National Stock Exchange of India
Circular

Department: Investigation	
Download Ref No: NSE/INVG/54172	Date: October 21, 2022
Circular Ref. No: 149/2022	

To All NSE Members

Sub: **Order in the matter of Lokmangal Agro Industries Limited**

This is with reference to NSE Circular No. NSE/INVG/32905 dated August 01, 2016, in respect of SEBI Order No. WTM/ SR /SEBI/CFD/ 38 /08/2016 dated August 01, 2016 and NSE Circular No. NSE/INVG/37776 dated May 16, 2018 in respect of SEBI Order No. WTM/GM/EFD/18/2018–19 dated May 16, 2018.

SEBI now vide its Order no. WTM/SM/CFD/CFD-SEC-2/20598/2022-23 dated October 20, 2022, has inter-alia stated that, considering the facts of matter, wherein the Company has been successful in demonstrating the refunds made to the investors, veracity of which has not been disputed and the above claim has been verified by way of the report of an independent auditor and keeping in view the fact that all the investors who were issued shares by it have been duly refunded with their investment amounts along with the statutory interest, it is of the considered view that nothing further survives in the matter and it would be sufficient to meet the ends of justice that the instant proceedings are disposed of without any direction pertaining to further debarment of below entities

Sr. No.	Name of Entity	PAN
1	Lokmangal Agro Industries Limited	AAACL7933N
2	Mr. Mahesh Satishchandra Deshmukh	AGXPD4794K
3	Ms. Smita Subhash Deshmukh	ABGPD4907Q
4	Mr. Vijinath Nagappa Lature	AAIPL4725B
5	Mr. Parag Suresh Patil	AMZPP5693B

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6	Mr. Audumber Sandipan Deshmukh	ABFPD6320A
7	Mr. Shahaji Gulchand Pawar	ANGPP9753N
8	Mr. Gurrana Apparao Teli	AKMPT5879J

This Order shall come into force with immediate effect.

The detailed order is available on SEBI website (http://www.sebi.gov.in).

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page under "Home-Regulation-Members-Action against Members-Regulatory Actions".

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Mr. Rohit Swami (Extension: 23023), Mr. Atish Agarwal (Extension: 26026)
Direct No: 022-26598417/18 Fax: 022-26598195

For and on behalf of

National Stock Exchange of India Limited

Atish Agarwal
Senior Manager

National Stock Exchange of India

ANNEXURE: - Order in the matter of Lokmangal Agro Industries Limited

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(4), 11A AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, IN THE MATTER OF LOKMANGAL AGRO INDUSTRIES LIMITED

	NOTICEES	DIN/CIN	PAN
COMPANY –			
1.	**LOKMANGAL AGRO INDUSTRIES LIMITED**	**U01122PN1998PLC012974**	**AAACL7933N**
DIRECTORS –			
3.	**SMITA SUBHASH DESHMUKH**	**–**	**ABGPD4907Q**
4.	**VAIJNATH NAGAPPA LATURE**	**–**	**AAIPL4725B**
5.	**AUDUMBER SANDIPAN DESHMUKH**	**–**	**ABFPD6320A**
7.	**SHAHAJI GULCHAND PAWAR**	**–**	**ANGPP9753N**
8.	**GURRANA APPARAO TELI**	**–**	**AKMPT5879J**
9.	**MAHESH SATISHCHANDRA DESHMUKH**	**1184179**	**AGXPD4794K**
10.	**PARAG SURESH PATIL**	**2943511**	**AMZPP5693B**

IN COMPLIANCE WITH THE ORDER DATED JUNE 03, 2022 PASSED BY THE HON'BLE SECURITIES APPELLATE TRIBUNAL IN APPEAL NO. 46 OF 2019 AND OTHER CONNECTED APPEALS –

1. The Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") vide its order dated May 16, 2018 (hereinafter referred to as the "**final order**") had *inter alia* issued the following directions against the *Noticees* under Sections 11(4), 11A and 11B of the SEBI Act*:*

i *Lokmangal Agro and its Directors, viz. Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli,* *Mahesh Satishchandra Deshmukh and Parag Suresh Patil, shall forthwith refund the money collected by the Company during their respective period of directorship through the issuance of equity shares with an interest of 15% per annum, from the eighth day of collection of funds, to the investors till the date of actual payment.*

ii *Lokmangal Agro and its Directors, viz. Mahesh Satishchandra Deshmukh and Parag Suresh Patil Manish (who were Directors during the relevant period of fund mobilization and are continuing as Directors of the Company) are permitted to sell the assets of the Company for the sole purpose of making the refund as directed above and deposit the proceeds in an Escrow Account opened with a nationalized Bank. Such proceeds shall be utilized for the sole purpose of making refund/repayment to the investors till the full refund/repayment as directed above is made.*

iii *The refund as directed hereinabove shall be made through banking channels such as demand draft or electronic mode of transfer and shall be supported by proof of trail of funds claimed to be refunded, bank account statements indicating refund to the investors and receipt from the investors acknowledging such refund.*

iv *Lokmangal Agro, Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli, Mahesh Satishchandra Deshmukh and Parag Suresh Patil shall provide a full inventory of all its/their assets and properties and details of all its/their bank accounts, demat accounts and holdings of mutual funds/shares/securities, if held in physical form and demat form.*

v *Lokmangal Agro, Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli, Mahesh Satishchandra Deshmukh and Parag Suresh Patil are prevented from selling its/their assets, properties and holding of mutual funds/shares/securities held by it/them in demat and physical form except for the sole purpose of making the refund as directed above and deposit the proceeds in an Escrow Account opened with a nationalized Bank. Such proceeds shall be utilized for the sole purpose of making refund/repayment to the investors till the full refund/repayment as directed above is made.*

vi *Lokmangal Agro and, on its behalf, Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli, Mahesh Satishchandra Deshmukh and Parag Suresh Patil in their personal capacity to make refund, shall issue public notice, in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of* *contact persons such as names, addresses and contact details, within 15 days of this Order coming into effect.*

vii *After completing the aforesaid repayments, Lokmangal Agro, Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli, Mahesh Satishchandra Deshmukh and Parag Suresh Patil shall file a Report of such completion with SEBI, within a period of three months from the date of this Order, certified by two independent peer reviewed Chartered Accountants who are in the panel of any public authority or public institution. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India.*

viii *In case of failure by Lokmangal Agro, Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli, Mahesh Satishchandra Deshmukh and Parag Suresh Patil to comply with the aforesaid applicable directions, SEBI, on the expiry of three months period from the date of this Order, may:*

a. *Recover such amounts, from the Company and the Directors liable to refund as specified at paragraph 4.1(i) of this Order, in accordance with Section 28A of the SEBI Act including such other provisions contained in securities laws.*

b. *Initiate appropriate action against the Company and the aforementioned Directors, including adjudication proceedings against them, in accordance with law.*

c. *Make a reference to the State Government/Local Police to register a civil/ criminal case against the Company, its promoters, directors and its managers/persons in-charge of the business and its schemes, for offences of fraud; cheating; criminal breach of trust and misappropriation of public funds.*

ix *Lokmangal Agro, Smita Subhash Deshmukh, Vaijnath Nagappa Lature, Audumber Sandipan Deshmukh, Shahaji Gulchand Pawar, Gurrana Apparao Teli, Mahesh Satishchandra Deshmukh and Parag Suresh Patil shall, with immediate effect, be restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities market, directly or indirectly, till the directions for refund/repayment to investors [as directed at paragraph 4.1(i)] are complied with to the satisfaction of SEBI and the Report is submitted to SEBI and for a further period of* **four years** *from the date of completion of such refund/repayment to investors. (underline supplied)*

2. The final order of SEBI was challenged before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as the "**Hon'ble SAT**") in Appeal no. 46 of 2019, *Lokmangal Agro Industries Limited Vs. SEBI* and other connected appeals. The Hon'ble SAT having heard the parties, has vide a common order dated June 03, 2022, disposed of the said appeals by observing *inter alia* as:

2. During the pendency of the appeal, the appellants have alleged that they have refunded a sum of Rs. 182 crores with interest to 4746 shareholders. <u>This has been certified by two independent peer chartered accountants as per the directions given in paragraph 4.1(vii) of the impugned order</u>.
3. It was thus contended that the compliance of the impugned order has been made and, therefore, the embargo which the respondent had placed debarring the appellants for a period of four years from the date of completion of such repayment to the investors should be set aside.
4. The aforesaid contention raised by the appellant is disputed by the respondent contending that the appellants have not been able to justify the trail of funds claimed to be refunded through bank accounts or banking channel as the case may be. It was contended that these refunds made by the appellants needs to be verified through a proper chartered accountant.
5. Considering the aforesaid, we dispose of the appeals with a direction that the <u>respondent will appoint a chartered accountant within two weeks from today who will verify the refunds made by the appellants</u>. The appellant will furnish the requisite details, documents etc. The chartered accountant will submit a report to the respondent within six weeks thereafter. Upon receipt of the report, the <u>WTM will pass a fresh order within four weeks with regard to the restraint, etc</u>., modifying/confirming the order that had earlier been passed upon the appellants.
6. Vide order of this Tribunal dated 20.05.2019 we had directed the appellants to deposit a sum of Rs.30 crores which was to be kept in an ESCROW account with the respondent. This amount has already been deposited which is earning interest. Considering the fact that the appellants have contended that they have refunded a sum of Rs. 182 crores to the shareholders we direct the respondent to release a sum of Rs. 30 crores to the appellants within two weeks from today. The interest accrued on Rs. 30 crores <u>shall remain with the respondent and would be subject to the order of the WTM.</u> The fee to be given to the chartered accountant will be borne by the appellants. (underline supplied)

3. Accordingly, in compliance of the directions of the Hon'ble SAT as recorded in para 5 of its order dated June 03, 2022, SEBI, vide its letter dated June 21, 2022, appointed Rajvanshi & Associates, Chartered Accountants (hereinafter referred to as "**R&A**"). The said letter *inter alia* laid down the scope of work as: "*The scope of work of the CA would, inter*

alia, include verification of refunds made by the appellants through banking channels such as demand draft or electronic mode of transfer (refer Para 4.1 of the SEBI Order dated May 16, 2018 mentioned in the Para 1 of the attached SAT order), for the money raised by the appellants during October 26, 2009 to December 13, 2011." The aforesaid letter has further stipulated that in terms of the directions passed by the Hon'ble SAT, the final report needs to be submitted to SEBI within six weeks from the date of appointment.

4. It is noted from the records of the present matter that vide its email dated September 24, 2022, R&A, has submitted its report dated September 14, 2022 to SEBI. Before I refer to the report submitted by R&A in detail, I may briefly note from the said report that R&A had vide its letter dated June 22, 2022, sought certain information from Lokmangal Agro Industries Limited (hereinafter referred to as "***Company/***Lokmangal Agro"). As only partial information was submitted by the *Company,* vide its communication dated August 03, 2022, extension of time was sought by R&A from SEBI for submission of its report. Accordingly, vide email dated August 17, 2022, R&A was given an extension by SEBI for 6 weeks commencing from August 02, 2022 to complete the exercise assigned to them.

5. After perusing the material available on record, more particularly, the order of the Hon'ble SAT and the report filed by R&A, I observe that the limited mandate for me in the present proceeding is to consider the report filed by R&A so as to decide whether the final order of SEBI deserves any modification/confirmation, in terms of the directions issued by the Hon'ble SAT.

6. A careful perusal of the report submitted by R&A indicates that the said Chartered Accountant firm has undertaken a detailed examination of the claim of the refunds made by the Directors of the *Company* viz., Mr. Mahesh Satishchandra Deshmukh and Mr. Parag Suresh Patil. The *Company* on records, had claimed that refunds to the tune of INR 182.38

Crore to 4647 investors had already been made during the period of July, 2018 to February, 2022. The said facts have also been recorded in the order of the Hon'ble SAT dated June 03, 2022. It is further noticed that to substantiate its claim of having made the refunds, the *Company* had furnished various documents to R&A viz; a Master list containing details of such 4746 beneficiaries, date and mode of issuance of payment, type of instrument used to make payment, bank account statement, copy of receipts, KYC records, copies of account payee DDs/cheques etc. In order to verify the said claim of the *Company*, the report claims to have taken a time tested, collaborative and result oriented, phase wise approach to arrive at a fair assessment of the claim made on behalf of the *Company.* Apart from verifying the details captured in the documentary evidences, the report of R&A has also stated to have conducted physical/telephonic verification with the investors on sample basis and have also physically visited the branches of the banks through which the payments have been made to the investors. Having gone through the record, I find it pertinent to highlight the findings of the said report which are relevant for the purpose of the present proceedings, as follows:

i. The report records that all the payments have been made through the mode of Demand Drafts/Cheques and the amounts of such DDs/Cheques have been deduced from the bank account of the drawer.

ii. In order to proceed with the payer/drawee side of verification, officials of R&A have visited the branches of UCO Bank and Kotak Mahindra Bank at Solapur so as to seek certain information and clarifications, such as the list of cheques/DDs issued from the said banks which have been presented for payment; mode of payment and details of payments; whether DDs have been encashed etc.

iii. Additionally, the officials of the relevant banks were also contacted and provided with the list of beneficiaries, in order to obtain confirmation if such beneficiaries are the recipients of the payments.

iv. The breakup of the aforesaid claim of refunds of INR 182.38 Crore having been made to 4746 investors is tabulated herein below:

Table no. 1

Name of the Bank	Name of the account holder	Instrument issued	Number of payees	Amount disbursed for payment
Kotak Mahindra Bank, Solapur	Mahesh Satishchandra Deshmukh	Demand Drafts/Cheques	4162	165.44
UCO Bank, Solapur	Parag Suresh Patil	Cheques	206	01.04
UCO Bank, Solapur	Mahesh Satishchandra Deshmukh	Cheques	378	15.90
		Total	4746	182.38

v. The report also records that the team of R&A visited the Kotak Mahindra Bank, Solapur and requested the bank officials to provide certain information, like details of cheques/DDs issued, details of beneficiaries etc. The Bank though initially refused to share the details or to communicate with R&A directly, citing legal restrictions, however, subsequently the required information was sought from the management of the *Company*, which were in turn shared by the *Company* with R&A. R&A upon receipt of the said information, visited Kotak Bank and sought verification of the details so shared by the Bank with the *Company*, which were found to be genuine and authentic information.

vi. Both the banks have confirmed that the payments have been made through account transfers through clearing, however, owing to certain technical/systemic reasons, the banks have expressed their inability to provide the beneficiary KYC & account details in which such DDs/Cheques have been credited.

vii. It has been confirmed by both the banks that no cash has been paid/withdrawn from their bank branches against the DDs/Cheques issued. Additionally, Kotak Mahindra Bank has confirmed that no amount has been transferred to any other account of the investor held with the said bank.

viii. As a part of the verification process, by a letter addressed by Kotak Mahindra Bank to the management of the *Company* (and contents confirmed by the bank to R&A), a total of 4162 beneficiary shareholders have been paid out of the bank account of Mahesh Satish Deshmukh, during the period of November 11, 2019 to February 15, 2022. As per the information given by the bank, all such DDs have been paid and mode of clearing was shown as "Account transfer through clearing". The bank has also confirmed that cash has not been paid against the DDs, and the bank does not have details of the beneficiary account details or KYC of the payees.

ix. R&A has also obtained the payment status on the Finacle software of Kotak Mahindra Bank and confirmed that names of the payee are not available in the said software. Therefore, R&A had to resort to engage in direct communication with the beneficiaries selected on sample basis, seeking confirmation of the payments.

x. Similarly, UCO Bank was also approached by R&A and after multiple follow ups, UCO Bank furnished details containing a list of 206 beneficiaries who were paid from the bank of Mr. Parag Suresh Patil and 378 beneficiaries who were paid from the bank account of Mr. Mahesh Satish Deshmukh. UCO Bank has also refused to provide the details of the bank name of the beneficiaries, bank account details, contact details and KYC details of the beneficiaries due to the systemic issues. However, it has been confirmed by the UCO Bank that all the 584 beneficiaries (206+387) have been paid through account transfers through clearing system. It has also been confirmed that no cash withdrawal took place against any of such cheques.

xi. The summary of information provided by both the banks is tabulated herein below:

Table no. 2

Bank where account is maintained	Name of the account holder/Payee	Instrument issued	Number of payees	Amount of cheques/DDs (INR in Crore)	Do the cheques/DD appear to be paid by account clearing (Outflow of funds from bank accounts) as per letter given by the Bank
Kotak Mahindra Bank, Solapur	Mahesh Satish Deshmukh	Demand Drafts/Cheques	4162	165.44	Yes (As per details received in the letter from the bank)
UCO Bank, Solapur	Parag Suresh Patil	Cheques	206	1.04	Yes (As per details received in the letter from the bank)
UCO Bank, Solapur	Mahesh Satish Deshmukh	Cheques	378	15.90	Yes (As per details received in the letter

					from the bank)
		Total	4746	182.38	

xii. The *Company* has also provided copies of the cheques and DDs issued towards refunds to the investors. On a sample review and verification, the same were observed to be in reconciliation with the responses and information furnished by the two banks.

xiii. Further, as the exercise was a time bound exercise, a sample of 1500 investors out of 4746 investors were initially taken up for KYC verification and physical review. However, due to constraining factors like remote location of investors and mandate of completing the task in a time bound manner, the sample size was reduced to 236 beneficiaries.

xiv. Out of the 236 investors, a total of 136 investors could be physically verified at their respective addresses, and out of those, as many as 73 investors provided the copy of their bank account statements maintained with various banks. All the 136 individuals have confirmed having received the refunds of their respective investments. Further, out of the rest of the 100 investors (236-136), 6 investors refused to meet the officials of R&A and the rest 94 met the R &A officials at premises of the *Company* and confirmed having received the refunds from the *Company*.

xv. Signatures of the investors were obtained on the questionnaire/interview forms. Further, copies of KYC documents of the investors like Aadhar card etc., were also obtained.

xvi. There is minor discrepancy found in payment (.00873% short) of the amounts on behalf of the *Company,* which the report has attributed to difference of 1 day in calculation and issuance of the instrument. For example, interest till the period of 16th

August has been considered and the cheque issued was dated 17th August that has led to such a small and insignificant difference.

7. To sum up the observations made by the CAs in the report filed by R&A in compliance with the directions of the Hon'ble SAT, it is observed that the report has not found any infirmity in the claim earlier made on behalf of the *Company* that all the investors who were issued equity shares in violation of the extant provisions of the public issue norms, have been refunded with their respective investment amounts along with interest. Though the report also refers to some minor differences running in the range of INR 1 to INR 82, while reconciling/matching the figures, the same has been attributed to the calculation of interest upto one date and issuance of instruments on the next date. However, such amounts being insignificant are not of material consideration for the present proceedings.

8. I also observe that the officials of R&A have conducted an elaborate exercise wherein they have not only visited the banks from which the payments have been made, but have also on a sample basis, confirmed the receipts of funds from the bank account statements produced by the investors and have also visited some of the investors physically to check the veracity of the claims of the *Company*. Based on such a detailed exercise, R&A has been able to arrive at the present report which does not reflect any kind of pending payments, which are yet to be made to the investors.

9. It is also of pertinence to mention here that out of 4746 investors, none of the investors has so far complained to SEBI (for not receiving the refunds), which also corroborates the claim made on behalf of the *Company* which has been now endorsed by the Chartered Accountants appointed in compliance of the directions passed by the Hon'ble SAT. Under the circumstances, based on the records of the present matter, I see no reason to record contrary to the claim of the *Company* of having refunded to the investors their respective

refundable amounts that has now got substantiated through the report of auditor. Therefore, in the absence of any material contradicting the above claim, I find no ground to reject the claim of the *Noticees* of having refunded the investors with their amount along with the interest.

10. At this stage, it is also relevant to state that in the final order, the present *Noticees* were debarred for a period of 4 years from the date of completion of refunds made to the investors. As per the report of R&A, the last payments of INR 2.20 Crore have been made to the investors on behalf of the *Company* during February, 2022. It is also noted from the details of repayment available on record that more than 50% of the refunds were made on behalf of the *Company* by December 2019 itself (INR 6.98 Crore in July, 2018 and INR 84.85 Crore during 2019). Further, for making the payments, interest at the rate of 15% have been paid till the date of such respective refunds. Lastly, the *Noticees* have been put under restraint vide the *interim order* dated August 01, 2016 and are found to have undergone debarment from accessing the securities market by virtue of the above *interim order* passed in the present matter for around 3 years.

11. Thus, considering the facts of matter, wherein the *Company* has been successful in demonstrating the refunds made to the investors, veracity of which has not been disputed and the above claim has been verified by way of the report of an independent auditor and keeping in view the fact that all the investors who were issued shares by it have been duly refunded with their investment amounts along with the statutory interest, I am of the considered view that nothing further survives in the matter and it would be sufficient to meet the ends of justice that the instant proceedings are disposed of without any direction pertaining to further debarment of *Noticees*.

12. It is further observed that vide order dated May 20, 2019, the Hon'ble SAT had directed the *Noticees* to deposit an amount of INR 30 Crore with SEBI to be kept in an escrow account. Further, vide its order dated June 03, 2022, the said amount has been directed to be refunded to the *Noticees* and SEBI has been directed to retain the interest amount subject to the outcome of the present proceedings. As it has been observed that the *Company* has been successful in demonstrating the refunds made by it to the investors, under the circumstances, there is no reason to continue to hold the interest amount lying deposited in the above account. Accordingly, I hereby direct that the total interest so earned in the above account as lying with SEBI, shall be refunded to the respective parties.

13. The present proceedings are therefore disposed of with the above directions.

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

15. A copy of this Order shall be forwarded to the *Noticees* and the Stock Exchanges and Depositories for their information and necessary compliance.

-Sd-

PLACE: MUMBAI **S. K. MOHANTY**

DATE: OCTOBER 20th , 2022 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA