

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/56904	Date: May 31, 2023
Circular Ref. No: 139/2023	

To All NSE Members

Sub: SEBI Order in the matter of M/s.Five Core Electronics Ltd.

SEBI vide its Order no. WTM/AB/CFID/CFID_3/26905/2023-24 dated May 31, 2023, has hereby restrained M/s. Five Core Electronics Limited (PAN: AAACF6709Q) restrained from accessing the securities market and are 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 five (5) years from the date of coming into force of this order, subject to any further orders of Hon'ble NCLT under the IBC proceedings.

Further, following entities are restrained from accessing the securities market and are 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 five (5) years from the date of coming into force of this order.

Sr. No.	Name of the Entity	PAN
1	Mr. Amarjit Singh Kalra	AKWPK0803H
2	Mrs. Surinder Kaur Kalra	AFMPK2461E
3	Ms. Jagjit Kaur Kalra	ANTPK4395G
4	M/s. Amarjit Singh Kalra HUF	AAHHA8772Q
5	Mr. Surinder Singh Kalra	AFYPK7984E
6	M/s. Surinder Singh Kalra HUF	AAQHS3875P

SEBI vide above order has directed that above entities, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized Stock Exchange (s), as existing on the date of this

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Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

This Order shall come into force with immediate effect.

The detailed order is available on SEBI website ([Securities and Exchange Board of India \(sebi.gov.in\)](http://sebi.gov.in))

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page at the below mentioned link:

<https://www.nseindia.com/regulations/member-sebi-debarred-entities>

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

In case of any further queries, members are requested to email us at dl-invsg-all@nse.co.in

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

ANNEXURE: - SEBI Order in the matter of M/s. Five Core Electronics Ltd.

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTIONS 11(1), 11(4), AND 11B (1) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

In respect of:

Noticee no.	Noticee Name	PAN
1.	M/s. Five Core Electronics Limited	AAACF6709Q
2.	Mr. Amarjit Singh Kalra	AKWPK0803H
3.	Mrs. Surinder Kaur Kalra	AFMPK2461E
4.	Ms. Jagjit Kaur Kalra	ANTPK4395G
5.	M/s. Amarjit Singh Kalra HUF	AAHHA8772Q
6.	Mr. Surinder Singh Kalra	AFYPK7984E
7.	M/s. Surinder Singh Kalra HUF	AAQHS3875P

(The aforesaid entities are hereinafter referred to by their respective names or noticee number and collectively as “the Noticees”.)

In the matter of Five Core Electronics Limited.

- SEBI had passed an *ex-parte* interim order dated July 23, 2020 (hereinafter referred to as “**the interim order**”) against Five Core Electronics Ltd. (hereinafter referred to as “**the Company**”) and its promoters and directors (other than independent directors). The interim order issued following *ad interim* directions against the Noticees:

“(a) The Noticee nos. 1 to 7 are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, till further orders.

(b) The Noticee nos. 1 to 7 are restrained from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary, till further orders.

(c) The Noticee nos. 1 to 7, are restrained from disposing, selling or alienating, in any other manner, their assets or divert funds, till further orders.

(d) NSE shall appoint an independent Auditor/ Audit Firm for conducting a detailed forensic audit of the books of accounts of the company to confirm mis-utilization of IPO proceeds by the company. Such appointment of forensic auditor shall be done within 30 days of this order.

(e) The Noticee nos. 1 to 7 shall extend necessary co-operation to the independent Auditor/ Audit Firms appointed as per this Order and shall furnish all information/documents sought from them from time to time.

(f) The independent Auditor/ Audit Firm so appointed as per this Order shall submit a Report to SEBI through NSE within 3 months of date of its appointment.”

2. In the interim order, Noticees were provided time of 21 days to file their reply, however, no reply came to be filed by any of the Noticees. Subsequently, directions given in the interim order were confirmed vide confirmatory order dated July 08, 2021, against all the Noticees. However, the interim directions that were confirmed *qua* Noticee no. 1 were made subject to any order to be passed by Hon'ble NCLT, since, Noticee no. 1 was undergoing Corporate Insolvency Resolution Process under Insolvency and Bankruptcy Code, 2016.
3. In terms of the directions given in the interim order, NSE appointed BDO India LLP as a forensic auditor for conducting a detailed forensic audit of the books of accounts of Noticee No. 1. NSE, vide email dated January 25, 2021 submitted a final report of the forensic auditor, the findings of which required detailed investigation by SEBI. After completion of investigation by SEBI, a show cause notice dated August 12, 2022 (hereinafter referred to as “**the SCN**”), came to be issued to all the Noticees.
4. The SCN's were sent at the last known address of the Noticee no. 2 to 7 in Mumbai, and at the alst known address of Noticee no. 1 in Delhi. However, all the Speed Post parcels returned undelivered. Subsequently, service of SCN was also attempted by Affixture/ hand delivery, but the same was also unsuccessful. Ultimately, the SCN's was served through paper publication. For Noticee no. 1 the paper publication was done in Delhi edition of the Times of India and Navbharat

Times, and for Noticee no. 2 to 7, the paper publication was done in the Mumbai edition of the Times of India, Navbharat Times and Maharashtra Times. The copy of the unserved SCN's to the Noticees were also published on the SEBI website under the following path Enforcement>Unserved Summons/ Notices. The fact that the SCN's were available for access on the SEBI website was also mentioned in the advertisement of paper publication. I note that no replies were received from any of the Noticees. Subsequently, an opportunity of personal hearing was granted to all the Noticees on January 11, 2023. The Hearing Notice dated November 30, 2022, returned undelivered from Speed Post at the last known address of the Noticees in Delhi. Delivery of Hearing Notice to Noticee no. 1 and Noticee no. 4 was successful at the email address available on record. Ultimately, the Hearing Notice to all the Noticees were served through paper publication in the Delhi Edition of the Times of India and Navbharat Times. The copy of the unserved Hearing Notice to the Noticees were also published on the SEBI website under the following path Enforcement>Unserved Summons/ Notices. The fact that the Hearing Notice were available for access on the SEBI website was also mentioned in the advertisement of paper publication. I note that no one turned up for the personal hearing that was scheduled on January 11, 2023.

5. I shall now proceed to examine the veracity of the allegations made in the SCN on the basis of material available on record and note my findings thereon.

Allegation 1: Mis-utilization of IPO proceeds with intent to defraud the investors:

5.1. With regards to the aforesaid allegation, SCN states the following:

Noticee No. 1 raised an amount of ₹46.67 Cr through IPO and as per forensic audit report, the utilization of the IPO proceeds is as under:

Object to the issue	Amount (in ₹ Crores)	Utilisation (in ₹ Crores)	Utilisation as per Forensic Audit	
			Payment to	Amount (in ₹ Crores)
Meeting the working capital requirement of the company and its subsidiary	33.20	42.08	Domestic Vendors	22.42

General Corporate Purposes	5.60		Related parties	13.41
			Import vendors	3.67
			Salary Payment	0.78
Repayment of unsecured loans of promoters / directors	3.20		Income Tax	0.52
			Self-Withdrawal	0.24
			*Others	1.04
Issue expenses	4.67	4.59	Lead Manager	
Total	46.67	46.67	-	

*Utilization for an amount of ₹45.80 Cr was identified in forensic audit. The remaining amount of ₹0.87 Cr is included under the heading 'others' above.

- i. In terms of LODR Regulations, Noticee No. 1 made a corporate disclosure on October 30, 2018, confirming that there was no deviation from the objects of the issue under the signature of Noticee no. 2. However, no itemized details of utilization were provided in this regard.
- ii. With respect to the utilization of IPO proceeds, the forensic auditor identified that majority of the funds were utilized by Noticee No. 1 for the payments to (i) Lead Manager (ii) Domestic Vendors (iii) Related Parties (iv) Import Vendors which were analyzed as under:
 - A. Payment to the Lead Manager: During the forensic audit, it has been observed that an amount of ₹4.59 Cr was transferred by Noticee No. 1 to the lead manager of the issue i.e. Sarathi Capital Advisors Private Limited. The payment to the lead manager is a part of issue expenses and within the disclosed limit of ₹4.67 Cr in the Objects of the Issue.
 - B. Payments to domestic vendors:
 - I. Based on the vendor documentation received from Directorate of Revenue Intelligence and transfers from Noticee No. 1 bank account, the forensic auditor has observed that payment of ₹22.42 Cr was made to domestic vendors. Of these, based on the information on public domain like trade websites, GST details on invoices, following were observed:
 - Major payments of Noticee No. 1 were made to 26 domestic vendors for payment of ₹15.73 Cr (70% of ₹22.42 Crores) in the range of ₹1.78 Crores to ₹0.20 per vendor.
 - Based on profile mismatch, turnover mismatch & GST cancellation records, there is a potential mis-utilization for an amount of ₹3.39 Crores in case of six vendors namely Balaji Sales Corporation, Reliable Technologies, Bansal Steels, S Enterprises, Shreeji Enterprises and Ensons Trading LLP.
 - II. In this regard, based on the transactions in Noticee No. 1 bank account held with Andhra Bank, SEBI obtained bank details of top 5 counter party and six vendors with potential mis-

