33%</b>

#### Audit committee approval

- 40.3. As per sub-regulation (2) of regulation 23 of the LODR Regulations, prior approval of Audit Committee (**AC**) is required for all RPTs.
- 40.4. On perusal of the copies of minutes of the Audit Committee submitted by OCAL with respect to transactions with DSPL, the following was noted:

**Table No. 9**

Year	Details of sale/purchase transactions	Details of approval of the Audit Committee
FY2019	sale of advisory services to DSPL of INR 200 Lakh	No approval obtained
FY2020	sale of advisory services of INR 230 Lakh and purchase of professional services of INR 115 Lakh with DSPL	Approval obtained from AC for transactions with DSPL amounting to INR 200 Lakh, however, nature of transactions not mentioned
FY2021	sale of advisory services of INR 267 Lakh and purchase	Approval obtained from AC for transactions with DSPL amounting to INR 525 Lakh, however, nature



	of professional services of INR 258 Lakh with DSPL	of transactions, was not mentioned (Further, OCAL also showed purchase of INR 70 Lakh and sale of INR 65 Lakh before approval of AC)
FY2022	sale of advisory services to DSPL of INR 334.50 Lakh and purchase of professional services from DSPL of INR 424.00 Lakh	No approval obtained
FY2023	sale of advisory services of INR 64.75 Lakh and purchase of professional services of INR 258 Lakh with DSPL	Approval obtained from AC for transactions with DSPL amounting to INR 5000 Lakh, however, nature of transactions was not mentioned (Further, OCAL also showed purchase of INR 30 Lakh and sale of INR 64.75 Lakh before approval of AC)

40.5. Further, on perusal of the copies of minutes of the Audit Committee submitted by OCAL with respect to transactions with DDEPL, the following was noted:

**Table No. 10**

<b>Year</b>	<b>Details of sale/purchase transactions</b>	<b>Details of approval of the Audit Committee</b>
FY2020	sale of advisory services of INR 115 Lakh and purchase of professional services of INR 60 Lakh with DDEPL	No approval obtained
FY2023	sale of advisory services of INR 248.25 Lakh and purchase of professional services of INR 215.45 Lakh with DDEPL	Approval obtained from Audit Committee for transactions with DDEPL amounting to INR 1000 Lakh, however, nature of transactions was not mentioned



40.6. Thus, it has been alleged in the interim order cum SCN that by not taking prior approval of Audit Committee for all the transactions related to sale of advisory services to DSPL/DDEPL and purchase of professional services from DSPL/DDEPL during FY2019 to FY2023, OCAL violated provisions of sub-regulation (2) of regulation 23 of the LODR Regulations.

#### Shareholders' approval

40.7. With respect to approval by shareholders, it is alleged that the advisory services provided by OCAL to DSPL during FY2019 to FY2022 is more than 10% of the total consolidated turnover of the company for the previous FY. Similarly, the professional services taken by OCAL from DSPL during FY2020 to FY2022 is more than 10% of the total consolidated turnover of the company for the previous FY (Refer Table No. 7).

40.8. Similarly, the advisory services provided by OCAL to DDEPL during FY 2020 and 2023 is more than 10% of the total consolidated turnover of the company for the previous FY. Similarly, the professional services taken by OCAL from DDEPL during FY2023 is more than 10% of the total consolidated turnover of the company for the previous FY. (Refer Table No. 8)

40.9. OCAL had proposed a resolution in the AGM held on September 30, 2022 for ratification and approval of RPTs entered into or to be entered into by the Company during FY2022 and FY2023 and the same was rejected by the shareholders. However, after this rejection by shareholders, OCAL took approval of shareholders via postal ballot on November 21, 2022 for the ratification and approval of RPTs entered into or to be entered into by the Company during FY2022 and FY2023. Thus, it has been alleged that OCAL violated the provisions of sub-regulation (4) of regulation 23 of the LODR Regulations by not obtaining the approval/ prior approval of shareholders for material RPTs with DSPL /DDEPL.



Disclosure to stock exchanges

40.10. It has also been alleged that OCAL did not disclose to exchanges the following sale and purchase transactions with DSPL and DDEPL in its half yearly RPT disclosures as under:

**Table No. 11**

<b>Related party</b>	<b>Details of transactions</b>
<b>DSPL</b>	Purchase of professional services amounting to INR 115 Lakh on March 18, 2020, INR 71 Lakh on December 22, 2020, INR 47 Lakh on March 17, 2021 and INR 30 Lakh on June 25, 2022
<b>DDEPL</b>	Sale of advisory services amounting to INR 80 Lakh on September 24, 2019, INR 60.50 Lakh on 26, September 2022, INR 70.50 Lakh on December 22, 2022 and INR 117.25 Lakh on March 24, 2023; Purchase of professional services amounting to INR 60 Lakh on December 27, 2019, INR 35.75 Lakh on September 28, 2022, INR 69.50 Lakh on December 28, 2022 and INR 110.20 Lakh on March 27, 2023

Thus, it has also been alleged that OCAL violated the provisions of sub-regulation (9) of regulations 23 of LODR Regulations.

Violation of Accounting Standards

40.11. As per clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and 48 of the LODR Regulations, a company is required to comply with all the applicable and notified Accounting Standards. In this regard, it has been alleged that non-disclosure of RPTs entered into by OCAL with DDEPL during FY2020, in its Annual Report for FY2020 was not in accordance with the Accounting Standard - Ind AS 24 dealing with related party disclosures. Hence, OCAL was alleged to have violated clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation



(3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations. This also resulted in misrepresentation of financial statements and other disclosures in the published financial statements thereby resulting in violation of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4 of the LODR Regulations.

40.12. OCAL admitted vide reply dated December 16, 2024 that prior RPT approval was not taken for all RPTs, but all RPTs have been ratified by shareholders of OCAL on September 30, 2024. After ratification these were notified to the exchanges. It has also been submitted that all RPTs have been duly disclosed in the financial statements of OCAL. The absence of the same being reported specifically under the head of RPTs in the financial statement of some of the financial years during which such transactions were undertaken, has been attributed to technical mistake, without the intent to fraudulently suppress/misrepresent. It has also been submitted that the absence of disclosure in half-yearly statements was due to organizational lapses and bonafide error.

40.13. It has also been submitted that the RPTs among OCAL, DSPL and DDEPL do not meet the materiality threshold in terms of sub-regulation (2) of regulation 23 of the LODR Regulations, hence prior approval was not required. This has been substantiated by giving a consolidated turnover of OCAL after including the turnovers of all subsidiaries including DCPL and DSPL post-merger. It has been replied that the SCN calculates materiality based on standalone financials of OCAL. The calculation given by OCAL is as under

**Table No. 12**

INR in Lakh

**I. DSPL**

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Sale of Advisory services given by OCAL to DSPL	200.00	230.00	267.00	334.50	647.75



Revenue from Total consolidated TO of OCAL as per merger order (including DCPL and DSPL and OCAL consolidated)	8728.74	6018.77	8115.07	6856.46	6198.75
% of OCAL consolidated revenue as per merger order revenue from operations from DSPL ( including DCPL and DSPL and OCAL consolidated)	2%	4%	3%	5%	10%
% of advisory services given to DSPL as compared to total consolidated turnover of OCAL for previous FY	2%	3%	4%	4%	9%
Total professional Fees for services taken shown by OCAL	39.19	220.67	268.39	436.14	268.02
% professional fee booked for DSPL for the services taken by OCAL as compared to total consolidated turnover of OCAL	0.00	3%	4%	5%	4%
after considering the merger effect of DSPL and DCPL for previous FY					

## II. DDEPL:

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Sale of Advisory services given by OCAL to DDEPPL	0.00	115.00	0.00	0.00	248.25



Revenue from Total consolidated TO of OCAL as per merger order (including DCPL and DSPL and OCAL consolidated)	8728.74	6018.77	8115.07	6856.46	6198.75
% of OCALs consolidated revenue as per merger order revenue from operations from DDEPL (including DCPL and DSPL and OCAL consolidated)	0%	2%	0%	0%	4%
% of advisory services given to DSPL as compared to total consolidated	0%	1%	0%	0%	4%
turnover of OCAL for previous FY					
Total professional Fees for services taken shown by OCAL	0.00	220.67	0.00	0.00	268.02
%professional fee booked for DDEPL for the services taken by OCAL as compared to total consolidated turnover of OCAL after considering the merger effect of DSPL and DCPL for previous FY	0.00	3%	0%	0%	4%

40.14. It has also been submitted that the RPTs identified by SEBI have been ratified by the shareholders of OCAL by a nearly 100% majority in the meeting held on September 30, 2024. It has also been submitted that prior approval of shareholders is required under sub-regulation (4) of regulation 23 with effect from April 01, 2022 and before that only approval was required.



Consideration of Noticee's reply

41. From the reply submitted by the *Noticee*, it is seen that the *Noticee* has not given any explanation for the violation of not obtaining prior audit committee approval for a few transactions related to sale of advisory services to DSPL/DDEPL and purchase of professional services from DSPL/DDEPL during FY2019 to FY2023. Thus, it is held that violation of sub-regulation (2) of Regulation 23 of the LODR Regulations is established as OCAL failed to obtain audit committee approval in a few cases as outlined in Table Nos. 9 and 10 above.
42. The *Noticee* has also accepted non-disclosure to stock exchanges as it submitted that the absence of disclosure in half-yearly statements was due to organizational lapses and bonafide error. Thus, it is held that OCAL is in violation of sub-regulation (9) of regulation 23 of the LODR Regulation.
43. With respect to the requirement of shareholders' approval, the issue raised by the *Noticee* merits consideration. It is seen that the requirement of "*prior*" approval of shareholder was inserted with effect from April 01, 2022 and before that there was only requirement of approval. It is true that the amendment carried out in LODR was with effect from April 01, 2022 and it cannot apply to prior transactions. It is a settled law that amendments take effect from the date of their effectiveness. In the case of Act of Parliaments, the parliament is empowered to carry out retrospective amendments and when it carries out such retrospective amendment it makes it clear in the amendment that it is effective from a prior date. However, in the case of subordinate legislation like Rules and Regulations there is no authority vested to carry out retrospective amendment unless the retrospective amendment are beneficial amendments. Sometimes explanations are inserted in the Rules/Regulations which provide clarifications to what is already understood as the correct interpretation (refer para 29 of this order with respect to explanation to sub-regulation (1) of regulation 4 of the PFUTP Regulations). In that case it can be said that such explanations do not bring anything new and what is being clarified was always the law. However, this case is not of an explanation. Here the provisions of sub-regulation (4) of Regulation 23 of the



LODR Regulations was amended to insert the requirement of “*prior approval*” which was not there earlier hence it cannot be applied to prior transactions.

44. It is settled law that unless a contrary intention appears, a legislation is presumed not to be intended to have a retrospective operation. In this regards, the Hon’ble Supreme Court in ***Commissioner of Income Tax (Central)-I, New Delhi vs. Vatika Township Private Ltd.*** (2014) 12 SCR 1037)) has held as under:

*“31. Of the various rules guiding how a legislation has to be interpreted, one established rule is that unless a contrary intention appears, a legislation is presumed not to be intended to have a retrospective operation. The idea behind the rule is that a current law should govern current activities. Law passed today cannot apply to the events of the past. If we do something today, we do it keeping in view the law of today and in force and not tomorrow’s backward adjustment of it. Our belief in the nature of the law is founded on the bed rock that every human being is entitled to arrange his affairs by relying on the existing law and should not find that his plans have been retrospectively upset....”*

45. The Noticee has stated that these transactions are not material once we consider the consolidated annual statements of OCAL post-merger. As per sub-regulation (4) of regulation 23 of the LODR Regulations, approval of shareholders through resolution is required for the material RPTs. Material RPT is defined in sub-regulation (1) of regulation 23. Since April 01, 2022, material transaction is defined in the proviso of sub-regulation (1) which provides that a transaction with a related party shall be considered material, if the transaction(s) **to be entered into individually or taken together** with previous transactions during a financial year, exceeds rupee one thousand crore or ten per cents of the annual consolidated turnover of the listed entity as per the **last audited financial statements** of the listed entity, whichever is lower. If we see the wordings whose fonts have been made bold by me, what is important for consideration is the last audited financial statement when the transactions are to be entered into. It is seen that at the time of entering into the transaction, last audited financial statement has turnover which have been used in Table Nos 7 and 8 above as there was no order of merger then and OCAL could not have expected such order. Thus, the materiality calculation in



these tables is correct. The consolidated turnover used by OCAL in Table No. 12 is the audited financial statement post-merger which report was made much later than when these transactions were entered into. Hence, this consolidated turnover as per later audited report is not relevant for the purposes of applicability of sub-regulation (4) of regulation 23 of the LODR Regulations.

46. I note that shareholders' approval for material RPTs for the transactions of the period FY 2019, FY 2020 and FY 2021 conducted prior to April 01, 2022 were not taken immediately after respective FYs and the same was ratified when NSE/SEBI started examination/investigation. Thus, there is a violation of sub-regulation (4) of regulation 23 of the LODR Regulations for these three FYs (FY 2019, 2020 and 2021). Details of the transactions of OCAL with DSPL and DDEPL are mentioned in Table No. 13 below. It is further seen that there are related party transactions that were carried out by OCAL after April 01, 2022. As per the amended regulations, these material RPTs required prior approval of shareholders. It is seen that these transactions were approved through postal ballot on November 21, 2022. Thus, RPTs post April 01, 2022 got prior approval except for RPTs between April 01, 2022 and November 21, 2022, which are not material.

**Table No. 13**

<b>Year</b>	<b>Details of sale/purchase transactions</b>	<b>Details of approval/ prior approval of the Shareholders</b>
FY2019	Sale of advisory services to DSPL of INR 200 Lakh	No approval obtained immediately after the relevant FY, RPT ratified on September 30, 2024 after initiation of the investigation by SEBI which is too late. Therefore, same cannot be accepted and treated as compliance with sub-regulation (4) of regulation 23 of the LODR.
FY2020	Sale of advisory services of INR 230 Lakh and purchase of professional services of INR 115 Lakh with DSPL	No approval obtained immediately after the relevant FY, RPT ratified on September 30, 2024 after initiation of the investigation by



		SEBI which is too late. Therefore, same cannot be accepted and treated as compliance with sub-regulation (4) of regulation 23 of the LODR.
FY2020	Sale of advisory services of INR 115 Lakh and purchase of professional services of INR 60 Lakh with DDEPL	No approval obtained immediately after the relevant FY, RPT ratified on September 30, 2024 after initiation of the investigation by SEBI which is too late. Therefore, same cannot be accepted and treated as compliance with sub-regulation (4) of regulation 23 of the LODR.
FY2021	Sale of advisory services of INR 267 Lakh and purchase of professional services of INR 258 Lakh with DSPL	No approval obtained immediately after the relevant FY, RPT ratified on September 30, 2024 after initiation of the investigation by SEBI which is too late. Therefore, same cannot be accepted and treated as compliance with sub-regulation (4) of regulation 23 of the LODR.
FY2022	Sale of advisory services to DSPL of INR 334.50 Lakh and purchase of professional services from DSPL of INR 424.00 Lakh	RPT ratified on November 21, 2022 through postal ballot before initiation of SEBI investigation. The same is accepted.
FY2023	Sale of advisory services of INR 248.25 Lakh and purchase of professional services of INR 215.45 Lakh with DDEPL	RPT approval taken on November 21, 2022 through postal ballot. The same is accepted.



47. With respect to violation of Ind AS 24 regarding RPTs, it has been submitted that the absence of RPTs being reported specifically under the head of RPTs in the financial statement of some of the financial years during which such transactions were undertaken, is a technical mistake, without the intent to fraudulently suppress/misrepresent. It may be clarified that the purpose of Ind AS 24 to specifically disclose RPT under separate head is to let everyone (including current and prospective shareholders) know about these RPTs. If it is not disclosed as such there is a disclosure violation. Hence, it is held that there is a disclosure violation with respect to disclosure of RPTs required under Ind AS 24. Hence, OCAL has violated clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations. This also resulted in misrepresentation of financial statements and other disclosures in the published financial statements thereby resulting in violation of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4 of the LODR Regulations.

**E.2.3 Consideration and findings on non-approval and non-disclosure on Loan transactions with Family Care Hospitals Ltd (“FCHL”) and Prabhakara Naig, Promoter & Director**

48. As per OCAL’s Annual Reports, OCAL obtained loans from its related party, FCHL. The loans and repayment details as provided by OCAL are analysed as under:

**Table No. 14** (Amount in INR Lakh)

<b>FY</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Amount received	969.37	570.74	51.50
Amount of repayment	173.65	813.95	683.00
Previous year consolidated turnover	656.22	648.28	542.32
% of loan taken from FCHL with previous year consolidated turnover	<b>148%</b>	<b>88%</b>	9%



48.1. It is noted from the above that the loans taken by OCAL from FCHL during FY2022 and FY2023, being more than the 10% of the OCAL's previous year consolidated turnover, were material RPTs. OCAL also submitted that these loans from FCHL were taken at an interest rate of 12% p.a.

48.2. In this regard, the minutes of Audit Committee meetings were perused and the following was observed:

**Table No. 15**

<b>FY</b>	<b>Date of approval</b>	<b>Approved Amount of loans from FCHL</b>	<b>Details of loans granted</b>
2021-22	August 13, 2021	INR 1000 Lakh	OCAL had taken INR 15.22 Lakh from FCHL during August 10 to August 12, 2021 i.e. <b>before the date of approval</b> of audit committee
2022-23	May 28, 2022	INR 600 Lakh	OCAL had taken INR 56.90 Lakh from FCHL during April 08 to May 26, 2022 i.e. <b>before the date of approval</b> of audit committee
2023-24	-	-	OCAL had taken loan of INR 51.50 Lakh from FCHL during FY 24, however, OCAL <b>did not provide copy of approval</b> of audit committee for taking loans from FCHL during the FY 24

48.3. Audit committee approval

It has been alleged in the interim order cum SCN that OCAL did not take prior approvals of the Audit Committee for the loan transactions of INR 15.22 Lakh, INR 56.90 lakh and INR 51.50 Lakh with FCHL during FY2022, FY2023 and FY 24 respectively. Accordingly, OCAL has allegedly violated the provisions of sub-regulation (2) of regulation 23 of the LODR Regulations.

48.4. Shareholders' approval

Further, it has been alleged that OCAL did not take approval/ prior approval of shareholders for the loans taken from FCHL during FY2022 and FY2023, which were material RPTs, as the copies of the shareholders' approval were not provided. Thus, OCAL has allegedly violated the provisions of sub-regulation (4) of regulation 23 of the LODR Regulations.



#### 48.5. Disclosure to stock exchanges

It has also been alleged that details of interest paid by OCAL to FCHL were not reported by OCAL in its half yearly filing with the exchanges for the half year ended September 2022. Therefore, OCAL has allegedly violated the provisions of sub-regulation (9) of regulation 23 of the LODR Regulations.

48.6. It was also observed that OCAL had taken loans at an interest rate of 10% per annum from its Promoter/ Director, Mr. Prabhakara Naig during FY2022 and FY2023, which were repaid along with the due interest during FY2023. The details of loans and repayments as per the details obtained from OCAL are as under:

**Table No. 16**

<b>Date of receipt of loan</b>	<b>FY</b>	<b>Amount Received (in INR)</b>	<b>Interest Rate</b>
16-Nov-2021	2021-22	50,00,000	10%
18-Nov-2021		50,00,000	10%
18-Nov-2021		90,70,000	10%
22-Nov-2021		1,42,30,000	10%
23-Nov-2021		2,28,20,000	10%
10-Jan-2023	2022-23	50,00,000	10%
11-Jan-2023		10,00,000	10%
17-Feb-2023	2022-23	42,80,000	Total amount of Interest Charged
<b>Total</b>		6,64,00,000	

**Table No. 17**

<b>Date of payment</b>	<b>Amount paid (INR)</b>	<b>Reason</b>
24-Jan-2023	40,00,000	Repayment of Loan
16-Feb-2023	15,600,000	Repayment of Loan
17-Feb-2023	10,800,000	Repayment of Loan
<b>Total</b>	6,64,00,000	

48.7. Further, based on the details provided by OCAL, on perusal of the minutes of the Audit Committee meetings of OCAL, it was observed that OCAL did not obtain prior approvals of its Audit Committee for the loans taken from Mr.



Prabhakara Naig during FY2022 and FY2023. Further, from the half yearly RPT filings made by OCAL with the exchanges, it was observed that the loan transactions done during FY2023 were not reported by OCAL in its half yearly RPT disclosures filed for the half year ending March 2023. Therefore, it is alleged that OCAL violated the provisions of sub-regulations (2) and (9) of regulation 23 of the LODR Regulations. In addition, OCAL failed to disclose the receipts/repayments of loans made from/to its promoter-director, Mr. Prabhakara Naig in the Annual Reports for FY2022 and FY2023 under RPT disclosures which was not in accordance with Ind AS 24. Hence, OCAL was alleged to have violated clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations. This also resulted in misrepresentation of financial statements and other disclosures in the published financial statements thereby resulting in violation of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4 of the LODR Regulations.

Consideration of Noticees' reply

49. OCAL submitted that FCHL is a related party of OCAL (being a promoter group entity). FCHL had advanced loans to OCAL during the period of lockdown imposed due to the COVID-19 emergency. None of the loan transactions flagged by SEBI have been fraudulent in nature/ conducted with an intent to defraud or suppress information from shareholders. Any failures to report or disclose are at best technical lapses. OCAL also submitted that while approvals were obtained from the Audit Committee in respect of all the loans, a small portion of the loan amount was disbursed prior to the written approval from the Audit Committee, as an urgent measure. I find that OCAL has agreed that prior approvals of the Audit Committee for the loan transactions of INR 15.22 Lakh, INR 56.90 Lakh and INR 51.50 Lakh with FCHL during FY2022, FY2023 and FY 2024 respectively was not taken. However, it is also a fact that these amounts are small in comparison to the amount for which the approval was taken. Nevertheless, there is a violation. The small amount of violation or small delay in disclosure would be considered when the



direction/penalty is decided. Thus it is held that there is a violation of sub-regulation (2) of regulation 23 of the LODR Regulations

50. With respect to shareholder's approval, it has been submitted that shareholders have ratified the above transactions on September 30, 2024. Further, it has been submitted that shareholders had passed a special resolution on February 12, 2016 which allows OCAL to provide loans to its related parties upto the limit of INR 500 Crore. On consideration, I find that transaction identified by SEBI in the investigation wherein approval has not been taken, is related to the loan taken by OCAL from FCHL and not related to loan given by OCAL. Accordingly, the submissions are not justified. As discussed earlier, with effect from April 01, 2022, there is a requirement of taking prior shareholder approval. The loan of INR 570.74 Lakh was taken by OCAL from FCHL during the FY 22-23, i.e. post April 01, 2022. For this loan the prior approval of shareholder was not taken. Hence, it is held that with respect to this loan taken by OCAL from FCHL, there is a violation of provisions of sub-regulation (4) of regulation 23 of the LODR Regulations. Even for loan of INR 969.37 Lakh taken in FY 2021-22, though there was no requirement of taking prior approval of shareholder, there was still a requirement of taking approval. This approval was taken after initiation of the investigation by SEBI. Hence, there is a violation with respect to this approval as well.
51. OCAL also submitted that transactions with FCHL were disclosed in all years as required except in the financial year 2022. It was due to organizational lapses and bona-fide errors of judgment, they have not been disclosed under the specific head of "RPTs". There has been no fraudulent intent to suppress the transactions, and their non-disclosure is a technical error. Thus, it is seen that OCAL has accepted that interest paid by OCAL to FCHL were not reported in half yearly filing with exchanges for the half year ended September 2022. Hence, it is held that there is a violation of sub-regulation (9) of regulation 23 of the LODR Regulations for FY 2022.
52. With respect to loan taken by OCAL from Mr Prabhakara Naig, it has been submitted that *Noticee No.3* (Prabhakara Naig) had advanced loans to OCAL at a time of dire need. Any failures to report or disclose are at best technical lapses. all the loan



transactions under reply have been disclosed under the Head Current Borrowings - "From Related Parties/ Directors". OCAL also submitted all the data to the Statutory Auditors for complete transparency.

53. Thus, it is seen that OCAL has accepted that with respect to loan of INR 6.64 Crore taken from Mr. Prabhakara Naig, there are lapses in taking prior audit committee approval, disclosure to stock exchanges and disclosure in annual statement under RPT. Thus, it is held that there is a violation of sub-regulations (2) and (9) of regulation 23 of the LODR Regulations as well as provisions of Ind AS 24. Hence, OCAL has violated clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations. This also resulted in misrepresentation of financial statements and other disclosures in the published financial statements thereby resulting in violation of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4 of the LODR Regulations.

#### **E.2.4 Consideration and findings on Non-approval and Non-disclosure of loan given to DSPL**

54. It was found that the loans given by OCAL to DSPL during FY2020 to FY2023 were more than 10% of the OCAL's previous year's consolidated turnover and were thus, material RPTs and the details of loans and repayments, as submitted by OCAL, are as under:

**Table No. 18** (Amount in INR Lakh)

<b>FY/Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>Total</b>
Amount of loan given to DSPL	195.90	466.90	2,029.27	1,706.55	<b>4,398.62</b>
Repayment of loan made by DSPL	195.90	25.00	165.90	549.33	<b>936.13</b>
Previous year consolidated turnover of OCAL	1,064.74	965.36	656.22	648.28	-
% of loan given to DSPL with previous year consolidated turnover of OCAL	<b>18%</b>	<b>48%</b>	<b>309%</b>	<b>263%</b>	-



54.1. Further, the dates of approval and amounts of loans to DSPL approved by the Audit committee are as under:

**Table No. 19**

<b>FY</b>	<b>Date of approval</b>	<b>Approved Amount of loans to DSPL</b>	<b>Details of loans granted</b>
2019-20	29 May	200 Lakh	-
2020-21	31 July 2020	500 Lakh	OCAL granted INR 270.90 Lakh to DSPL during May 26 to July 20, 2020 i.e. <b>before the date of Audit committee's approval</b>
2021-22	08 April	2500 Lakh	-
2022-23	28 May 2022	2000 Lakh	OCAL granted INR 37.80 Lakh to DSPL during April 08 to May 24, 2022 i.e. <b>before the date of Audit committee's approval</b>

54.2. It was noted from the above that OCAL did not take prior approvals of the AC for the loan transactions of INR 270.90 Lakh and INR 37.80 Lakh with DSPL during FY2021 and FY2023 respectively. Thus, it has been alleged that OCAL violated the provisions of sub-regulation (2) of regulation 23 of the LODR Regulations.

54.3. Further, OCAL did not take shareholders' approval for the loans given to DSPL during FY2020 to FY2022. For FY2023, OCAL obtained a general approval in the AGM dated September 30, 2022 for providing INR 500 crore to any corporate/person, however, the name of DSPL was not mentioned. Further, prior to this general approval during the AGM, OCAL had already provided loans amounting to INR 1706.55 Lakh to DSPL during FY2023. Thus, it has been alleged that by not obtaining prior approval of shareholders for material RPTs, OCAL violated the provisions of sub-regulation (4) of regulation 23 of the LODR Regulations.

54.4. Further, from the half yearly RPT filings made by OCAL with the exchanges, it was observed that loan given and/or loan repayments details of DSPL for FY2020, FY2021 and FY2023 were not reported by OCAL for the half years



ending March 2020, September 2020 and September 2022. Thus, it has been alleged that OCAL violated the provisions of sub-regulation (9) of regulation 23 of the LODR Regulations

#### Consideration of OCAL reply

55. With respect to NSE's examination of loan transaction between OCAL and DSPL, it has been submitted that the amounts shown as loan by OCAL were converted to equity in DCPL (with whom DSPL got merged) after extensive correspondence and in consultation with NSE. OCAL also stated that the transactions have been investigated by NSE previously, who has closed the issue. In my views this is a subsequent event. During the years under consideration, OCAL treated this as a loan in the book and therefore it ought to have complied with all requirements of the regulations.
56. With respect to the allegation of loan transactions of OCAL with DSPL without prior approval of Audit Committee, it has been submitted that Audit Committee approvals have been taken but with a small delay. Thus it has been accepted that OCAL did not take prior approvals of the AC for the loan transactions of INR 270.90 Lakh and INR 37.80 Lakh with DSPL during FY2021 and FY2023 respectively. Hence, it is held that there is a violation of sub-regulation (2) of Regulation 23 of the LODR Regulations, though on account of small delay.
57. With respect to shareholder's approval, it has been submitted that all loans given to DSPL were voluntarily approved by OCAL's shareholders vide a Special Resolution dated February 12, 2016. With respect to special resolution on February 12, 2016, it is seen that it allows OCAL to provide loans to its related parties upto the limit of INR 500 Crore. However, this is a general resolution and the intent of the regulation for shareholder approval is to seek approval for loan to be given to specific related party. All related parties are not similarly placed and shareholders would like to know the risk factor before approving any resolution. A general mandate to give loan to any Related Party would not meet the intent of sub-regulation (4) of Regulation 23 of the LODR Regulations.
58. Further, it has been submitted that the requirement for prior approval of shareholders for the transactions identified prior to April 1, 2022 were not taken as the sub-regulation



(4) of regulation 23 of the LODR Regulations was inserted with effect from April 1, 2022, did not mandate prior shareholder approval before that. As discussed earlier, before April 01, 2022 there was only requirement to get shareholder approval and the word “prior” takes effect only from April 01, 2022. However, it is seen that there is a loan of INR 1706.55 Lakh which was advanced to DSPL in the FY 2022-23 for which prior shareholder approval was required and was not taken. For loan taken prior to April 01, 2022, there was no requirement of taking prior approval of the shareholders and OCAL had ratified the loan transactions of FY 2022 by taking shareholders’ approval via postal ballot on November 21, 2022. Therefore, the same is accepted for loan transactions for the FY 2022. However, for the loan transactions during FY 2020 and FY 2021, also there was requirement of taking shareholders’ approval, which was not obtained immediately after the relevant FY and RPTs ratified on September 30, 2024 after initiation of the investigation by SEBI, which is too late. Therefore, same cannot be accepted and treated as compliance with sub-regulation (4) of regulation 23 of the LODR.

59. It has also been submitted that transactions impugned by SEBI do not meet the materiality threshold under sub-regulation (2) of regulation 23, if the consolidated financials of OCAL, DSPL and DCPL are considered pursuant to the merger of DSPL into DCPL. This issue has been discussed earlier at para 45 of this order where it has been held that consolidated turnover referred is the consolidated turnover of last audited balance sheet at the time of entering into the transactions. At the start of FY 2020, 2021, 2022 and 2023, the consolidated turnover figure as per the last audited annual statement is the one which has been used in Table No. 18. The consolidated turnover figure post-merger was not available at the start of FY 2022-23. Hence, this plea of OCAL is also rejected. Thus, it is held that there is a violation of sub-regulation (4) of Regulation 23 of the LODR Regulations with respect to amount of loan advanced to DSPL during the FY 2020, FY 2021 and FY 2023.
60. Further, OCAL submitted that all transactions have been disclosed in the financial statements, and any violations of Regulation 23(9) are nothing but bona fide errors. Thus it has been accepted that transactions were not disclosed in exchange filings for March 2020, September 2020 and September 2022. Thus, it is held that OCAL violated the provisions of sub-regulation (9) of regulation 23 of the LODR Regulations.



### **E. 2.5 Consideration and Finding on Mis-utilization of funds**

#### **61. *Loan transactions between OCAL and Promoter related companies- PFPPL and OSIL***

61.1. There is an allegation that Interest free loans was provided by OCAL to the Promoter related companies - Pran Fertilisers & Pesticides Pvt. Ltd. ("**PFPPL**") and Oodnap Sec (I) Ltd. ("**OSIL**").

61.2. It was observed that PFPPL and OSIL were promoter related companies. PFPPL is owned by Mrs. Anandhi Naig, wife of Prabhakara Naig and mother of Pandoo Naig, who are also directors on the PFPPL's Board. Further, OSIL is owned by Mrs. Anandhi Naig, Mrs. Sowmya Gautum Deshpande (sister of Pandoo Naig) and Mr. Gautam Deshpande Naig (Brother-in law of Pandoo Naig). Mr. Pandoo Naig, promoter-director and CFO of OCAL is also a director on the Board of PFPPL and OSIL. Thus, PFPPL and OSIL were found to be related parties of OCAL.

61.3. It was also alleged that OCAL with its wholly owned subsidiary, viz., Leadline Software and Trading Pvt. Ltd. (LSTPL) (which merged with OCAL in FY2020 pursuant to an order of Hon'ble NCLT) granted interest free loans to PFPPL and OSIL, despite their negative net worth. As per the balance sheet of PFPPL and OSIL, the networth of PFPPL was negative INR 10.29 Lakh (as on March 31, 2020) and INR 5.90 Lakh (as on March 31, 2021) and the networth of OSIL was negative INR 13.69 Lakh as on March 31, 2020. Further, as per loan details provided by OCAL, even though OCAL took loans from its promoter-director at a rate of 10% p.a. and from FCHL, its related entity, at a rate of 12% p.a. and gave loans to its other subsidiaries or other companies at the interest rate of 9% or 12%, it extended interest-free loans to PFPPL and OSIL.

61.4. As per details submitted by OCAL, it was observed that OCAL granted loans of INR 237.61 Lakh to PFPPL and INR 98.64 Lakh to OSIL and the loan amount was transferred from its own account or the account of its wholly owned subsidiary, LSTPL. Further, LSTPL mostly received funds from OCAL, which it onward transferred to PFPPL and OSIL. The same were seen from the analysis of bank accounts and the concerned transactions during investigation period.



61.5. Based on the loans given and repayment details as provided by OCAL, the loss of interest to OCAL on the interest-free loans given to PFPPL and OSIL was calculated (at the rate of 9% which is the lowest of the rate at which OCAL granted loans to its subsidiaries/other companies) at INR 775.53 Lakh.

61.6. Thus, it has been alleged that OCAL misused its funds by giving interest free loans to PFPPL and OSIL wherein the close family members of the Promoter-Directors, Mr. Pandoo Naig and Mr. Prabhakara Naig had a financial interest, and the same resulted in loss of interest to OCAL.

61.7. Thus, it has been alleged that OCAL violated sub-regulation (d) of regulations 3 and sub-regulation (1) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-section (c) of section 12A of the SEBI Act, 1992.

61.8. Further, it has also been alleged that the failure to disclose RPTs with PFPPL in its Annual Report of FY2019 was not in accordance with Ind AS 24 and thus, OCAL was alleged to have violated clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations. This also resulted in misrepresentation of financial statements and other disclosures in the published financial statements thereby resulting in violation of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4 of the LODR Regulations.

#### Consideration of OCAL's reply

62. With respect to allegation of Interest free loans given to the Promoter related companies - PFPPL and OSIL, it has been submitted that the loans given by LSTPL to PFPPL and OSIL were transferred to OCAL due to a merger process approved by Hon'ble NCLT in the year 2020, however the loans were originally and majorly given by LSTPL, when it was a private company. OCAL also submitted that LSTPL had given loans to PFPPL and OSIL interest-free, but on profit sharing basis, to conduct certain real estate



transactions during the time that they were privately owned. As per OCAL, SEBI's allegation that OCAL has misused its funds by providing interest free loans to PFPPL and OSIL, is incorrect, as under the financing arrangement, OCAL was entitled to profit sharing and it has incurred no loss. OCAL also stated that it has accounted for the share of profit from PFPPL and OSIL in the quarter ended September 2024. OCAL also provided the relevant financing documents as Annexure 34 to its reply.

63. I note that OCAL, in its submissions stated that LSTPL became a subsidiary of OCAL in the year 2017-18 and the loans were originally and majorly given by LSTPL to PFPPL and OSIL, when it was a private company. I note that LSTPL merged with OCAL vide Hon'ble NCLT order dated July 18, 2019 effective from the Appointed Date, viz., April 1, 2018. I further note that even after the Hon'ble NCLT order dated July 18, 2019 till FY 2022-23, OCAL had given loans of INR 155.61 Lakh to PFPPL and INR 40 Lakh to OSIL. I find that as per loan details provided by OCAL, even though OCAL took loans from its promoter- director at a rate of 10% p.a. and from FCHL, its related entity, at a rate of 12% p.a. and gave loans to its other subsidiaries or other companies at the interest rate of 9% or 12%, it extended interest-free loans to PFPPL and OSIL. Further, I note that the alleged loss of interest cost of INR 7.75 Crore for OCAL (INR 273.40 Lakh for PFPPL and INR 502.13 Lakh for OSIL) on the loans provided to PFPPL and OSIL, have been calculated from April 01, 2018 onwards. The calculation of the alleged loss of interest, based on details of the loans given and repayment as provided by OCAL vide email dated November 24, 2023, is given below-

**Loss of interest on the loans provided to PFPPL and OSIL:**

**Table No. 20**

*(INR in Lakh)*

Sr. No.	Name	Date	Payment	Receipt	Balance	Interest @9%
1	PFPPL	01-Apr-18	Opening Balance		646.45	-
2	PFPPL	30-Nov-18	60.00	0.00	706.45	38.73
3	PFPPL	10-Jan-19	1.50	0.00	707.95	7.14
4	PFPPL	11-Jan-19	0.003	0.00	707.95	0.17
5	PFPPL	11-Jan-19	0.00	0.003	707.95	0.00
6	PFPPL	11-Jan-19	0.00	106.04	601.91	0.00
7	PFPPL	27-Feb-19	0.00	58.64	543.27	6.98
8	PFPPL	22-Mar-19	5.00	0.00	548.27	3.08
9	PFPPL	15-Apr-19	5.00	0.00	553.27	3.24
10	PFPPL	10-May-19	5.00	0.00	558.27	3.41



Sr. No.	Name	Date	Payment	Receipt	Balance	Interest @9%
11	PFPPL	13-May-19	0.50	0.00	558.77	0.41
12	PFPPL	10-Jun-19	5.00	0.00	563.77	3.86
13	PFPPL	24-Jul-19	1.00	0.00	564.77	6.12
14	PFPPL	13-Aug-19	5.00	0.00	569.77	2.79
15	PFPPL	07-Oct-19	1.20	0.00	570.97	7.73
16	PFPPL	11-Nov-19	5.00	0.00	575.97	4.93
17	PFPPL	15-Nov-19	0.00	2.00	573.97	0.57
18	PFPPL	06-Dec-19	5.00	0.00	578.97	2.97
19	PFPPL	12-Dec-19	0.00	1.00	577.97	0.86
20	PFPPL	07-Jan-20	5.00	0.00	582.97	3.71
21	PFPPL	07-Feb-20	4.00	0.00	586.97	4.46
22	PFPPL	25-Feb-20	0.00	20.00	566.97	2.61
23	PFPPL	09-Mar-20	1.40	0.00	568.37	1.82
24	PFPPL	21-Oct-20	4.00	0.00	572.37	31.67
25	PFPPL	06-Nov-20	6.00	0.00	578.37	2.26
26	PFPPL	09-Dec-20	2.00	0.00	580.37	4.71
27	PFPPL	08-Jan-21	4.00	0.00	584.37	4.29
28	PFPPL	10-Feb-21	5.50	0.00	589.87	4.76
29	PFPPL	12-Feb-21	0.00	1.60	588.27	0.29
30	PFPPL	05-Mar-21	0.20	0.00	588.47	3.05
31	PFPPL	09-Mar-21	5.50	0.00	593.97	0.58
32	PFPPL	09-Apr-21	4.02	0.00	597.99	4.54
33	PFPPL	04-May-21	13.00	0.00	610.99	3.69
34	PFPPL	09-Jun-21	0.50	0.00	611.49	5.42
35	PFPPL	09-Jul-21	5.50	0.00	616.99	4.52
36	PFPPL	09-Aug-21	4.00	0.00	620.99	4.72
37	PFPPL	09-Sep-21	2.35	0.00	623.34	4.75
38	PFPPL	09-Oct-21	3.93	0.00	627.27	4.61
39	PFPPL	30-Oct-21	0.17	0.00	627.44	3.25
40	PFPPL	01-Nov-21	0.06	0.00	627.50	0.31
41	PFPPL	01-Nov-21	0.00	0.06	627.44	0.00
42	PFPPL	02-Nov-21	0.18	0.00	627.62	0.15
43	PFPPL	02-Nov-21	0.00	0.18	627.44	0.00
44	PFPPL	09-Nov-21	5.40	0.00	632.84	1.08
45	PFPPL	16-Nov-21	0.00	1.55	631.29	1.09
46	PFPPL	09-Dec-21	4.00	0.00	635.29	3.58
47	PFPPL	08-Jan-22	5.55	0.00	640.84	4.70
48	PFPPL	11-Jan-22	0.00	1.50	639.34	0.47
49	PFPPL	09-Feb-22	4.00	0.00	643.34	4.57
50	PFPPL	09-Mar-22	3.90	0.00	647.24	4.44
51	PFPPL	08-Apr-22	3.90	0.00	651.14	4.79
52	PFPPL	09-May-22	4.00	0.00	655.14	4.98
53	PFPPL	09-Jun-22	4.00	0.00	659.14	5.01
54	PFPPL	24-Jun-22	7.00	0.00	666.14	2.44
55	PFPPL	08-Jul-22	4.15	0.00	670.29	2.30
56	PFPPL	08-Aug-22	0.50	0.00	670.79	5.12
57	PFPPL	08-Sep-22	3.20	0.00	673.99	5.13



Sr. No.	Name	Date	Payment	Receipt	Balance	Interest @9%
58	PFPPL	07-Oct-22	3.10	0.00	677.09	4.82
59	PFPPL	09-Nov-22	3.10	0.00	680.19	5.51
60	PFPPL	07-Dec-22	2.00	0.00	682.19	4.70
61	PFPPL	09-Jan-23	3.10	0.00	685.29	5.55
62	PFPPL	08-Feb-23	3.10	0.00	688.39	5.07
63	PFPPL	09-Mar-23	3.10	0.00	691.49	4.92
<b>Total</b>			<b>237.61</b>	<b>192.57</b>		<b>273.40</b>

**Table No. 21** (INR in Lakh)

Sr. No.	Name	Date	Payment	Receipt	Balance	Interest@9%
1	OSIL	01-Apr-18	Opening Balance		1,182.10	-
2	OSIL	27-Feb-19	58.64	0.00	1,240.74	96.77
3	OSIL	18-Mar-20	40.00	0.00	1,280.74	117.79
4	OSIL	11-Jan-21	0.00	4.00	1,276.74	94.42
5	OSIL	12-Feb-21	0.00	2.70	1,274.04	10.07
6	OSIL	26-Mar-21	0.004	0.00	1,274.04	13.19
7	OSIL	01-Apr-21	0.00	0.004	1,274.04	1.88
8	OSIL	14-Sep-22	0.00	289.35	984.69	166.81
9	OSIL	16-Sep-22	0.00	37.60	947.09	0.49
10	OSIL	19-Sep-22	0.00	104.50	842.59	0.70
<b>Total</b>			<b>98.64</b>	<b>438.15</b>		<b>502.13</b>

63.1. I note that OCAL has made submissions regarding profit sharing and provided 2 agreements in support of the same and has also submitted that it has accounted for the share of profit from PFPPL and OSIL in the quarter ended September 2024.

63.2. I note from the above Table that there are certain receipts from PFPPL and OSIL on various dates during the investigation period. There is clear in-flow and out-flow of funds after the order of Hon'ble NCLT dated November 18, 2019. In case of PFPPL entries at sr. no. 13 to 63 in above Table No. 20 shows that OCAL has given loan of INR 155.61 and received INR 27.89. Further, in case of OSIL entries at sr. no. 3 to 10 in above Table No. 21 shows that OCAL has given loan of INR 40 Lakh and received INR 438.15 Lakh. However, it is not clear whether the inflow represents return of loan which was given prior to Hon'ble NCLT order date or loan which was given after the Hon'ble NCLT order date. This point is not discussed in the SCN. Further, I note that there are profit sharing agreements entered on July 18, 2019 and same profit has been shown subsequently. Therefore, I find that the charge of mis-utilization of fund for loss of interest do not stand established against OCAL for the fund transferred. It may be clarified that the allegation in SCN is only



with respect to mis-utilization of fund due to loan being interest fee. There is no allegation of diversion of fund.

63.3. Further, with respect to the allegation of non-disclosure violation, it is observed that loan transaction details of OCAL with PFPPL and OSIL during FY2019 and FY2020 were not reported by OCAL in its half yearly RPT disclosures filed for the half years ending March 2019, September 2019 and March 2020. Thus, it has been alleged that OCAL violated provisions of sub-regulation (9) of regulation 23 of the LODR Regulations. Further, on perusal of the OCAL's Annual Reports, it was observed that OCAL reported the loan transactions with OSIL during FY2019 to FY2023 and loan transactions with PFPPL during FY2020 to FY2023 under the RPT disclosures in the respective financial years. However, OCAL did not disclose the payments/ repayments of loans made to/from PFPPL during FY2019 under the RPT disclosures in its Annual Report for FY2019 which was not in accordance with Ind AS 24.

63.4. In this regard, OCAL submitted that the allegation of non-disclosure of loan transactions of OCAL with PFPPL pertaining to FY 2019 pertains to the time period before the date of merger (August 27, 2019). Further, with respect to allegation of non-disclosure of loan transactions of OCAL with PFPPL pertaining to FY 2020, it has been submitted that there was no non-compliance with sub-regulation (9) of regulation 23 of the LODR Regulations as the merger order was received post the September quarter.

63.5. On consideration, I find that there is no submission made by OCAL regarding non-disclosure of loan transaction with OSIL, in its half yearly RPT disclosures. In view of absence of any specific submission, the charge of violation is established.

63.6. With respect to allegation of non-disclosure of loan transaction with PFPPL for half years ending September 2019 and March 2020, the company has submitted that it has received the merger order post September, 2019. However, the Hon'ble NCLT order date with respect to merger is dated July 18, 2019. Therefore, the contention of *Noticee* for non-disclosure in half yearly statement after receipt of Hon'ble NCLT order dated July 18, 2019 is not tenable. Further, with respect to non-disclosure of transaction in Annual Report for FY 2018-19, it is noted that



though the Hon'ble NCLT order is dated July 2019, however, as per Hon'ble NCLT order, the appointed date for amalgamation is April 01, 2018. Further, company has filed its Annual Report in December 2019 (after the Hon'ble NCLT order) for the FY 2018-19 and on perusal of the same, it is noted that company has given the transaction details with OSIL in the said Annual Report under RPT, but not in respect of PFPPL. Hence, I do not find any merit in the submissions made by OCAL in this regards.

63.7. In view of the above, I find that the charge of non-disclosure of loan transaction details of OCAL with PFPPL and OSIL is established and I find that OCAL has violated sub-regulation (9) of regulation 23 of the LODR Regulations. Further, OCAL had not disclosed the loan transactions with PFPPL during FY 2019 under RPT disclosure in Annual Report for FY 2019, which was not in accordance with the Ind AS 24. Hence, OCAL has violated clauses (a) and (b) of sub-regulations (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations. This also resulted in misrepresentation of financial statements and other disclosures in the published financial statements thereby resulting in violation of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4 of the LODR Regulations.

#### **64. *Loan transactions between OCAL and DSPL***

64.1. I note that there is also finding on mis-utilization of funds in the SCN relating to loan transaction if INR 2,449 Lakh given by OCAL to DSPL. It was observed that till FY 22, OCAL showed an amount of INR 2,449 Lakh as a loan, however, DSPL, in its provisional financials submitted to NSE, recorded this amount as 'Income'. It has also been alleged that the loan given by OCAL to DSPL did not return back to OCAL, however, after the merger of DSPL with DCPL (a wholly owned subsidiary of OCAL), the loans given by OCAL were converted into equity shares of DCPL.



64.2. It has been alleged that OCAL has violated sub-regulation (d) of regulation 3 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-section (c) of section 12A of the SEBI Act, 1992.

64.3. The said issue of conversion of loan into CWIP and then into equity has already been discussed in preceding paragraphs. I note that the issue of loan between OCAL and DSPL has been examined by NSE. It is a fact that the loan given to DSPL has been converted and the same has become equity of OCAL. In view of the same, I find that the charge of mis-utilization of funds with respect to loan given by OCAL to DSPL does not stand established.

#### **E.2.6 Consideration and finding on Corporate Governance Failure**

65. It is alleged that there was delay in filing of disclosures with the stock exchange regarding resignation/appointment of its Directors and CFO and non-appointment of Company Secretary/KMPs within given timelines.

#### **66. *Delay in filing disclosures with the stock exchange-***

66.1. It was observed that OCAL failed to inform the exchanges in a timely manner regarding resignation/appointment of its Directors and CFO on the following instances:

**Table No. 22**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Disclosure to Stock Exchange</b>	<b>Number of days delayed</b>
1.	Resignation of Ram Narayan Gupta as Independent Director w.e.f. 01.01.2020	07.07.2020	5 days
2.	Resignation of Gurunath Mudlapur as Director w.e.f. 20.07.2023	25.07.2023	4 days
3.	Appointment of Pandoo Naig as CFO w.e.f. 01.01.2018	14.02.2018	43 days
4.	Resignation of Manoj Malpani as CFO w.e.f. 01.04.2024	05.04.2024	3 days



66.2. It has been alleged in the interim order cum SCN that OCAL, by delaying in making disclosures to the stock exchange regarding the appointment/ resignation of a Director and CFO, violated the provisions of sub-regulation (2) of regulation 30 read with Part A of Schedule III of the LODR Regulations, which, *inter alia*, states that events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events within 24 hours.

66.3. In this regard, OCAL, *inter alia*, submitted that the delays in informing the exchange were due to genuine reasons and not intentional or meant to conceal the facts from the shareholders. OCAL also submitted the reasons in its reply as under-

**Table No. 23**

Sr. No	Particulars	Disclosure to Stock Exchange	Number of days delayed	Reason for delay
1	Resignation of Ram Narayan Gupta as Independent Director w.e.f 01.01.2020	07.01.2020	5 Days	The delay calculated is incorrect, as the time has to be calculated from the date of receipt of the signed copy of the resignation.
2	Resignation of Gurunath Mudlapur as Director w.e.f 20.07.2023	25.07.2023	4 Days	The Company received hard copy of the resignation of the Director on the Friday 21st July 2023 late in the evening around the closing business hours. Company was closed for business on the weekend for Saturday and Sunday. On Monday 24th July 2023, due to heavy rainfall and the alerts issued by the Government, personnel in charge and work were largely impacted.
3	Appointment of Pandoo Naig as CFO w.e.f 01.01.2018	14.02.2018	43 Days	Since it pertains to a period not that recent, the reason of the same will be enquired from the respective people and will be explained at the earliest



Sr. No	Particulars	Disclosure to Stock Exchange	Number of days delayed	Reason for delay
4	Resignation of Manoj Malpani as CFO w.e.f 01.04.2024	05.04.2024	3 Days	This is, further, submitting that the delay in filing the intimation to Stock Exchange is not intentional. Mr Manoj Malpani was a long-standing employee of OCAL, the management was of the view to re-engage him after his initial resignation. Due discussions were held by the management for the same, however. Following his reconfirmation about his decision of resignation and inability to join office, the Company had accepted his resignation letter on April 05, 2024.

66.4. I have perused the allegations and the submissions. At the outset, I find that the delay in making disclosures to the stock exchanges has been accepted by OCAL, even though the reasons for delay range from intervening weekends to unknown reasons. Further, I note that all the particulars that were highlighted in the SCN, were material. I also note that sub-regulation (2) of regulation 30 read with Part A of Schedule III of the LODR Regulations, *inter alia*, states that events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events within 24 hours.

66.5. OCAL, with respect to Resignation of Ram Narayan Gupta as Independent Director w.e.f January 01, 2020, specifically stated that the delay calculated is incorrect as the time has to be calculated from the date of receipt of the signed copy of the resignation. However, on perusal of the reply, I note that OCAL has not provided any details of date with proof on which the same was received by OCAL. Accordingly, the submission made by OCAL is not acceptable. OCAL also took a plea that one of the disclosures could not be made due to intervening holidays. I note that the LODR Regulations do not explicitly account for intervening holidays in the 24-hour disclosure requirement. The spirit of the regulation is to ensure timely disclosure of information that is material. Hence,



the charges alleged against OCAL are established and I find that OCAL violated the provisions of sub-regulation (2) of regulation 30 read with Part A of Schedule III of the LODR Regulations.

**67. *Non-appointment of Company Secretary / KMPs within given timelines***

67.1. During investigation, it was found in OCAL's Annual reports for FY2023 that Mr. Himanshu Unadkat, then Company Secretary and Compliance Officer resigned on October 14, 2022 and as on March 31, 2023, the post of Compliance Officer was vacant which was afterwards filled by Ms. Divya Modi on August 14, 2023. Sub-section (4) of section 203 of the Companies Act, 2013, *inter alia*, provides that if the office of any KMP is vacated, the resulting vacancy shall be filled up by the Board at a meeting of the Board within a period of six months from the date of such vacancy. Accordingly, it has been alleged that OCAL, by not appointing a KMP, i.e., the Company Secretary within the specified time period of 6 months from the date of vacancy, has violated clause (g) of sub-regulation (1) of regulation 4 of the LODR Regulations.

67.2. With regard to the above allegation, OCAL, *inter alia*, submitted that there has been no delay in the appointment of KMP/Company Secretary. In support of this argument, OCAL submitted that Mr. Himanshu Unadkat was appointed as Company Secretary of the Company on June 23, 2022. He served his first resignation letter on October 14, 2022. As per the general policy of the Company, Mr. Himanshu Unadkat did not serve the requisite notice period, and the same had been communicated to him. Further, after discussion with the management, Mr. Himanshu Unadkat withdrew his resignation and requested to rejoin the Company. However, subsequently, he finally resigned with effect from February 10, 2023. After the final resignation of Mr. Himanshu, Ms. Ruchika Goyal was appointed on April 12, 2023. Her appointment was to be confirmed in the next Board Meeting. However, she withdrew her appointment on July 14, 2023 before the proposed Board Meeting. After searching for suitable candidate Ms. Divya Modi was appointed as Company Secretary on August 14, 2023.



67.3. I note that OCAL has provided a timeline according which there has been no delay in the appointment of Company Secretary/ KMP. According to the submissions, Mr. Himanshu Unadkat had withdrawn his first resignation dated October 14, 2022 and had finally resigned with effect from February 10, 2023. I am constrained not to accept the submission as the Annual Report for FY2023 has recorded the said vacancy from October 14, 2022. Further, no documentary evidence has been submitted by OCAL in support of its submission. Even if for argument's sake it is assumed that Mr. Himanshu Unadkat had ultimately resigned on February 10, 2023, I note that next appointment with the approval of the Board, i.e. of Ms. Divya Modi, was done with effect from August 14, 2023 and that there is still a delay of 4 days which is not in compliance with sub-section (4) of section 203 of the Companies Act, 2013. In view of the forgoing, I find that OCAL has violated provisions of clause (g) of sub-regulation (1) of regulation 4 of the LODR Regulations.

#### **E.2.7 Role of Board of Directors and KMP i.e. Noticees Nos. 2 to 4**

68. The interim order cum SCN has made out allegations against *Noticees* Nos. 2 to 4 for direct liability for the violations committed by them and vicarious liability for the violations committed by the company.
69. The details of *Noticees* Nos. 2 to 4 i.e. company's Board of Directors during the investigation period, is provided below-

**Table No. 24**

Sl. No.	Name of entity	PAN	Designation	Appointment Date	Cessation Date
(i)	Pandoo Naig ( <i>Noticee</i> No. 2)	ACNPN280 0J	Managing Director	31/08/2007	06/07/2022
			Executive Director	23/03/2023	-
			Chief Financial Officer	01/01/2018	23/06/2022
			Chief Financial Officer	03/06/2024	-
(ii)	Prabhakara Naig ( <i>Noticee</i> No. 3)	ABIPN2653 D	Chairman & Whole-Time Director	31/08/2007	-
(iii)	Manoj Ramgopal Malpani	AADPM973 0A	Chief Financial Officer	23/06/2022	01/04/2024



(Noticee No. 4)				
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**70. Role of Mr. Pandoo Naig (Noticee No. 2), Promoter, Managing Director, Executive Director, CFO and Audit Committee Member**

70.1. It has been observed that Pandoo Naig (Noticee No. 2), Promoter of OCAL was the Managing Director, Executive Director, CFO and also the Audit Committee member of OCAL during the period of investigation. Mr. Pandoo Naig was also the CFO in OCAL during the period of January 01, 2018 to June 23, 2022, and again joined as CFO in OCAL on June 06, 2024. He was one of the signatories to the financial statements of OCAL for FY2019 to FY2023. Further, Pandoo Naig was also the director in PFPPL and DSPL, and DDEPL was a subsidiary of DSPL. Further, as per the CFO certifications in Annual Reports for FY2019 to FY2022, Pandoo Naig, as CFO had given CEO-CFO certification as required under sub- regulation (8) of regulation 17 of the LODR Regulations and he was also one of the signatories to the Financial statements for FY2019 to FY2023 which were misrepresented/ misstated. He was also Audit Committee Member during the investigation period. In view of the same, various allegations have been levelled against him in the interim order cum SCN.

70.2. I note that Noticee, in his submissions, *inter alia*, denied all charges made against him and stated that business decision for OCAL was taken by him in consultation with the relevant people. He also submitted that he is not professionally qualified and relied on the Company Secretary, Secretarial Department, Finance Department and the CFO of OCAL for taking approvals and making disclosures as required under the law. He further submitted that the shares were sold by him only once to increase the network of DSPL.

70.3. I note that a company, being an artificial person, cannot act by itself and that it acts through its individual directors/KMPs, who are expected to discharge their responsibilities on behalf of the company. In this regard, I note that section 27 of the SEBI Act, 1992, provides for the liability of certain persons who were in charge of and were responsible to the Company where the contravention is committed by a Company. In other words, the said section provides for the vicarious liability in respect of the violations committed by such company.



- 70.4. In this regard, I note from Table No. 24 above that Pandoo Naig (*Noticee* No. 2), held various roles such as the Managing Director, Executive Director and the Audit Committee member of OCAL during the period of investigation and he was also the CFO in OCAL during the period January 01, 2018 to June 23, 2022, and again joined as CFO in OCAL on June 03, 2024.
- 70.5. Based on material available on record, including submissions made by various KMPs, it is evident that *Noticees* Nos. 2 took all major decisions of OCAL. Further, he was also in charge of and was responsible for the day-to-day affairs of the Company being in position as mentioned in above Table No. 24. As can be seen from the replies, *Noticee* No. 2 was instrumental in developing businesses and also used to provide guidance, advisory etc. He has attended Board Meetings during the investigation period. Considering all this, Mr. Pandoo Naig cannot distance himself from the functions of the company. Hence, he is responsible for the acts, omissions and the conduct of OCAL. On consideration, I find that by virtue of section 27 of the SEBI Act, 1992, *Noticee* No. 2 is also in violation of provisions of law that have been violated by OCAL.
- 70.6. In addition to the above, I note that Pandoo Naig had given CEO-CFO certification under sub-regulation (8) of regulation 17 of the LODR Regulations for FY 2019 to FY 2022 and he was also signatory to the Financial statements for FY2019 to FY2023, which were misrepresented/ misstated. I note that as CFO, he had an important role to play under LODR Regulations in order to enhance investor's trust and confidence in a company.
- 70.7. Further, I note that article (2) of sub-clause (i) of clause (f) of sub-regulation (2) of regulation 4, articles (2), (6), (7) and (8) of sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 and articles (1), (3), (6) and (12) of sub-clause (iii) of clause (f) of sub-regulation (2) of regulation of the LODR Regulations create specific and direct liability of the board of directors. Further, sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 of the LODR Regulations specifically deals with key functions of the board of directors such as meeting the expectation of operational transparency to stakeholders and also 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. Further, Clause (iii) of regulation 4(2)(f) of the LODR Regulations deals with other functions of the board of directors. Thus, board of directors is responsible for complying with these principles. Any liability arising out of the violation of these principles because of violation of disclosure or other obligation of the listed entity under the LODR Regulations, is fastened on the board of directors of the listed entity. Accordingly, I find that Mr. Pandoo Naig failed to discharge his duties as a director during the investigation period and is liable for these violations as well.

70.8. Further, it is admitted fact that Mr. Pandoo Naig was member of Audit Committee. As a member, he should have exercised due diligence and oversee the financial reporting process and disclosures. He should have also exercised due diligence in reviewing the annual financial statements and auditor's report thereon, before submission to the board for approval. In view of the above discussion, I find that Pandoo Naig (*Noticee* No. 2) is also in violation of sub-regulation (3) of regulation 18 read with clauses A (1) and (4) under Part C of Schedule II of the LODR Regulations.

70.9. In view of the above discussions, I find that Mr. Pandoo Naig has violated the provisions of sub-regulations (b), (c) and (d) of regulation 3, sub-regulation (1) of regulation 4, clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations, sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992, clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, sub-regulations (2), (4) and (9) of regulation 23, sub-regulations (2) of regulation 30 read with Part A of Schedule III, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations read with Section 27 of the SEBI Act, 1992 and article (2) of sub-clause (i) of clause (f) of sub-regulation (2) of regulation 4, articles (2), (6), (7) and (8) of sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 and articles (1), (3), (6) and (12) of sub-clause (iii) of clause (f) of sub-regulation (2) of regulation 4 of the LODR Regulations. Further, Mr. Pandoo Naig, is responsible for non-compliance of sub-regulation (8) of regulations 17



read with Part B of Schedule II of the LODR Regulations for filing CEO-CFO compliance certificate for the FY2019 to FY2022. Further, Mr. Pandoo Naig being an Audit Committee member during FY2019 to FY2022, is also found to have violated sub-regulation (3) of regulation 18 read with sub-clauses (1) and (4) of clause A under Part C of Schedule II of the LODR Regulations read with section 27 of the SEBI Act, 1992.

**71. Role of, Prabhakara Naig (Noticee No. 3), Promoter & Whole Time Director**

71.1. It has been observed that Mr. Prabhakara Naig, father of Pandoo Naig and Promoter and Whole Time Director of OCAL, was one of the signatories to the financial statements of OCAL from FY2019 to FY2023.

71.2. It has been alleged that Mr. Prabhakara Naig is responsible for the contraventions of OCAL and he did not perform his duties and obligations, which resulted in publication of misrepresented/ misstated financial statements of OCAL for FY2019 to FY2023. It has also been alleged that as per the CEO-CFO certifications in Annual Report for the FY2023, Mr. Prabhakara Naig, along with CFO of the company had given CEO-CFO certification as required under sub-regulation (8) of regulation 17 of the LODR Regulations and he was also one of the signatories to the financial statements for FY2019 to FY2023 which were misrepresented/ misstated.

71.3. The *Noticee, inter alia*, submitted that he was not involved in the day today functioning of the company, which was handled by Pandoo Naig. It is further submitted that his role was limited to giving strategic guidance to OCAL as when required. As per *Noticee* No. 3, qualified people like accountants, Chartered Accountants, company secretaries to conduct the various functions of the company including disclosures as per the LODR Regulations. Further, the *Noticee* has submitted that the transactions entered into with DSPL and DDEPL have been recorded as per the accounting norms laid down by the regulations. Further, the loans taken from related parties have been disclosed fully to the auditors as well as to the shareholders as per law/ as advised by the auditors, company secretaries and ensured recovery as the understanding of the loans given to the related parties.



- 71.4. I note that Mr. Prabhakara Naig was the Promoter and Whole Time Director of OCAL during the investigation period. The said facts have not been denied by the *Noticee*. I also note that *Noticee* No. 3 was director of OCAL during the investigation period and due to the position he held, he was responsible for the day-to-day affairs to the Company. I find that in terms of section 27 of the SEBI Act 1992, Mr. Prabhakara Naig, being the Executive Director of the Company, is also responsible for the contraventions committed by OCAL.
- 71.5. In addition to the above, I note that Prabhakara Naig had given CEO-CFO certification under sub-regulation (8) of regulation 17 of the LODR Regulations and he was also signatory to the Financial statements for FY2019 to FY2023, which were misrepresented/ misstated.
- 71.6. Further, being the Whole Time Director, the *Noticee* No. 3 is also holding an important position in OCAL as detailed in preceding paragraphs. As discussed above, Prabhakara Naig, as member of the board of directors, is also responsible for complying with the principles enshrined in article (2) of sub-clause (i) of clause (f) of sub-regulation (2) of regulation 4, articles (2), (6), (7) and (8) of sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 and articles (1), (3), (6) and (12) of sub-clause (iii) of clause (f) of sub-regulation (2) of regulation 4 and sub-clause (ii) of clause (f) of sub-regulation (2) of regulations. I find that the *Noticee* has failed in complying with the said provisions under the LODR Regulations.
- 71.7. In view of the above discussion, it is held that Mr. Prabhakara Naig (*Noticee* No. 3) has violated the provisions of sub-regulations (b), (c) and (d) of regulation 3, sub-regulation (1) of regulation 4, clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992, clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, sub-regulations (2), (4) and (9) of regulation 23, sub-regulations (2) of regulation 30 read with Part A of Schedule III, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations read with section 27 of the SEBI Act,



1992 and article (2) of sub-clause (i) of clause (f) of sub-regulation (2) of regulation 4, articles (2), (6), (7) and (8) of sub-clause (ii) of clause (f) of sub-regulation (2) of regulation 4 and articles (1), (3), (6) and (12) of sub-clause (iii) of clause (f) of sub-regulation (2) of regulation 4 of the LODR Regulations. *Noticee No. 3* has also been found responsible for non-compliance of sub-regulation (8) of regulation 17 read with Part B of Schedule II of the LODR Regulations for filing CEO-CFO compliance certificate for the FY2023.

**72. Role of Mr. Manoj Malpani, Ex-CFO (Noticee No. 4)**

72.1. It has been observed that Mr. Manoj Malpani was the CFO of the company from June 23, 2022 to April 01, 2024. He was a KMP in the company by virtue of his designation as the CFO in terms of the Companies Act, 2013. It has also been observed that Manoj Malpani, being CFO of the company during FY2023, was in charge of the financial functions and decision making process and therefore, responsible for misrepresentation/ misstatement of financials committed by the company during FY2023. As per the CEO-CFO certification in Annual Report for the FY2023, Manoj Malpani, CFO along with the Chairman and Executive Director of the company had filed the CEO-CFO certification as required under sub-regulation (8) of regulation 17 of the LODR Regulations and he was also one of the signatories to the financial statements for the FY2023 which were misrepresented/misstated.

72.2. I note that the *Noticee No. 4*, in his replies, *inter alia*, submitted that he was he was CFO of *Noticee No. 1* from June 23, 2022 to April 01, 2024 i.e. during the Financial years 2022-2023 (part) and 2023-2024 and that he cannot be held liable for any financial or other irregularities in the Company during 2022-23, *inter alia*, for the following reasons-

- a. He was not involved in the day to day affairs of the Company. He was aware of the transactions between OCAL and DEEPL. However, his role was limited to coordination between the Audit team and team overseeing the accounts of the company. Mr. Pandoo Naig took all decisions in the company as confirmed by other KMPs in their statements to SEBI.



- b. The *Noticee* only signed the financial statements for FY2022-23 and the quarterly statement for the first quarter ending on June 30, 2022, while the rest of the statements were signed by Mr. Prabhakara Naig.
- c. He was only a signatory to the financial statements of the Company which were prepared by the accountant of the Company and finalized by the Internal and Statutory Auditors. In this regard reference has been made to the order of Hon'ble SAT in the matter of ***G.V. Films Limited vs. SEBI*** (Misc. Application No. 1634 of 2022 and Appeal No. 1043 of 2022).
- d. The financial statements which were reviewed by the *Noticee*, did not contain any materially untrue statements and he did not have any reason to believe that there might have been any fraudulent and illegal activities.
- e. Financial statements of the company are prepared with the approval of the Audit Committee, the statutory and internal auditors and under the scrutiny of the independent directors of the company. The *Noticee* was only a signatory of the same.
- f. Company has obtained approvals for loans granted by it to DSPL from both the Audit Committee and the Shareholders, albeit post facto. At worst, it is a procedural violation for which the *Noticee* cannot be penalized as he was not responsible for ensuring compliance with the LODR Regulations.
- g. The loan transactions between Company and DSPL, the CARO Report of FY 2021 and movement of funds (till May 31, 2022) occurred before *Noticee* joined the Company.

72.3. I note that Manoj Malpani (*Noticee* No. 4) was CFO of OCAL from June 23, 2022 to April 01, 2024. Further, Manoj Malpani had also given the CEO-CFO certification for the FY2023 under sub-regulation (8) of regulation 17 of the LODR Regulations and the same has not been denied by him. I also note that he was also one of the signatories to the financial statements for FY2023 which were misrepresented/ misstated. I note that CFOs have an important role to play under LODR Regulations in order to enhance investor's trust and confidence in



a company. He was a KMP in the company by virtue of his designation as the CFO in terms of the Companies Act, 2013. In view of the above observations, I find that *Noticee No. 4* is in violation of sub-regulation (8) of regulation 17 of the LODR Regulations.

72.4. As regards, the judgment cited by the *Noticee*, I note that Hon'ble SAT in the matter of **G. V. Films and Others vs. SEBI** (Supra) has held that "*Similarly, we find that Noticee no. 13 worked as CFO w.e.f. 22nd May, 2017 and was not involved in the preparation of the books of account nor involved in the misrepresentation of the financials of the Company for the FY2016-17. The Annual Report is approved by the Board of Directors and the Noticee No. 13 was only a signatory to the Annual Report. He, thus, cannot be found guilty of the charges.*" On perusal of the said order, I note that the entity who was *Noticee No. 13*, was only a signatory to the Annual Report. I also note that in the same matter, Hon'ble SAT has held *Noticee No. 12* guilty of violating sub-regulation (8) of regulation 17 of the LODR Regulations as he was the CFO of the Company for FY2015-16 and 2016-17 and gave annual certificate in terms of Part B and Schedule II of the LODR Regulations, 2015. Further, in said matter, there was a categorical finding that there was no violation of the PFUTP Regulations.

72.5. I note that in the extant matter, *Noticee No. 4* (Manoj Malpani), along with the Chairman and Executive Director of the company, had filed the CEO-CFO certification as per the CEO-CFO certification in Annual Report for the FY2023 and was also one of the signatories to the financial statements for the FY2023 which were misrepresented/misstated. In my opinion, *Noticee No. 4* cannot be completely exonerated. I find that the caselaw referred to by the *Noticee* does not further his case and I do not find any merit in the submission of *Noticee No. 4*.

72.6. I note that the *Noticee* had signed the CEO-CFO certification for the FY2023 and was a signatory to the financial statements for the FY2023. Therefore, I find him liable for the actions of the company under sub-section (2) of section 27 of the SEBI Act, 1992 for misrepresentation/ misstatement in the financials of the OCAL for the FY 2022-23. I also note that CFOs have an important role to play



under the LODR Regulations in order to enhance investor's trust and confidence in a company. He was a KMP in the company by virtue of his designation as the CFO in terms of the Companies Act, 2013.

72.7. In view of the above, the *Noticee* No. 4 has violated the provisions of clauses (f), (k) and (r) of sub-regulation (2) of regulation 4 read with clauses (b) and (c) of sub-regulation (1) of regulation 2 of the PFUTP Regulations and clauses (a), (b), (c), (d), (e), (g), (h), (i) and (j) of sub-regulation (1) of regulation 4, sub-clause (i) of clause (e) of sub-regulation (2) of regulation 4, clause (c) of sub-regulation (1) of regulation 33, sub-regulation (3) of regulation 34 read with Part A of Schedule V and regulation 48 of the LODR Regulations read with section 27 (2) of the SEBI Act, 1992 during the FY2023. Further, I find that he is responsible for non-compliance of sub-regulation (8) of regulation 17 read with Part B of Schedule II of the LODR Regulations for filing CEO-CFO compliance certificate for the FY2023.

72.8. However, with respect to violation of sub-regulation (2), (4) and (9) of regulation 23 of the LODR Regulations pertaining to approval of AC and shareholders and half yearly disclosure of RPTs, the same is not established against the *Noticee* No. 4.

#### **E.2.8 Role of Audit Committee Members (*Noticees* Nos. 5 to 9)**

73. During investigation, the role of Audit Committee members was examined. Apart from Mr. Pandoo Naig, whose role has already been discussed above, it was found that Ram Narayan Gupta (*Noticee* No. 5), Amol Shivaji Autade (*Noticee* No. 6), Sonam Jain (*Noticee* No. 7), Dhananjay Chandrakant Parikh (*Noticee* No. 8) and Gurunath Mudlapur (*Noticee* No. 9) were also members of the Audit Committee at various point in time during the investigation period. The attendance of Audit Committee members in the Audit Committee meetings during FY2019-FY2023 as per the Annual Reports of OCAL is as under:



Table No. 25

Name of the Director	Designation	Particulars of Attendance of Audit Committee Meeting				
		2018-19	2019-20	2020-21	2021-22	2022-23
Mentioned in Annual Report at page no.		55	64	76	62	57-58
Ram Narayan Gupta	Chairman	5	3	-	-	-
Amol Shivaji Autade	Member	5	4	4	7	-
Pandoo Naig	Member	5	4	4	7	-
Sonam Jain	Chairperson	-	1	4	6	4
Dhananjay	Member	-	-	-	-	3
Gurunath Mudlapur	Member	-	-	-	-	3

74. The SCN alleged that *Noticees* Nos. 5 to 9, who were Audit Committee Members, failed to exercise due diligence while approving the misrepresentations in OCAL's financial statements and also while approving the transactions with related parties executed by OCAL, which led to publication of misrepresented/ misstated financial results of the company to all the stakeholders. It has also been alleged that the Audit Committee members failed to discharge their duties as required under sub-regulation (3) of regulation 18 read with sub-clauses (1) and (4) of clause A under Part C of Schedule II of the LODR Regulations read with section 27 of the SEBI Act, 1992.
75. I note that *Noticees* Nos. 5 to 9, in their replies have, *inter alia*, denied all the allegations contained in the SCN and adopted the detailed submission made by *Noticee* No. 1 to the extent that it pertains to their role as a member of Audit Committee. Further, *Noticees* No. 5 to 9, *inter alia*, submitted that as members of Audit Committee, they have ensured full disclosures of the transactions and the financial results and that no fraudulent transactions have been executed. Further, there was no reason to believe that there was any irregularity in a malafide manner.
76. I note that *Noticees* Nos. 5 to 9 were members of the Audit Committee at different point in time during the investigation period when financial statements of OCAL were misrepresented/ misstated. It is on record that they had attended the Audit Committee meetings during the investigation period at different point in time as detailed in Table No. 25.



77. I note that the Audit Committee is a cornerstone of corporate governance under the LODR Regulations and it is responsible to ensures financial transparency, compliance with laws and effective risk management, thereby safeguarding the interest of shareholders.
78. On consideration, I find that the members of the Audit Committee failed to carry out adequate due diligence and exercise independent judgment to ensure that financial statements are free from misrepresentation/ misstatement. Further, due diligence was also not exercised while approving the transactions with related parties executed by OCAL as detailed in this order. Accordingly, I find that *Noticees* Nos. 5 to 9 have not complied with the provisions of sub-regulation (3) of regulation18 read with sub-clauses (1) and (4) of clause A under Part C of Schedule II of the LODR Regulations. However, in view of the facts and circumstances, I am of the view that *Noticees* Nos. 5 to 9, who were neither KMPs, nor looked after day-to-day functions of OCAL, cannot be held liable for the violation of OCAL in terms of section 27 of the SEBI Act, 1992, as alleged in the SCN.
79. In view of the above discussion, I hold that *Noticees* No. 5 to 9 have violated the provisions of sub-regulation (3) of regulation18 read with sub-clauses (1) and (4) of clause A under Part C of Schedule II of the LODR Regulations.

## F. CONCLUSION

80. After discussing the allegations in details, the conclusive findings regarding *Noticees* are summarized below-

**Table No. 26**

Sr. No.	Alleged Violations	Regulatory Provisions	Against Noticee Nos.	Upheld in the order
1.	Misstatements/ misrepresentation in financial (with respect to sales and purchase transactions) - (PFUTP and SEBI Act violations)	Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), (f), (k) & (r) read with 2(1)(b) & (c) of the PFUTP Regulations, Section 12A(a), 12A(b) & 12A(c) of the SEBI Act, 1992	1, 2 and 3	YES [except Regulation 4(2)(e) of the PFUTP Regulations]



Sr. No.	Alleged Violations	Regulatory Provisions	Against Noticee Nos.	Upheld in the order
		read with section 27 of the SEBI Act, 1992		
2.		Regulations 4(2) (f), (k) & (r) read with 2(1)(b)&(c) of the PFUTP Regulations read with section 27 of the SEBI Act, 1992	4	YES
3.	Misstatements/ misrepresentation in financial (with respect to sales and purchase transactions) – Violation of LODR Regulations	Regulations 4(1)(a), (b),(c),(d), (e), (g), (h), (i), (j), 4(2)(e)(i), 33(1)(c), 34(3) read with Part A of Schedule V and 48 of the LODR Regulations read with section 27 of the SEBI Act.	1, 2, 3 and 4	YES
4.	Failure in taking prior approval of Audit Committee for RPTs (sales/ purchase of services) with DSPL and/or DDEPL	Regulations 23(2) of the LODR Regulations	1, 2 and 3	YES
5.	Failure in taking approval of shareholders for RPTs (sales/ purchase of services) with DSPL and/or DDEPL during FY 2019, FY 2020 and FY 2021	Regulations 23(4) of the LODR Regulations	1, 2 and 3	YES
6.	Failure in taking approval of shareholders for RPTs (sales/ purchase of services) with DSPL and/or DDEPL during FY 2022	Regulations 23(4) of the LODR Regulations	1, 2 and 3	NO
7.	Failure in taking prior approval of shareholders for RPTs (sales/ purchase of services) with DDEPL during FY 2023	Regulations 23(4) of the LODR Regulations	1, 2 and 3	NO
8.	Failure in half yearly disclosure of RPTs	Regulation 23(9) of the LODR Regulations.	1, 2 and 3	YES



Sr. No.	Alleged Violations	Regulatory Provisions	Against Noticee Nos.	Upheld in the order
	(sales/ purchase of services) with DSPL and/or DDEPL			
9.	Failure in taking prior approval of Audit Committee for loan taken from FCHL	Regulations 23(2) of the LODR Regulations	1, 2 and 3	YES
10.	Failure in taking approval/prior approval of shareholders for loan taken from FCHL for FY 2022 and FY 2023	Regulations 23(4) of the LODR Regulations	1, 2 and 3	YES
11.	Failure in half yearly disclosure of interest on loans taken from FCHL	Regulation 23(9) of the LODR Regulations.	1, 2 and 3	YES
12.	Failure in taking prior approval of Audit Committee for loan taken from Prabhakara Naig	Regulations 23(2) of the LODR Regulations	1, 2 and 3	YES
13.	Failure in half yearly disclosure of loans taken from Prabhakara Naig	Regulation 23(9) of the LODR Regulations.	1, 2 and 3	YES
14.	Mis-utilization of funds regarding loans given to DSPL	Regulations 3(d) and 4(1) read with regulations 2(1)(b) and (c) of the PFUTP Regulations and section 12A(c) of the SEBI Act, 1992	1, 2 and 3	NO
15.	Failure in taking prior approval of Audit Committee for loan given to DSPL	Regulations 23(2) of the LODR Regulations	1, 2 and 3	YES
16.	Failure in taking approval of shareholders for loan given to DSPL during FY 2020 and FY2021	Regulations 23(4) of the LODR Regulations	1, 2 and 3	YES
17.	Failure in taking approval of shareholders for loan given to DSPL during FY2022	Regulations 23(4) of the LODR Regulations	1, 2 and 3	NO



Sr. No.	Alleged Violations	Regulatory Provisions	Against Noticee Nos.	Upheld in the order
18.	Failure in taking prior approval of shareholders for loan given to DSPL during FY 2023	Regulations 23(4) of the LODR Regulations	1, 2 and 3	YES
19.	Failure in half yearly disclosure of loans given to DSPL	Regulation 23(9) of the LODR Regulations.	1, 2 and 3	YES
20.	Mis-utilization of funds regarding interest free loans given to PFPPL and OSIL	Regulations 3(d) and 4(1) read with regulations 2(1)(b) and (c) of the PFUTP Regulations and section 12A(c) of the SEBI Act, 1992	1, 2 and 3	NO
21.	Failure in half yearly disclosure of Loan given to PFPPL and OSIL	Regulation 23(9) of the LODR Regulations.	1, 2 and 3	YES
22.	Misstatements/ misrepresentation in financial (with respect to non-disclosure of RPTs in Annual Report) - (PFUTP violations)	Regulations 4(2) (f), (k) & (r) read with 2(1)(b) & (c) of the PFUTP Regulations read with section 27 of the SEBI Act, 1992	1, 2, 3 and 4	YES
23.	Misstatements/ misrepresentation in financial (with respect to non-disclosure of RPTs in Annual Report)- (LODR violations)	Regulations 4(1)(a), (b),(c),(d), (e), (g), (h), (i), (j), 4(2)(e)(i), 33(1)(c), 34(3) read with Part A of Schedule V and 48 of the LODR Regulations read with section 27 of the SEBI Act.	1, 2, 3 and 4	YES
24.	Corporate Governance Failures (non-appointment of KMP and delay in disclosure of appointment/ resignation of Directors/ KMPs)	Regulation 4(1)(g) and Regulation 30(2) read with Part A of Schedule III of the LODR Regulations	1, 2 and 3	YES
25.	Responsibility of Board of Directors for misstatement/ misrepresentation of financials	Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2),(6), (7)&(8), 4(2)(f)(iii)(1)(3), (6)&(12) of the LODR Regulations, 2015	2 and 3	YES



Sr. No.	Alleged Violations	Regulatory Provisions	Against Noticee Nos.	Upheld in the order
26.	Responsibility for issuance of CEO-CFO compliance certificate for financials which were misstated/ misrepresented	Regulations 17(8) read with Part B of Schedule II of the LODR Regulations.	2, 3 and 4	YES
27.	Failure of Audit Committee to exercise oversight of financial reporting process	Regulation 18(3) read with clauses A (1), (4) under Part C of Schedule II of the LODR Regulations.	2, 5, 6, 7, 8 and 9	YES

81. I note that in the extant matter, there is no finding/ allegation of diversion of funds in the SCN. Further, I note that SCN does not contemplate disgorgement of any amount. Accordingly, directions and penalty are finalized keeping in mind the same.
82. At this stage, the issue arises for consideration is what directions to be issued and penalties to be levied against the said *Noticees*?
83. I note that the SCN, *inter alia*, called upon *Noticees* Nos. 1, 2 and 3 to show cause as to why suitable directions/ prohibitions under sub-sections (1) and (4) of sections 11 and sub-section (1) of section 11B of the SEBI Act, 1992 including the directions of restraining them from accessing the securities market including buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary or any other directions as deemed fit by SEBI, should not be issued against them.
84. Further, I note that the SCN has contemplated directions against *Noticees* Nos. 1 to 9 under sub-section (4A) of section 11 and sub-section (2) of section 11B read with Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 imposing monetary penalty as stated in sections 15HA and/or 15HB of the SEBI Act, 1992.
85. The relevant provisions are reproduced as under:



## **SEBI Act, 1992**

### *Functions of Board.*

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

.....

- (4) *Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely: —*

- (a) suspend the trading of any security in a recognised stock exchange;*
- (b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;*
- (c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;*
- (d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;*

....

- (4A) *Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.*

### **Power to issue directions and levy penalty.**

- 11B. (1) *Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary, —*

- (i) in the interest of investors, or orderly development of securities market; or*



(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or

(iii) to secure the proper management of any such intermediary or person, it may issue such directions,—

(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

*Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.]*

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

### **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.”*

86. I note that sub-section (1) of section 11 of the SEBI Act, 1992 lays down the duties of SEBI and section 11B of the SEBI Act, 1992 deals with power to issue directions. 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. In the extant matter, penalty under section 15HA of the SEBI Act is attracted for the violations of the PFUTP Regulations committed by *Noticees* 1, 2, 3 and 4. I also note that for the violation of the LODR Regulations, *Noticees* Nos.1 to 9 are liable for imposition of penalty under Section 15HB of the SEBI Act which provides for penalty for failure to comply with any provision of the SEBI Act, the rules or the regulations made or directions issued by SEBI for which no separate penalty has been provided.

87. I note that Section 15J of the SEBI Act provide for factors which are required to be considered for adjudging quantum of penalty. Section 15J of the SEBI Act reads 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.”*



88. I note that the SCN neither indicates the amount of disproportionate gain or unfair advantage made by *Noticees*, as a result of the aforesaid misrepresentations. However, I note that there other violations established against *Noticees* prior to the investigation period, which needs to be considered while imposing penalty. The same are stated below-

88.1. SEBI, vide its order dated August 30, 2013 in respect of the IPO of OCAL, had issued directions in respect of OCAL and Mr. Pandoo Naig, whereby they were, *inter alia*, ordered to bring back the diverted IPO proceeds. Further, the Company and Pandoo Naig were also debarred from the securities market for 3 years. Mr. Prabhakara Naig and Mr. Dhananjay Parikh were restrained from taking up any assignments as directors in any company for a period of one year.

88.2. SEBI, vide order dated December 28, 2011 in respect of IPO of OCAL, had prohibited Gurunath Mudlapur from taking up any new assignment as Merchant Banker or involvement in any new issue of capital including IPO, follow-on issue etc. from the securities market. The said direction was confirmed vide order dated January 16, 2013.

88.3. SEBI, vide its order dated November 28, 2014 had levied a penalty on OCAL (INR 45 Lakh), Pandoo Naig (INR 1.55 Crore) and Prabhakara Naig (INR 1.5 Crore) in respect of diversion of IPO proceeds;

88.4. The proceedings initiated by SEBI against OCAL in its capacity as a stock broker and merchant banker for alleged violations of SEBI (Stock brokers and Sub-brokers) Regulations, 1992 and SEBI (Merchant Bankers) Regulations, 1992 were settled by OCAL vide settlement order dated February 9, 2017.

89. Considering the above, I find that the act of misstatement/ misrepresentation of financial statements and publishing of the same, portrayed an image of the company which was not true/ fair. This led to investors not having timely assessment of financial position of the company. In my opinion, remedial and penal directions are warranted in this case.



## G. DIRECTIONS

90. In view of the foregoing, I in exercise of the powers conferred upon me in terms of sub-sections (1), (4) and (4A) of section 11, sub-sections (1) and (2) section 11B read with section 19 of the SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby issue the following directions:

90.1. *Noticees* Nos. 1, 2 and 3 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 one year, from the date of interim order cum SCN i.e. October 21, 2024.

90.2. *Noticees* Nos. 2 and 3 are restrained from being associated with the securities market, in any manner whatsoever, including as a director or Key Managerial Personnel in any listed company, except OCAL, or an intermediary registered with SEBI or a public company which intends to raise money from public in the securities market, for a period of one year, from the date of interim order cum SCN i.e. October 21, 2024.

90.3. *Noticees* Nos. 1 to 9 are hereby imposed with monetary penalties as specified hereunder:

**Table No. 27**

<b>Noticee No.</b>	<b>Name of Noticee</b>	<b>Provisions under which penalty imposed</b>	<b>Penalty Amount (INR)</b>
1.	Onelife Capital Advisors Limited	Section 15HA of the SEBI Act	INR 15,00,000/- (Rupees Fifteen Lakh)
		Section 15HB of the SEBI Act	INR 10,00,000/- (Rupees Ten Lakh)
2.	Pandoo Naig	Section 15HA of the SEBI Act	INR 15,00,000/- (Rupees Fifteen Lakh)
		Section 15HB of the SEBI Act	INR 10,00,000/- (Rupees Ten Lakh)



<b>Noticee No.</b>	<b>Name of Noticee</b>	<b>Provisions under which penalty imposed</b>	<b>Penalty Amount (INR)</b>
3.	Prabhakara Naig	Section 15HA of the SEBI Act	INR 15,00,000/- (Rupees Fifteen Lakh)
		Section 15HB of the SEBI Act	INR 10,00,000/- (Rupees Ten Lakh)
4.	Manoj Ramgopal Malpani	Section 15HA of the SEBI Act	INR 7,00,000/- (Rupees Seven Lakh)
		Section 15HB of the SEBI Act	INR 3,00,000/- (Rupees Three Lakh)
5.	Ram Narayan Gupta	Section 15HB of the SEBI Act	5,00,000/- (Rupees Five Lakh)
6.	Amol Shivaji Autade	Section 15HB of the SEBI Act	5,00,000/- (Rupees Five Lakh)
7.	Sonam Satish Kumar Jain	Section 15HB of the SEBI Act	5,00,000/- (Rupees Five Lakhs)
8.	Dhananjay Chandrakant Parikh	Section 15HB of the SEBI Act	3,00,000/- (Rupees Three Lakh)
9.	Gurunath Mudlapur	Section 15HB of the SEBI Act	3,00,000/- (Rupees Three Lakh)

90.4. *Noticees* Nos. 1 to 9 shall pay the respective penalty imposed on them within a period of forty-five (45) days from the date of receipt of this Order. In case of failure to do so, simple interest at the rate of 12% per annum shall be applicable from the expiry of the said 45 days till the date of actual payment;

90.5. *Noticees* Nos. 1 to 9 shall pay the monetary penalty by online payment through following path on the SEBI website: [www.sebi.gov.in/ENFORCEMENT](http://www.sebi.gov.in/ENFORCEMENT) → Orders → Orders of Chairman / Members → Click on PAY NOW. In case of any difficulties in payment of penalties, *Noticees* may contact the [supportatportalhelp@sebi.gov.in](mailto:supportatportalhelp@sebi.gov.in).

90.6. *Noticees* Nos. 1 to 9 shall forward details of the online payment made in compliance with the directions contained in this order to the Division Chief, CFID, SEBI, 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](mailto:tad@sebi.gov.in) in the format as given in table below:



Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank Details in which payment is made	
Payment is made for:	Penalty

90.7. This order shall come into force with immediate effect.

90.8. A copy of this order shall be served on all *Noticees*. A copy of this order shall also forwarded to the Stock Exchanges, Depositories and Registrar and Share Transfer Agents to ensure its compliance.

**DATE: March 28, 2025**

**PLACE: MUMBAI**

**KAMLESH C. VARSHNEY**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**



## **Annexure A**

### **Relevant provisions of law**

#### **SEBI Act, 1992:**

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

*12A. No person shall directly or indirectly—*

*(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

*(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*

*(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

#### **Delegation**

*19. The Board may, by general or special order in writing delegate to any member, officer of the Board or any other person subject to such conditions, if any, as may be specified in the order, such of its powers and functions under this Act (except the powers under section 29) as it may deem necessary.*

#### **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.

**SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities) Regulations, 2003**

2. (1) In these regulations, unless the context otherwise requires, —

.....

(b) “dealing in securities” includes:

- (i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act, either by themselves or through mule accounts;
- (ii) such acts which may be knowingly designed to influence the decision of investors in securities; and



- (iii) *any act of providing assistance to carry out the aforementioned acts.*
- (c) *“fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—*
- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
  - (2) a suggestion as to a fact which is not true by one who does not believe it to be true;*
  - (3) an active concealment of a fact by a person having knowledge or belief of the fact;*
  - (4) a promise made without any intention of performing it;*
  - (5) a representation made in a reckless and careless manner whether it be true or false;*
  - (6) any such act or omission as any other law specifically declares to be fraudulent,*
  - (7) deceptive behavior by a person depriving another of informed consent or full participation,*
  - (8) a false statement made without reasonable ground for believing it to be true.*
  - (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*

*And “fraudulent” shall be construed accordingly;*

### **3. Prohibition of certain dealings in securities**

*No person shall directly or indirectly—*

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*



*(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

*(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

#### **4. Prohibition of manipulative, fraudulent and unfair trade practices**

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

*Explanation.— For the removal of doubts, it is clarified that-*

*(i) any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company, or(ii) transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been included in sub-regulation (1).*

.....

The above mentioned provision was substituted vide the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2024 with effect from July 01, 2024. Prior to the substitution, the provision reads as under-

*“Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”*



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

.....

*(e) any act or omission amounting to manipulation of the price of a security including, influencing or manipulating the reference price or bench mark price of any securities;*

The above mentioned provision was substituted with effect from February 01, 2019 by the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018. Prior to the substitution, the provision reads as under-

*“(e) any act or omission amounting to manipulation of the price of a security.”*

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

.....

The above mentioned provision was substituted with effect from February 01, 2019 by the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018. Prior to the substitution, the provision reads as under-

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

*.....”*



The above mentioned provision was substituted with effect from January 21, 2022 by the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2022. Prior to the substitution, the provision reads as under-

*“disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;”*

The above mentioned provision was previously substituted with effect from February 01, 2019 by the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018. Prior to the substitution, the provision reads as under-

*"an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors"*

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

*.....”*

The above mentioned provision was substituted with effect from February 01, 2022 by the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018. Prior to the substitution, the provision reads as under-

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

*.....”*

### **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

#### **Definitions.**

2(1) (zb) “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:



*Provided that:*

*(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or*

*(b) any person or any entity, holding equity shares:*

*(i) of twenty per cent or more; or*

*(ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;*

*shall be deemed to be a related party:]*

*Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);*

*2(1) (zc) "related party transaction" means a transaction involving a transfer of resources, services or obligations between:*

*(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or*

*(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;*

The above mentioned provision was Substituted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, w.e.f. 1.4.2022. Prior to the substitution, clause (zc) reads as under:

*"(zc) related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:*

*Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);"*



### ***Principles governing disclosures and obligations***

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

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

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

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

*(d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.*

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

*.....*

*(g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.*

*(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.*

*(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.*

*(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.*



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

....

**(e) Disclosure and transparency:** *The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:*

*(i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure;*

...

**(f) Responsibilities of the board of directors:** *The board of directors of the listed entity shall have the following responsibilities:*

*(i) Disclosure of information:*

.....

*(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).....*

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

.....

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

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

*(8) Overseeing the process of disclosure and communications.*

.....



*(iii) Other responsibilities:*

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

*.....*

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

*.....*

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

*.....*

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

***Board of Directors.***

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

***Audit Committee.***

*18. (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) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly:*

*Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. ...*



The above mentioned Explanation to provision was substituted with effect from April 01, 2022 by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021. Prior to the substitution, the provision reads as under-

*“Explanation. -A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.”*

*(2) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity:*

*Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.*

.....

The above mentioned provision was substituted vide SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 with effect from April 01, 2022. Prior to the substitution, the provision reads as under-

*“All related party transactions shall require prior approval of the audit committee:  
Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions...*

*.....”*

The above mentioned provision was substituted vide SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021 with effect from January 01, 2022. Prior to the substitution, the provision reads as under-

*“All related party transactions shall require prior approval of the audit committee:*

*.....”*

23. *(4) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:*



.....

The above mentioned provision was substituted vide SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 with effect from April 1, 2022. Prior to the substitution, the provision reads as under-

*“(4) All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:  
.....”*

23. (9) *The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:  
.....*

***Disclosure of events or information.***

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

*(2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events*

***Financial results.***

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

*....*

*(c)The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India:*

*Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.*

***Annual Report***



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

### **Accounting Standards**

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

## **SCHEDULE II: CORPORATE GOVERNANCE**

### **PARTB: 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;*

*.....*

**SCHEDULE V: ANNUAL REPORT**

*The annual report shall contain the following additional disclosures:*

**A. Related Party Disclosure:**



1. The listed entity which has listed its non-convertible securities] shall make disclosures in compliance with the Accounting Standard on “Related Party Disclosures”

2. The disclosure requirements shall be as follows:

Sr. No.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year
1	Holding Company	<ul style="list-style-type: none"><li>• Loans and advances in the nature of loans to subsidiaries by name and amount.</li><li>• Loans and advances in the nature of loans to associates by name and amount.</li><li>• Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.</li></ul>
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

For the purpose of above disclosures directors’ interest shall have the same meaning as given in Section 184 of Companies Act, 2013.

(2A) Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.

3. The above disclosures shall not be applicable to listed banks.