utilization as identified in forensic audit report (total 10 entities – one common entity). The counter party banks were requested to provide the KYC of respective counter party account holder. Of 10 entities, received KYC of eight entities to whom the letters were sent seeking details of transactions w.r.t. payments received from Noticee No. 1 and details of any connection with seven entities against whom interim order was passed. Of the eight entities, five entities confirmed that funds received from Noticee No. 1 were against the purchases made by Noticee No. 1 from them and also submitted that they have, except business relationship, no relationship with the seven entities against whom interim directions were passed. Of the five entities, four entities submitted copies of the invoices and e-way bills. One entity, Reliable Technologies, submitted that its documents were seized by Director General of GST Intelligence Chandigarh on September 11, 2019. Letters sent to the two entities returned undelivered. No reply was received from one entity. The entity wise details are as under:

(amount in ₹ Crores)

S. No.	Target Party Name	Line of Business	Payment from IPO funds	Remarks
1	Sanmukhi International	Not Known	1.78	Letter Returned undelivered
2	Reliable Sales	Electronics	1.50	Entity Replied with Documents
3	Balaji Sales Corporation	Electronics	1.44	Entity Replied with Documents. Also submitted a copy of police complaint filed against Noticee no. 2, Mr. Surinder Kalra and Mr. Jagjit Kalra for non-payment for purchases made by them through various companies.
4	S N Impex	Not Known	1.00	Letter Returned undelivered
5	Radius Industries	Electronics	0.90	Entity Replied with Documents
6	Reliable Technologies	Information Technology	0.55	Entity Replied without Documents
7	Bansal Steels	Metal Sheets/Wires	0.54	Entity Replied with Documents
8	S S Enterprises	Not Known	0.43	Target Bank submitted that Bank Account No. submitted by Source Bank is not correct
9	Shreeji Enterprises	Plastics Materials	0.23	No reply received form the entity
10	Ensons Trading LLP	General Wholesale	0.20	Target Bank submitted that Bank Account No. submitted by Source Bank is not correct

Total	8.57	-
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The information submitted by the said five entities is analyzed as under:

(amount in ₹ Crores)

Name	Products as per Invoices	Invoices submitted by Vendors			Invoices Post Listing i.e. May 31, 2018			
		Date of Invoices	No. of Invoices	Amount	Date of Invoices	No. of Invoices	Amount	Payment from IPO Proceeds
Radius Industries	Electronic Components	31/07/2017 – 07/03/2019	64	6.47	07/06/2018-07/03/2019	42	3.98	0.90
Balaji Sales Corporation	Electronic Components & Cables	06/10/2017 – 28/02/2019	55	5.78	28/05/2018-28/02/2019	26	2.99	1.44
Bansal Steels	Steel Sheets (GP & CR)	16/05/2018-09/06/2018	9	0.7	16/05/2018-09/06/2018	9	0.7	0.54
Reliable Sales	LED TV Panel, AV Card for DTH	26/08/2017 – 19/12/2019	36	6.03	28/06/2018-26/02/2019	29	4.15	1.50
Reliable Technologies	-	16/05/2018-14/09/2018	7	0.57	24/05/2018-14/09/2018	5	0.41	0.55
Total			171	19.55	-	111	12.23	4.93

III. From the above tables, it is observed that the four vendors namely Bansal Steels (₹0.54 Crores), Shreeji Enterprises (₹0.23 Crores), Ensons Trading LLP (₹0.20 Crores) and Reliable Sales (₹0.41 Crores) totaling to ₹1.38 Crores to which Noticee No. 1 made payments were not in the same line of business of Noticee No. 1. Noticee No. 1, in its object of the issue stated that IPO funds will be used for the working capital of the company whereas the funds paid to the said four entities do not appear as working capital expenditure.

C. Payment to Related Parties:

- I. During the forensic audit, it has been observed that an amount of ₹10 Crores was transferred by Noticee No. 1 to its subsidiary (5core Acoustics Pvt. Ltd) and ₹3.25 Crores to its

promoters namely Noticee no. 2 (₹1.35 Crores) and Noticee no. 4 (₹1.90 Crores). As per the prospectus, Noticee No. 1 disclosed that an amount of ₹10 Crores will be utilized towards the working capital requirement of the Company and its Subsidiary. Further, it is also disclosed that Noticee No. 1 availed long term loans from lenders including promoters and directors to the extent of ₹3.19 Crores (as on April 12, 2018) for which IPO proceeds will be utilized for repayment.

- II. Noticee No. 1 transferred ₹10 Crores to its subsidiary i.e., 5 core Acoustics Pvt. Ltd ('5Core') during May 22-24, 2018. From the MCA filings, it is noticed that Noticee No. 1 held 99.99% of the holdings of its subsidiary. Noticee no. 2, Noticee no. 4 and Noticee no. 6 are the directors of the subsidiary. As per MCA filings, 5core is non-compliant with filings. The last filing of 5core was form MGT-7 (Annual Return) on November 30, 2018. No filings thereafter were noticed. The 5core received funds from Noticee No. 1 to this bank account number 5427000600001301 held with Karnataka Bank. SEBI sent email dated December 22, 2021 to Karnataka Bank requesting the status of the said account. Karnataka Bank, vide email dated December 22, 2021, submitted that the said account is active but last transaction was made on March 26, 2019. Karnataka Bank also submitted that balance in 5Core account is overdue for ₹3.09 Crores and suit was filed after classifying the account as NPA.
- III. In this regard, it is pertinent to note that Noticee no. 2, Noticee no. 4 and Noticee no. 6, the only directors of 5Core are not available or traceable from February 27, 2019. 5Core have no other director.
- IV. Noticee No. 1, in its objects of the issue stated that it will utilize IPO funds towards the working capital of company/subsidiaries. However, post transfer of the funds by Noticee No. 1 to 5Core, it stopped operations. The promoters/ non-independent directors of Noticee No. 1 i.e., Noticee no. 2, Noticee no. 4 and Noticee no. 6 are the only directors of 5Core who managed its operations.
- V. In absence of the directors from February 27, 2019 and no transactions in the bank account from March 26, 2019, it appears that 5Core stopped its functioning within a year from the receipt of the funds from Noticee No. 1.
- VI. With regard to the utilization of IPO funds for the repayment of unsecured loans of promoters/directors, Noticee No. 1 has transferred ₹0.05 Crores (Amount Transferred i.e., 3.25 Crores – Amount disclosed at Objects of the Issue i.e., 3.20 Crores) in excess of the amount disclosed in Objects of the issue.

D. Payment to Import Vendors:

- I. During the forensic audit, based on the invoices and bill of entries submitted by Andhra Bank, it has been observed that Noticee No. 1 made a payment of ₹3.66 Crores to three overseas entities. The information available in public domain on the said three entities is as under:

Amount in ₹ Crores

Name	Amount	Address	Line of Business
CQA Electronics Technology Hk Co Ltd	1.80	Flat Rm3 27/F Ho King Comm Centre No 2-16 Fa Yun Street Mongkok KI Hong Kong	Company incorporated in April 2018. Line of Business is not known
MSS International (Hk) Ltd	1.05	Rm M 1/f Mau Lam Coml Bldg 16 - 18 Mau Lam St Jordan Hong Kong	The wholesale distribution of electrical appliances, television and radio sets
Shengzhou City Esound Electronics Co Ltd	0.81	Yinzhou Zone Ningbo City China	PA Systems, Audio Speakers etc.
Total	3.66	-	-

- II. As books of accounts of Noticee No. 1 is not available due to the closure of the company and with the limited information available on the aforesaid three entities, the veracity of Noticee No. 1 purchases could not be confirmed.

iii. Conclusion on mis-utilization of IPO funds:

- A. Noticee No. 1 and its promoters/ non-independent directors namely Noticee no. 2, Noticee no. 3, Noticee no. 4 and promoters viz. Noticee no. 5, Noticee no. 6 and Noticee no. 7 raised ₹46.67 Crores from IPO in May 2018. Noticee No. 1 utilized the IPO proceeds for payments to Lead Manager for issue expenses (₹4.59 Crores), Payment to Domestic Vendors for purchase of goods (₹22.42 Crores), Payment to Promoters & Subsidiary (₹13.41 Crores), Payments for importing goods (₹3.67 Crores) and other expenses.
- B. Further, Noticee no. 2 to 7 (Mr. Amarjit Singh Kalra, Mrs. Surinder Kaur Kalra, Mrs. Jagjit Kaur Kalra, M/s Amarjit Singh Kalra HUF, Mr. Surinder Singh Kalra and M/s Surinder Singh Kalra HUF) raised ₹143.08 Crores from Banks/Financial institutions. Noticee no. 2 manufactured goods with the raised funds and exported goods to his connected entities. Just one week prior to the Department of Revenue Intelligence search on Noticee No. 1, Noticee no. 2 to 7 become not available or non-traceable from February 2019, with in period of eight months, without any intimation/ information to the independent directors/ shareholders of Noticee No. 1.

- C. During the NSE visit to Noticee No. 1, it was observed that Registered Office and Factory of Noticee No. 1 are closed. At present, Noticee No. 1 is in Corporate Insolvency Resolution Process (CIRP) before NCLT. Further, from the Forensic Auditor's observations and a copy of the FIR filed by Union Bank of India (UBI) with CBI, it was observed that Promoters/ Non-independent directors of Noticee No. 1 obtained loans from Andhra Bank (merged with UBI) by discounting export bills and defrauded for an amount of ₹51.92 Crores.
- D. Forensic Auditor, based on the public domain information, also noticed that promoters/ non-independent directors of the Noticee No. 1 and their relatives incorporated companies in USA and were involved in trading of products similar to Noticee No. 1 products such as Woofers, Speakers, Public Address Systems etc., through e-commerce websites such as Walmart, Sears, Kmart. From the bill discounting documents submitted by Andhra Bank, it is observed that FCEL had exported goods to five entities. Of these, on examination, it is noticed that three entities are connected to FCEL. Details of the said 3 entities are as under:

S. No.	Name of the Entity	*FBP / FBD o/s as on March 31, 2020	Packing Credit o/s as on March 31, 2020	Basis of Connection
1	Singapore Trade Links Pte. Ltd. (Overseas customer)	13.51	0.00	As per prospectus of FCEL, South Asia Exim Pte. Ltd., Singapore is a wholly owned subsidiary of FCEL having registered address at 10, Jalan Besar, #02-20, Sim Lim Tower, Singapore 208787. Singapore Tradelinks Pte. Ltd. and South Asia Exim Pte. Ltd share Common address (10, Jalan Besar, 02-20, Sim Lim Tower, Singapore 208787).
2	South Asia Electronics Pte. Ltd. (Overseas Customer)	8.10	0.00	As per Credit Report of South Asia Electronics Pte. Ltd. submitted by Andhra Bank, Mr. Gurpreet Singh (Manager in Kushi Overseas FZE) is the MD of South Asia Electronics Pte. Ltd. Gurpreet Kaur is the general manager. Gurpreet Singh is the 100% owner of South Asia Electronics Pte. Ltd. As per trade website 'bizlok.in', 'Gurpreet Singh' is one of the contact person of FCEL along with Mr. Amarjit Singh Kalra.
3	Kushi Overseas FZE (Overseas Customer)	7.51	0.00	As per Credit Report submitted by Andhra Bank, Arvinder Singh is the 100% owner and CEO of Kushi Overseas FZE. Gurpreet Singh is the

				Manager, Raheem Khalid is the General manager and Rajesh Singh is the Executive. As per trade website 'bizlok.in', 'Gurpreet Singh' is one of the contact person of FCEL along with Mr. Amarjit Singh Kalra.
	Total	29.12	0.00	-
*Foreign Bill Purchase (FBP) /Foreign Bill Discounting (FBD)				

E. From the foregoing discussions, it may be concluded that Noticee No. 1 and its promoters/ non-independent directors raised ₹46.67 Crores in IPO with an intent to defraud the investors of IPO and become non-available or non-traceable thereafter.

F. The findings that Noticee No. 1 made payments to its subsidiary 5 Core, which itself shut its operations, and to various vendors who had a different line of business corroborates the mis-utilization. Even though Noticee No. 1 made payments to various entities from IPO proceeds, the investors did not realize any benefit as the promoters/non-independent directors were untraceable and the company stopped its operations and did not publish its Annual Report. The fact that the promoter-directors abandoned the company and also their fiduciary duty towards the shareholders and other stakeholders after raising money through IPO from the investors is a mis-utilization of the entire IPO proceeds and an act of fraud on the investor. Hence, the corporate disclosure made by Noticee No. 1 on October 30, 2018 stating that there was no deviation in the utilization of IPO proceeds from the objects of the issue can also be construed as false and misleading.

5.2. From the aforesaid allegations and on perusal of the material available on record, I find that Noticee no. 1 made payments to certain domestic vendors which SEBI's investigation has revealed, were engaged in absolutely unconnected line of business, thus, exhibiting mis-utilization of IPO proceeds. The four vendors, namely, Bansal Steels (₹0.54 Crores), Shreeji Enterprises (₹0.23 Crores), Ensons Trading LLP (₹0.20 Crores) and Reliable Sales (₹0.41 Crores) to which Noticee No. 1 made payments were not in the same line of business of Noticee No. 1. Noticee No. 1, in its object of the issue stated that IPO funds will be used for the working capital of the Company whereas the funds paid to the said four entities do not appear as working capital expenditure.

5.3. Further, Noticee No. 1, in its objects of the issue stated that it will utilize IPO funds towards the working capital of company or its subsidiaries. However, post transfer of Rs.10 Crores by Noticee No. 1 to its wholly owned subsidiary - 5 Core Acoustics Pvt. Ltd., the subsidiary company stopped its operations. Thus, the funds transferred to the subsidiary appears to have been mis-utilized. The promoters/ non-independent directors of Noticee No. 1 i.e., Noticee no. 2, Noticee no. 4 and Noticee no. 6 are the only directors of 5 Core Acoustics Pvt. Ltd. who managed its operations.

5.4. With regard to the utilization of IPO funds for the repayment of unsecured loans of promoters/ directors, I find that Noticee No. 1 has transferred ₹0.05 Crores (Amount Transferred i.e., 3.25 Crores – Amount disclosed at Objects of the Issue i.e., 3.20 Crores) in excess of the amount disclosed in Objects of the issue, for this purpose.

5.5. I note that no material has been brought on record to indicate that the Company has taken approval from its shareholders in a general meeting by way of special resolution, authorizing the Company to make changes in the objects of the issue of the prospectus in terms of Section 27(1) of the Companies Act, 2013. Thus, from the discussion at para 5.2, 5.3 and 5.4, I find that the proceeds of IPO have been utilized not in line with the objects of the IPO disclosed in the Prospectus. Further, the corporate disclosure made by Noticee No. 1 to the stock exchange on October 30, 2018 stating that there was no deviation in the utilization of IPO proceeds from the objects of the issue can also be construed as not correct.

5.6. I note that Noticee no. 3 is the promoter cum non-executive director of the Company and Noticee no. 4 is the non-executive director and member of promoter group of the Company. Noticee no. 2 is the promoter and Managing Director of the Company. Noticee no. 5, 6 and 7 are members of the promoter group (as disclosed in the Prospectus) of the Company and are holding 1.04%, 10.88% and 1.30% shares of total outstanding shares of Noticee no. 1,

respectively. Noticee no. 5 is an HUF wherein Noticee no. 2 is Karta, who is Managing Director of Noticee no. 1. Noticee no. 6 is the father of Noticee no. 2 and director of its wholly owned subsidiary – 5 Core Acoustics Pvt. Ltd. Noticee no. 7 is an HUF wherein Noticee no. 6 is Karta. I note that it is a matter of record that Noticee no. 2 to 7 have abandoned the Company and become non-traceable. From the facts and circumstances of the present case, I also note that the Noticees were part of the scheme of mis-utilization of IPO proceeds of the Company from the beginning, wherein the promoters came out with an IPO promising to deploy the funds of the Company for certain pre-determined objects, however, soon after the receipt of funds, the Noticees pursued their sinister plan to mis-utilize the funds for different purposes such as transfer to subsidiary and subsequent closure of its operations, transfer to unrelated entities not in the same line of business, etc. and ultimately abandon the Company and become untraceable. Thus, I find that the Noticees had intention to defraud the investors of IPO from the beginning itself. Therefore, I find that Noticee nos. 1 to 7 have violated Regulation 3(b), 3(c), 4(2)(f), 4(2)(k) read with Regulation 4(1) of SEBI (PFUTP) Regulations, 2003.

Allegation 2: Mismatches in balances of financial statements

5.7. With regards to the aforesaid allegation, SCN states the following:

The Noticee No. 1's drawing power statement dated September 30, 2018 from Andhra Bank was compared with its disclosed financial statements as on September 30, 2018 and noticed that inventory was overstated, debtors and creditors were shown short. The details of the same is as under:

(Amount in Crores)

Particulars	Drawing Statement	Financials	Excess/(Short)
Debtors	60.46	33.30	(27.16)
Inventory	2.29	40.88	6.04
Creditors	3.27	2.72	(0.57)

5.8. From the above, I find that Noticee No. 1 has misstated the financial statements for the half year ended September 30, 2018 which does not give a true and fair view to its investor. Noticee no. 1 has understated the Debtors and Creditors and overstated the inventory as on September 30, 2018. The non-independent directors of Noticee no. 1, namely, Noticee no. 2, Noticee no. 3, Noticee no. 4 knowingly published and disseminated financial results with mis-statements. The said financial results were disclosed on NSE website on November 13, 2018. From the price volume of the Noticee No. 1, it is noticed that the price of the scrip increased from ₹110.05 (close price) as on November 12, 2018 to ₹117.00 (close price) as on November 14, 2018 i.e., 6.32% increase in close price as on November 12, 2018. In view of the above, I find that false disclosure of Noticee No. 1's financial statements had resulted into increase of price in the scrip of the Company by 6.32%. which has led to violation of Regulation 3(d), 4(1) and 4(2)(f) of SEBI (PFUTP) Regulations, 2003 by Noticee no. 1, 2, 3 and 4.

Allegation 3: Violations of SEBI (LODR) Regulations, 2015.

5.9. With regards to the aforesaid allegation, SCN states the following:

- i. The interim order in the instant matter, has alleged violations of various provisions of LODR Regulations by Noticee No. 1 such as failure to disclose the resignation of independent directors/ KMP, financial results, reasons for delay to disclose financial results, investor grievance report & shareholding pattern. The details of the same is as under:

Event	Observations	Relevant provisions	Provisions of SEBI LODR Regulations violated
1. Non-disclosure about Resignation of Mr. Amitabh Singh, Chief Financial Officer (w.e.f. 20.03.2019)	Disclosed on NSE on April 27, 2019 with delay of 37 days	In terms of SEBI LODR Regulations, the change in KMP, Auditor and Compliance Office is to be disclosed within 24 hours.	Clause A(7) of Schedule III read with Reg. 30(6)
2. Non-disclosure about Resignation of Mr. Saurabh Kumar Jain, Company	Disclosed on NSE on April 27, 2019	The disclosure was delayed by 37 days	

Secretary & Compliance officer (w.e.f. 26.03.2019)	with delay of 31 days	and 31 days with regard to the resignation of CFO & CS respectively.	
3. Non-disclosure about Resignation of Mr. Aditya Agarwal, (Independent Director)	No Disclosure was observed	No disclosures with regard to Independent directors were made.	
4. Non-disclosure about Resignation of Mr. Neeraj Sharma, (Independent Director)	No Disclosure was observed		
5. Non-disclosure of Financial Results and Annual Reports	Last financial disclosure was made on 12.02.2019 for quarter ended December 31, 2018. No disclosures thereafter were observed. Noticee No. 1 disclosed Annual Report for FY 2017-18 and no disclosure of Annual Report was made thereafter.	In terms of SEBI LODR Regulations, Noticee No. 1, SME listed company, shall disclose half year and yearly results. However, Noticee No. 1 failed to disclose results for FY 2018-19, 2019-20, 2020-21 and half year ended September 2019 & September 2020 & September 2021.	Reg. 33(3) read with 33(5), 34
6. No corporate announcement for delay in disclosure of financial results		In terms of SEBI Circular No. CIR/CFD/CMD-1 /142/2018 dated November 19, 2018, Noticee No. 1 shall make a corporate announcement with detailed reasons wherever there is a delay in disclosure of financial results.	Circular No. CIR/CFD/CMD-1 /142/2018 dated November 19, 2018
7. Non-disclosure of Investor Grievance Report	No disclosures were available on NSE website.	In terms of SEBI LODR Regulations, Noticee No. 1 shall file a statement on investor grievances on quarterly basis. As per NSE website, Noticee No. 1 made no such filings.	Reg. 13(3)
8. Non-disclosure of Shareholding Pattern	Latest shareholding pattern was made on NSE for the half year ended March 31, 2020.	In terms of SEBI LODR Regulations, Noticee No. 1, SME listed company, shall disclose shareholding pattern for each half year within 21 days. Noticee No. 1 failed to make disclosure for half year ended September 2021.	Reg. 31(1)

9. Noticee No. 1 failed to appoint Compliance Officer	Post-resignation of Saurabh Kumar Jain, no disclosures regarding appointment of new Compliance Officer was observed	Failure to appoint Compliance Officer	Reg. 6
10. Non- Maintenance of functional website	Noticee No. 1 prospectus stated the company website as 'www.5core.com'. However, the said website is not functional.	Failure to maintain functional website	Reg. 46

- ii. For the aforesaid non-compliance of LODR Regulations, Noticee No. 1 is also alleged to be in violation of Regulation 4(1)(a), (d), (e), (g), (h) & (j), 4(2)(e), Clause A(7) of Schedule III read with Regulation 30(6); Regulations 6, 10, 13(3), 30, 31(1), 33(3) read with 33(5), 34, 46 of LODR Regulations and SEBI Circular No. CIR/CFD/CMD-1 /142/2018 dated November 19, 2018.
- iii. Promoters/ non-independent directors of Noticee No. 1 namely Noticee no. 2, Noticee no. 3 and Noticee no. 4 failed to conduct themselves to meet operational transparency to stakeholders, monitor and oversee the disclosures. Thus, they have violated Regulation 4(2)(f) of SEBI LODR Regulations.

5.10. From the above, it is clear that Noticee no. 1 has failed to comply with many disclosure obligations under SEBI (LODR) Regulations, 2015. In some instances, they have been disclosed, but with delay, while in other instances, they have not been disclosed at all. I also note that Noticee no. 1 has failed to appoint a Compliance Officer after the resignation of Mr. Saurabh Kumar, and also failed to maintain a functional website. In view of the above, I find that Noticee no. 1 is in violation of Clause A(7) of Schedule III read with Regulation 30(6), Regulations 6, 10, 13(3), 30, 31(1), 33(3) read with Regulation 33(5), 34 and 46 of SEBI (LODR) Regulations, 2015 and provisions of SEBI Circular No. CIR/CFD/CMD-1 /142/2018 dated November 19, 2018. I note that by failing to ensure the timely and adequate disclosure of information/ reports to all stakeholders, Noticee no. 2, 3 and 4 have violated the mandate of Regulation 4(2)(f)(i)(2) of SEBI (LODR) Regulations, 2015.

6. As discussed in Para 5.6, 5.8 and 5.10, Noticee nos. 1 to 7 have been found to have violated the provisions of Regulations 3(b), 3(c), 4(2)(f), 4(2)(k) read with Regulation 4(1) of SEBI (PFUTP) Regulations, 2003 and Noticee no. 1 has been found to have violated Clause A(7) of Schedule III read with Regulation 30(6), Regulations 6, 10, 13(3), 30, 31(1), 33(3) read with Regulation 33(5), 34 and 46 of SEBI (LODR) Regulations, 2015 and provisions of SEBI Circular No. CIR/CFD/CMD-1 /142/2018 dated November 19, 2018. Noticee no. 2, 3 and 4 have been found to have violated Regulation 4(2)(f)(i)(2) of SEBI (LODR) Regulations, 2015. I find that, for the aforesaid violations by Noticee nos. 1 to 7, appropriate directions under Section 11B(1) and 11(4) of SEBI Act, 1992, needs to be issued.
7. From the Confirmatory Order dated July 8, 2021, it is learnt that there is a proceeding under Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as “**IBC**”) against Noticee no. 1 before the Hon’ble NCLT, New Delhi Bench (Court II), wherein an order dated January 23, 2020 [IB-1671(ND)2019] has been passed declaring a moratorium in terms of Section 14 of the IBC. From the website of Hon’ble NCLT, the status of the aforesaid IBC proceedings was perused. It is learnt that no resolution plan under Section 31(1) of IBC has yet been approved by the Hon’ble NCLT nor any order for liquidation of Noticee no. 1 under Section 33 of IBC has been passed by the Hon’ble NCLT. Thus, I note that the CIRP of Noticee no. 1 is still in progress and consequently, the moratorium under Section 14 of IBC is still in force. In view of the forgoing, the directions issued hereunder *qua* Noticee no. 1 have been made subject to any directions that may be issued by Hon’ble NCLT.
8. In view of the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(4) and 11B(1) of the SEBI Act, 1992, hereby issue the following directions in supersession of the directions issued by the interim order dated July 23, 2020 and confirmatory order dated July 8, 2021:

- 8.1. The Noticee no. 1 is restrained from accessing the securities market and are 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 **five (5) years** from the date of coming into force of this order, subject to any further orders of Hon'ble NCLT under the IBC proceedings.
- 8.2. The Noticee nos. 2, 3, 4, 5, 6 and 7 are restrained from accessing the securities market and are 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 **five (5) years** from the date of coming into force of this order.
9. The obligation of the aforesaid debarred Noticees, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/ prohibition imposed by this Order only, in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees debarred in the present Order, in the F & O segment of the stock exchanges, are permitted to be squared off, irrespective of the restraint /prohibition imposed by this Order.
10. The Order shall come into force with the immediate effect.
11. A copy of this Order shall be forwarded to all the Noticees, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

Sd/-

Date: May 31, 2023

Place: Mumbai

ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA