



SALASAR EXTERIORS AND CONTOUR LIMITED

CIN:L45309MH2018PLC306212

✉ Info@seacl.in

Date: 09/11/2024

To,

National Stock Exchange of India Limited
Exchange Plaza Block G, C 1, Bandra Kurla Complex,
G Block BKC, Bandra Kurla Complex, Bandra East,
Mumbai, Maharashtra 400051.

Symbol: SECL

Dear Sir(s),

Sub: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations")

Pursuant to Regulation 30 read with Para A of Schedule III of the Listing Regulations, we wish to inform you that SEBI has issued an adjudication order dated October 31, 2024 ("Order") in relation to Salasar Exteriors and Contour Limited ("Company") and Mr. Shree Kishan Joshi & Mr. Videh Shree Kishan Joshi ("Director")

The Order, has directed the Company and director's to pay monetary penalty. Further the Company and director's is committed to cooperate with SEBI.

The required disclosure pursuant to Regulation 30 read with Schedule III of the Listing Regulations is enclosed and marked as Annexure A hereto.

We request you to kindly take the aforesaid disclosure on your record.

Thanking You,
Yours Faithfully,
For Salasar Exteriors and Contour Limited

Videh Shrikishan Joshi
Director
DIN: 05168539

**Office No. 802, 8th Floor, B Wing, Kanakia Wall Street, Andheri Kurla Road, Chakala,
Andheri East, Mumbai, Chakala MIDC, Mumbai - 400093, Maharashtra, India.**

☎ 022-67083366



Annexure A

Detailed disclosure under Regulation 30 read with Schedule III of the Listing Regulations.

Sr. No.	Particulars	Remarks														
1.	Name of the Authority	SEBI														
2.	Nature and details of the action(s) taken, initiated or order(s) passed	SEBI has passed an Adjudication Order in the matter of Salasar Exteriors and Contour Limited dated October 31, 2024 (“Order”) whereby, SEBI impose a monetary penalty on the Noticees as given below: <table><tr><th>Noticee No.</th><th>Noticee Name</th><th>Penal Provision</th><th>Penalty Amount</th></tr><tr><td>1</td><td>Salasar Exteriors and Contour Limited</td><td rowspan="3">Section 15HB of SEBI Act</td><td>Rs. 5,00,000/- (Rupees Five Lakhs)</td></tr><tr><td>2</td><td>Mr. Shree Kishan Joshi</td><td>Rs. 3,00,000/- (Rupees Three Lakhs)</td></tr><tr><td>3</td><td>Mr. Videh Shree Kishan Joshi</td><td>Rs. 3,00,000/- (Rupees Three Lakhs)</td></tr></table>	Noticee No.	Noticee Name	Penal Provision	Penalty Amount	1	Salasar Exteriors and Contour Limited	Section 15HB of SEBI Act	Rs. 5,00,000/- (Rupees Five Lakhs)	2	Mr. Shree Kishan Joshi	Rs. 3,00,000/- (Rupees Three Lakhs)	3	Mr. Videh Shree Kishan Joshi	Rs. 3,00,000/- (Rupees Three Lakhs)
Noticee No.	Noticee Name	Penal Provision	Penalty Amount													
1	Salasar Exteriors and Contour Limited	Section 15HB of SEBI Act	Rs. 5,00,000/- (Rupees Five Lakhs)													
2	Mr. Shree Kishan Joshi		Rs. 3,00,000/- (Rupees Three Lakhs)													
3	Mr. Videh Shree Kishan Joshi		Rs. 3,00,000/- (Rupees Three Lakhs)													
3.	Date of receipt of direction or order, including any ad interim or interim orders, or any other communication from the authority	Adjudication Order dated October 31, 2024														
4.	Details of the violation(s)/contravention(s) committed or alleged to be committed	As highlighted in the enclosed Order														
5.	Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible	The quantifiable financial impact on the Company cannot be ascertained at this point in time.														

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/NH/YK/2024-25/30951-30953]**

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Noticee No.	Noticee Name	PAN
1	Salasar Exteriors and Contour Limited	AAZCS9601D
2	Mr. Shree Kishan Joshi	AABPJ7710M
3	Mr. Videh Shree Kishan Joshi	AGTPD8391E

In the matter of Salasar Exteriors and Contour Limited

A. BACKGROUND

1. Salasar Exteriors and Contours Limited (hereinafter referred to as “**company**”/“**Salasar**”/“**Noticee 1**”) is listed on the SME platform of National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”). Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) received an examination report from NSE vide email dated July 05, 2023, against Salasar. The NSE had, *inter alia*, observed irregularities in the financial statements of Salasar for the Financial Years (FYs) 2019-20, 2020-21, and 2021-22 in the examination report submitted to SEBI. Thereafter, SEBI conducted an investigation into the matter. The period of investigation was FYs 2019-20, 2020-21, and 2021-22 (hereinafter referred to as “**investigation period**”/“**IP**”).
2. Pursuant to the investigation, it is alleged that Salasar had failed to prepare and publish its financial statements as per the Generally Accepted Accounting Principles in India and the Accounting Standards (AS), which led to misrepresentation and misstatement in its financial statements for the FYs 2019-20, 2020-21, and 2021-22. Therefore, it was alleged that Noticee 1 had violated the provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the Securities and Exchange Board

of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “**LODR Regulations**”).

3. It is further alleged that Mr. Shree Kishan Joshi (hereinafter referred to as “**Noticee 2**”) being Managing Director (MD) of the company and Mr. Videh Shree Kishan Joshi (hereinafter referred to as “**Noticee 3**”) being Executive Director (ED) and Chief Financial Officer (CFO) of the company, respectively, were responsible for the day-to-day affairs of the company. By virtue of their position on the company’s board, they were responsible for the acts, omissions and conduct of the company. Hence, misrepresentation and misstatement in the company’s financial statements are attributable to the Noticees 2 and 3. Therefore, it was alleged that the Noticees 2 and 3 had violated the provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations read with Section 27 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7), and 4(2)(f)(iii)(12) of the LODR Regulations. It was further alleged that the Noticee 3 had furnished false certification to the Board of Directors stating that the financial statements present a true and fair view. Therefore, it was alleged that the Noticee 3 had violated the provisions of Regulation 17(8) of the LODR Regulations, also.

B. APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI had appointed the undersigned as the Adjudicating Officer (hereinafter referred to as “**AO**”) in the matter vide communique dated February 20, 2024 under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”), to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act for the aforementioned violations of the provisions of law alleged to have been committed by the Noticee.

C. SHOW CAUSE NOTICE, REPLY, AND HEARING

5. Show Cause Notice ref no. SEBI/EAD-2/NH/YK/10727/2024 dated March 15, 2024 (hereinafter referred to as '**SCN/Notice**') was served upon the Noticees in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticees and why penalty, if any, not be imposed on it in terms of the provisions of Section 15HB of the SEBI Act for the violations alleged to have been committed by the Noticee.

6. The SCN dated March 15, 2024, *inter alia*, alleged the following:

“

6.1. Utilization of IPO Proceeds of Rs. 849.60 Lakhs in FY 2019-20:

- *It was observed that the company came out with a public issue in September, 2019, and the objects of the issue as disclosed in its prospectus were as below:*

Table 1

SN	Particulars	Amount (Rs. in Lakhs)
<i>1</i>	<i>To Meet Working Capital Requirement</i>	<i>629.60</i>
<i>2</i>	<i>Public Issue Expenses</i>	<i>50.00</i>
<i>3</i>	<i>General Corporate Expenses</i>	<i>170.00</i>
	Gross Issue Proceeds	849.60

- *In this regard, it was observed that the company vide letter dated November 25, 2023, inter alia, submitted that the IPO proceeds have been utilized as per the objects of the issue mentioned in the prospectus at the time of public issue. Further, the company has submitted object wise & entities wise break up of utilization of IPO proceeds along with the CA certificate for utilization of IPO proceeds. Regarding the General Corporate Expenses of Rs. 170 Lakhs, it was observed that company has submitted that the entire amount has been transferred on September 12, 2019 to R K Manufacturing Co. Ltd. (hereinafter referred to as “**R.K. Manu**”) as an advance.*
- *However, it was observed that for the financial year ended March 31, 2020, R.K. Manu was shown under sundry creditors with an amount of Rs. 170 Lakhs in the*

books of account of Salasar. In this regard, the company vide letter dated January 01, 2024, inter alia, submitted that “we have made the payment to R K Manufacturing Co Ltd as per the MOU entered with them. However, due to lack of finance, we could not provide further funding and hence, the amount is shown as advance. Due to Covid and lack of staff, it is wrongly grouped under Sundry Creditors head. We assure that in the financial year ended 31-03-2024, it will be grouped correctly in the financial statements”.

- It was further observed that CFO of the company i.e. Noticee 3 in his deposition dated December 13, 2023 submitted that “There was a deal with R K Manufacturing Co Ltd to develop bungalows in Gujarat on partnership basis. Our company’s Statutory Auditor-Mr. Shashank Doshi had introduced with the representatives of the company R K Manufacturing. Accordingly, the entire amount of GCP i.e. Rs 1.70 crore was given to R K Manufacturing Co Ltd. But later on, there have been disputes within R K Manufacturing Co Ltd. We are in constant touch with the company to recover the monies. In this regard, my father, the MD of the company will be able to explain in a better way. The copy of agreement with R K Manufacturing Co Ltd will be submitted by December 15, 2023.”*
- From the Memorandum of Understanding (MOU) dated August 01, 2019 between the company and R.K. Manu, it was, inter alia, observed that the company entered into an agreement with R.K. Manu to develop a tourism project to the tune of capex of Rs. 50 crores at a Bird Century in Jamnagar and accordingly, the company had to pay to R.K. Manu an amount of Rs. 170 Lakhs as a “token” and the balance amount of Rs. 80 Lakhs in one year of MOU for 25% stake in said project. However, the company has submitted that they have paid the amount of Rs. 170 Lakhs to R.K. Manu as per the MOU entered with them and due to lack of finance, further funding could not be provided.*
- In view of the above, it is alleged that by showing the said advance amount of Rs. 170 Lakhs under Sundry Creditors, the financial statements of the Noticee 1 are not showing correct financial position of the company during the IP.*

- *It was further observed that the company had not made the provision for long outstanding debts to R.K. Manu, which was given on September 17, 2019. In this regard, the company vide letter dated December 25, 2023, inter alia, submitted that they are in continuous touch with the R.K. Manu and renegotiating the deal and because of certainty about the completion of projects and/or recovery of the amount, the provision was not made for the amount.*
- *In this regard, it was observed that the company had given the said advance to R. K. Manu in the FY 2019-20 and the company failed to pay the balance amount in terms of MOU. Further, as submitted by the company that because of the disputes within the R.K. Manu, the amount is yet to be recovered. It was further observed that the project has not been executed and further, the company also failed to honour the MOU by not paying the balance amount. Hence, it is alleged that the company should have made provision of the said advance as the amount is outstanding since FY 2019-20 i.e. more than four years and the said amount is yet to be recovered by the company.*
- *In view of the above, it is alleged that the Noticee 1 has misrepresented and misreported its books of accounts by showing the “advances to R.K. Manu” (as mentioned in IPO proceeds utilization details submitted the company) under Sundry creditors head and by failing to make provision for long outstanding doubtful debts/advance as required under Accounting Standard (AS) - 4.*

6.2. Advances to Suppliers:

- *It was observed from the financial statements of the company that advances to suppliers amounting Rs. 976.28 Lakhs as on March 31, 2020, became Nil as on March 31, 2021.*
- *In this regard, company vide letter dated November 25, 2023 and e-mail dated December 01, 2023, inter alia, submitted as under:*

"It is submitted that there was opening advance to suppliers as on 01-04-2020 of Rs.976.28 lakhs. During the year we have made purchases/expenses and also the payments are made during the year to suppliers. It is submitted that few suppliers have been write off during the year and remaining balance under the head of advances has been transferred to respective suppliers under the head 'Sundry Creditors'." The company has furnished the advances to supplier ledger in this regard.

- From the advance to suppliers ledger as submitted by the company, it was observed that the company has transferred advances amounting to Rs. 622.22 Lakhs to Sundry Creditors (Trade Payables) Accounts, written off advances amounting to Rs. 7.30 Lakhs and made purchases/expenses amounting to Rs. 368 Lakhs during the FY 2020-21.*
- Regarding the transfer of advances amounting Rs. 622.22 Lakhs to Sundry Creditors accounts, the company vide letter dated January 01, 2024, inter alia, submitted that ".... due to covid and lack of staff, advances to suppliers wrongly grouped under the Sundry Creditors of Rs. 6,22,21,925/-.... We assure that in the financial year ended 31-03-2024, it will be grouped correctly in the financial statements."*
- In this regard, Noticee 2 (MD of the company) and Noticee 3 (ED and CFO of the company) during their deposition dated December 14, 2023 and December 13, 2023 respectively, failed to explain the accounting of the said advances. However, the Noticee 3 in his deposition dated December 13, 2023, inter alia, submitted that "Yes, I accept the accounting error done in the financials of the company but I would like to submit that this has happened because of lack of staff during the corona pandemic. We have discussed the same with the Auditor and the misstatement/ misrepresentation of books of account will be rectified in coming financial year".*

- *In this regard, it was further observed that the Statutory Auditor of the company – Mr. Shashank Doshi during his deposition on December 13, 2023, inter alia, submitted that “It was an error in classification of loans & advances to sundry creditor. In this current FY 2023-24, we will rectify the same.”*
- *In view of the above, it is alleged that the Noticee 1 has grossly misrepresented its financials during the IP by showing the advances to suppliers under sundry creditors in its books of accounts.*

6.3. Outstanding Loans and Advances:

- *It was observed that as on March 31, 2022, the company had trade receivables of Rs. 1,736.77 Lakhs. It was further observed that trade receivables amounting Rs. 1,736.77 includes advances to 11 entities amounting Rs. 1,163.24 Lakhs which were not actually trade receivables but advances given by the proprietorship firm “Salasar Exterior” to 11 entities which was taken over by the company in terms of business succession agreement dated July 12, 2018.*
- *In this regard, the company vide letter dated January 03, 2024 had inter alia submitted that, “it has been wrongly grouped under Advances, we will regroup the same in appropriate accounting head in our financials for the year ended 31-03-2024.” Further, Noticee 2 (MD of the company) in his deposition dated January 23, 2024 submitted that “I admit that there is mistake in accounting treatments but I assure that the same will be rectified in the current FY 2023-24”.*
- *In view of the above, it is alleged that the company has done gross negligence in the accounting treatment of advances.*
- *It was further observed that the said advances were outstanding for more than four years. However, the company had not made any provision for those advances in its books of accounts as per Accounting Standard (AS) – 4. Therefore, it is alleged that Noticee 1 failed to comply with Accounting Standard (AS) – 4 by not making*

provision of the long outstanding advances which led to misrepresentation of the books of accounts of the company.

6.4. Violations alleged against Noticee 1:

- From the aforesaid at paras 5.1 to 5.3, it is alleged that Noticee 1 failed to prepare and publish its financial statements as per the Generally Accepted Accounting Principles in India and the Accounting Standards which led to misrepresentation and misstatement in its financial statements for the IP. Therefore, it is alleged that Noticee 1 had violated the provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR regulations.

6.5. Violations alleged against Noticees 2 and 3:

- It was observed that Noticee 2 (being MD of the company) and Noticee 3 (being ED & CFO of the company) are on the company's Board of Directors. Noticee 2 and 3 were signatories of the company's financial statements for FYs 2019-20, 2020-21 and 2021-22. It was further observed that Noticee 3 was also a member of Audit Committee, Stakeholder's Relationship Committee and Nomination & Remuneration Committee. Noticees 2 and 3 were Key Managerial Personnel ("KMP") of the company as per the provisions of Companies Act, 2013. During the IP, details of the Board of Directors meetings attended by the company's MD and ED & CFO i.e. Noticees 2 and 3 are as under (Source - Annual Report of the company):

Table 2

Name of Director/ CFO	2019-20	2020-21	2021-22
	Number of Board meetings held		
	6	5	5
	Number of Board meetings attended		
Shree Kishan Joshi, MD	6	5	5
Videh Shree Kishan Joshi, Promoter, Executive Director & CFO	6	5	5

- *It is alleged that the violations committed by the company are attributable to the MD and ED & CFO of the company i.e. Noticees 2 and 3 who were responsible for the day-to-day affairs of the company during the IP. It was their responsibility to ensure that the company's financial statements present true and fair picture of the company's state of financial affairs. However, it is alleged that they failed to perform their duties and obligations which resulted in publication of misrepresented and misstated financial statements of Salasar. It is further alleged that Noticees 2 and 3 by virtue of holding such directorships, are responsible for the acts, omissions and conduct of the company and failed to meet the expectations of operational transparency to stakeholders, monitor the effectiveness of the company's governance practices, ensure the integrity of the company's accounting and financial reporting systems, act on a fully informed basis, in good faith, with due diligence and care, in the best interest of the company and the stakeholders, maintain high ethical standards and to take into account the interest of stakeholders, exercise objective independent judgement on company's affairs and commit themselves effectively to their responsibilities. Therefore, it is alleged that Noticees 2 and 3 have violated the provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of LODR Regulations read with Section 27 of SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6) 4(2)(f)(ii)(7), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7) and 4(2)(f)(iii)(12) of LODR Regulations.*
- *It was observed that Noticee 3 was CFO of the company throughout the IP. In this regard, it was observed that Noticee 3 signed the Compliance certificate as required under Regulation 17(8) of the LODR Regulations. Vide the said certificate, he, inter alia, certified that "the financial statements and other financial information included in this report present a true and fair view of the company's affairs for the period presented in this report and are in compliance with the existing accounting standards, applicable laws and regulations". Therefore, it is alleged that Noticee 3 has violated the provisions of Regulation 17(8) of LODR Regulations."*

7. The SCN, along with annexures, was served upon the Noticees in the following manner, as mentioned below:

Table 3

Sr. No.	Mode of Delivery of SCN	Addresses/ E-mail IDs¹	Remarks
1.	Through E-mail	<u>sal.....@gmail.com;</u> <u>in.....@exterior.com;</u>	Delivered on March 15, 2024.
2.	Through Speed Post with Acknowledgment Due	Noticee 1	
		A-922/923..... Mumbai – 400 063.	Returned undelivered with the remark, “Item returned addressee Left without instructions”.
		802..... Mumbai – 400 093.	Delivered on March 18, 2024, as per the consignment tracking on India Post.
		Noticees 2 and 3	
		A-903/04..... Mumbai – 400 097.	Delivered on March 18, 2024, as per the consignment tracking on India Post.

8. The Noticees, vide e-mail dated March 27, 2024, requested an additional 15 days to submit their replies to the SCN. In the interest of natural justice, the request of the Noticees to grant additional time to submit their replies to the SCN was considered, and vide e-mail dated April 01, 2024, the Noticees were advised to submit their replies to the SCN, if any, at the latest by April 15, 2024. Vide e-mail dated April 17, 2024, the Noticees have submitted their common reply in response to the SCN, which is discussed in the subsequent paragraphs under different headings for ease of

¹ E-mail ID and address excised for the sake of confidentiality.

discussion. The Noticees further informed the undersigned that they have filed a settlement application under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”).

9. In the interest of natural justice, vide hearing notice dated July 26, 2024, an opportunity of personal hearing was granted to the Noticees on August 06, 2024. On the scheduled date of the personal hearing, i.e., August 06, 2024, the Noticees appeared through their Authorized Representatives (hereinafter referred to as “**ARs**”), who reiterated the submissions made by the Noticees vide e-mail dated April 17, 2024. Further, ARs also requested additional time to make further submissions in the matter that was acceded to, and the Noticees were advised to file their additional submissions, if any, at the latest by August 12, 2024. Vide e-mail dated August 16, 2024, the Noticees have filed their additional submissions, which are discussed in the subsequent paragraphs under different headings for ease of discussion.
10. As mentioned in previous paragraphs, the Noticees have informed the undersigned about the filing of the settlement application vide e-mail dated April 17, 2024. Post culmination of hearing on August 06, 2024, the present matter was kept in abeyance in light of the mandate of Regulation 8(1) of the Settlement Regulations.
11. It is noted from the material on record that the settlement application of the Noticees was rejected by the panel of Whole Time Members of SEBI. The undersigned was informed about the rejection of the settlement application of the Noticees on September 24, 2024.
12. Thereafter, in the interest of natural justice, vide hearing notice dated September 25, 2024, one more opportunity of hearing was granted to the Noticees on October 10, 2024. On the scheduled date of the personal hearing, i.e., October 10, 2024, the Noticees appeared through their ARs, who reiterated the submissions made by the Noticees vide e-mails dated April 17, 2024, and August 16, 2024. Further, ARs also requested for additional time to make further submissions in the matter that was

acceded to, and the Noticees were advised to file their additional submissions, if any, at the latest by October 18, 2024. However, the Noticees have neither filed any additional submissions until October 18, 2024, nor sought any extension to file additional submissions. Thereafter, vide letter dated October 21, 2024, received by SEBI on October 22, 2024, the Noticees filed their additional submissions. In the interest of natural justice, the additional submissions of the Noticees vide letter dated October 21, 2024 have been considered. These submissions are discussed in the subsequent paragraphs under different headings for ease of discussion.

13. Considering that all the Noticees have sent replies and also participated in the hearing, it is noted that the SCN, along with the annexures and the Hearing Notice, were duly served on the Noticees. The Noticees were granted sufficient opportunities to make submissions in reply to the SCN and of personal hearing.

D. CONSIDERATION OF ISSUES AND FINDINGS

14. I have carefully perused the charges levelled against the Noticees in the SCN, their replies, and the material/documents available on record. In the instant matter, the following issues arise for consideration and determination:

- I. Whether Noticee 1 failed to prepare and publish its financial statements as per the Generally Accepted Accounting Principles in India and the Accounting Standards, which led to misrepresentation and misstatement in its financial statements for the FYs 2019-20, 2020-21, and 2021-22 and thereby violated provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations?**
- II. If the answer to Issue I is affirmative, Whether Noticee 2 (being MD of the Noticee 1 during the IP) and Noticee 3 (being ED of the Noticee 1 during the IP) were responsible for the acts, omissions, and conduct of the Noticee 1 and thereby violated provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations read with Section 27 of SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7),**

4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7) and 4(2)(f)(iii)(12) of the LODR Regulations?

- III. If the answer to Issue I is affirmative, Whether Noticee 3 (being CFO of the Noticee 1 during the IP) furnished false certification to the Board of Directors stating that the financial statement presented a true and fair view and thereby violated provisions of Regulation 17(8) of the LODR Regulations?**
- IV. Does the violation, if any, on the part of the Noticees attract a monetary penalty under Section 15HB of the SEBI Act?**
- V. If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors stipulated in Section 15J of the SEBI Act?**

15. Before proceeding further, it is pertinent to refer to the relevant provisions of law allegedly violated by the Noticee. The same are reproduced hereunder:

“LODR Regulations

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.

.....

(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-

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

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

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

.....
(iii) Other responsibilities:

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

.....

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

.....

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

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

.....

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

.....

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.

.....

Financial results.

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

(a) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.

.....

(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.

.....

Accounting Standards.

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

SEBI Act

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.”

16. Issue I - Whether Noticee 1 failed to prepare and publish its financial statements as per the Generally Accepted Accounting Principles in India and the Accounting Standards, which led to misrepresentation and misstatement in its financial statements for the FYs 2019-20, 2020-21, and 2021-22 and thereby violated provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations?

16.1. From the material on record, I note that it was alleged that Noticee 1 had paid an amount of Rs. 1.70 crores to one R.K. Manu on September 12, 2019 as a token amount to develop a project. However, the said advance amount paid to R.K. Manu was shown under “Sundry Creditors” in the financial statements of the Noticee 1 during the IP. It was further alleged in the SCN that Noticee 1 had failed to pay the balance amount to R.K. Manu in terms of the MOU between them. Further, as submitted by the Noticee 1 to the SEBI investigation team, due to lack of finance, the balance amount could not be paid to R.K. Manu, and because of the disputes within the company, R.K. Manu, the said advance amount paid to R.K. Manu as a token amount is yet to be recovered. However, Noticee 1 had not made any provision for the long outstanding advance made to R.K. Manu pending since FY 2019-20. Hence, it was alleged that by showing the said advance amount of Rs. 1.70 crores under the “Sundry Creditors” and by failing to make provision for long outstanding doubtful debts/advance as required under Accounting Standard - 4, the financial statements of Noticee 1 were not showing the correct financial positions during the IP.

16.2. From the material on record, I further note that an amount of Rs. 9.76 crores was shown under “Advance to Suppliers” in the financial statements of the Noticee 1 as on March 31, 2020. However, as on March 31, 2021, the amount shown under “Advance to Suppliers” was Nil. In this regard, from the perusal of the ledger of advance to supplier as submitted by the Noticee 1 to the SEBI investigation team, it was alleged that an amount of Rs. 6.22 Crores was transferred from the “Advance to Suppliers” to the “Sundry Creditors (Trade Payables) account”. Hence, it was alleged

that the Noticee 1 had grossly misrepresented its financials during the IP by showing the “Advances to Suppliers” under “Sundry Creditors” in its books of accounts.

16.3. From the material on record, I further note that an amount of Rs. 17.37 crores was shown under “Trade Receivables” in the financial statements of the Noticee 1 as on March 31, 2022. It was alleged that the trade receivables amounting to Rs. 17.37 crores include advances made to 11 entities amounting to Rs. 11.63 crores. Hence, it was alleged that the Noticee 1 had done gross negligence in the accounting treatment of advances. It was further alleged that these advances to 11 entities were given by the proprietorship firm “Salasar Exterior”, which was taken over by the Noticee 1 in terms of a business succession agreement dated July 12, 2018. However, the Noticee 1 had not made any provision for those advances in its books of accounts as per AS – 4, despite being outstanding for more than four years. Hence, it was further alleged that the Noticee 1 had failed to comply with AS – 4 by not making provision of the long outstanding advances, which led to misrepresentation of the books of accounts of the Noticee 1.

16.4. In view of the aforesaid in paras 16.1. to 16.3, it was alleged that the Noticee 1 failed to prepare and publish its financial statements as per the generally accepted accounting principles in India and the accounting standards, which led to misrepresentation and misstatement in its financial statements for the IP.

16.5. I note that Noticees have, *inter alia*, submitted various grounds as their defense which are discussed in the following paragraphs under different headings for the ease of discussion:

Covid, lack of staff, and negligence by Statutory Auditor

16.6. The Noticees in their replies have, *inter alia*, stated that:

“.....as per the terms and conditions of the agreement executed between company and R K Manufacturing Co Ltd, the advance amount of GCP i.e. Rs 1.70 crore was given to R K Manufacturing Co Ltd. after execution of agreement and the balance payment of Rs. 80 Lakhs was decided to pay with in a period of 1 year, however the

said project was a Bungalow project which required various approvals and just after planning for the project Covid-19 started and the entire scenario has changed, The real estate market constitutes one of the major sectors that was influenced by the COVID-19 pandemic the real estate market was totally crashed at that time no one was ready to invest in the real estate, due to this uncertainty of Covid-19 and sudden crash of real estate prices we decided to not pay/invest in such project further to protect the fund of the company, and therefore disputes has been started with R K Manufacturing Co Ltd., the company is under discussion with R K Manufacturing to refund the advance given for the said project.....Further the accounting treatment was not correct, instead of Sundry debtor it was shown Sundry creditor and failed in making provision for long outstanding doubtful debts/advance as required under Accounting Standard (AS)-4.

Due to Covid and lack of staff, advances to suppliers was wrongly grouped under the Sundry Creditors of Rs. 6,22,21,925/-

The company and the management has taken utmost care in preparation of financial statements for the FYs 2019-20, 2020-21 and 2021-22, But first wave of the pandemic which lasted from March 2020 to August 2020 affected the company management adversely. Further in the year 2021-22 whole India was recovering after impact.

Due to non-occupancy of staff and lack of communication between the management of the company and Statutory auditor, the company was not able to fully abide with Generally Accepted Accounting Principles in Indian and the Accounting Standards. Further due to above reason and lack of negligence by Statutory Auditor, there was a mis- representation in Financial Statement.”

16.7. In this regard, I note that the Noticees have not disputed the findings of the investigation; rather, the Noticees have admitted that the accounting treatment of showing advances made to R.K. Manu/advances to suppliers under the head/group “Sundry Creditors” is not correct. I further note that the Noticees in their replies have also not disputed the allegation that trade receivables amounting Rs. 17.37 crores as on March 31, 2022 includes advances made to 11 entities amounting Rs. 11.63

crores. The Noticees have further admitted that they had failed in making provision for long outstanding doubtful debts/advance as required under AS-4.

16.8. I further note that the Noticees in their replies submitted that due to negligence by the statutory auditor and communication gap with the statutory auditor, there was misrepresentation in the financial statements. In this regard, I would like to refer to the relevant provisions of Regulations 4, 33, and 48 of the LODR Regulations aforementioned in paragraph 15 of this Order. I would also like to refer to the following provisions of the Companies Act, 2013.

“134. Financial Statement, Board’s Report, etc.

(5) The Directors’ Responsibility Statement referred to in clause (c) of sub-section (3) shall state that—

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the Directors had prepared the annual accounts on a going concern basis; and

(e) the Directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.”

16.9. In this context, I would also like to refer to the Order of the Hon’ble Supreme Court in the matter of **N. Narayanan vs. SEBI** ², wherein the Hon’ble Supreme Court has, *inter alia*, stated as under:

² AIR 2013 SC 3191.

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

16.10. From the perusal of the aforesaid provisions of the LODR Regulations, Companies Act, 2013, and the Order of the Hon'ble Supreme Court, I note that the responsibility for the preparation of the financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the company in accordance with the accounting principles generally accepted in India, including accounting standards, lies with the company, and its management. The Noticees cannot absolve their responsibilities by merely stating that the misrepresentation in the financial statements were due to the negligence of the statutory auditor. Hence, the submission of the Noticees in this regard is devoid of merit.

16.11. I further note that the Noticees in their replies have submitted that due to Covid, and lack of staff, Noticee 1 was not able to fully abide by generally accepted accounting principles in India and the accounting standards. In this regard, it is noted that the relevant provisions of law alleged to be violated by the Noticees applied to all the listed entities as well as their directors/CFOs and were not limited to the Noticees alone. The Noticees being a listed entity or directors/CFO of a listed entity are expected to take statutory compliances very seriously and to carry out their obligations with skill, care, and diligence. They cannot plead their innocence by making a blanket excuse of Covid and lack of staff for non-compliance with the law. It is also pertinent to note that an amount of Rs. 9.76 crores was shown under “Advance to Suppliers” in the financial statements of the Noticee 1 as on March 31, 2020. However, as on March 31, 2021, “Advance to Suppliers” was regrouped under the head “Sundry Creditors”. The Noticees, in their replies, have failed to demonstrate how Covid and staff shortages can lead to a change in the classification of an item

under a different head. In view of the same, submission of the Noticees in this regard cannot be accepted.

Rectification in the financial statement for the FY 2023-24

16.12. The Noticees in their replies have, *inter alia*, further stated that:

“During the course of investigation company assure that they will be rectified the same while finalizing the financials for the year ended 31-03-2024 and will show the correct figures. It is submitted that the same has been rectified in the subsequent period i.e. for the year ended 31-03-2024, in the balance sheet of F.Y. 31.03.2024 rectification is done by giving separate note no. 45 of Notes to balance sheet.

Additionally, we would like to inform you that the rectified audited financial statements, approved by the Board of Directors on June 21, 2024, were placed before the shareholders at the 6th Annual General Meeting (AGM) held on September 30, 2024, for their approval. The rectifications were specifically mentioned in Point B of Resolution No. 1 of the AGM Notice (please refer to Page 3 of the Annual Report for FY 2023-24). Shareholders were provided with a comprehensive explanation regarding the SEBI queries and the corrective measures taken by the company. Further clarifications were included in the explanatory statement of Resolution No. 1 (please refer to Page 9 of the Annual Report for FY 2023-24), in accordance with Section 102 of the Companies Act, 2013.”

16.13. The Noticee, vide letter dated October 21, 2024, received by SEBI on October 22, 2024, have submitted their additional submissions, comprising around 406 pages, which include copies of the Annual Report for the FY 2023-24, parties' wise lists of Sundry Debtors, Sundry Creditors, Loans and Advances, and ledgers & invoices of around 12 parties. It is noted that the copies of these documents were not certified.

16.14. From the perusal of the financial statement for the year ended March 31, 2024, as submitted by the Noticees, I note that Note No. 45 of the financial statement, *inter alia*, states as under:

“45. Grouping of Loans & Advances, Sundry Debtors, and Sundry Creditors: -
The Sundry Creditors, Loans and Advances and Sundry Debtors as shown in the financial statement for the year ended 31-03-2024 are as under: -

(Rs. In Lakh)

Particulars	Amount as on 31- 03-2024	Amount as on 31- 03-2023	Amount as on 31-03- 2022	Amount as on 31- 03-2021	Amount as on 31-03- 2020
<u>1. Loan and Advances / Suppliers</u>					
<u>Balance with government Authorities:</u>					
✓ TDS Receivable	14.50	19.53	18.76	171.64	240.26
✓ GST Receivable	27.00	27.00	-	13.50	-
<u>Others:</u>					
✓ Advance to suppliers	773.64	321.13	-	-	976.28
✓ Employees	8.97	1.14	14.35	50.56	0.91
✓ Others	64.29	351.45	338.25	301.75	362.63
<u>Sundry Creditors</u>					
✓ Other than Micro, small & Medium Enterprise	939.00	981.82	708.31	1101.38	5709.76
<u>Sundry Debtors</u>					
Undisputed Trade Receivable- Considered good	1537.93	1803.34	1736.77	1637.36	5765.44

company has received show cause notice under Rule 4 of the SEBI (Procedure for holding Inquiry & Imposing Penalties) Rules, 1995 read with section 15-I of the SEBI Act, 1992.

During the course of investigation before the SEBI, some of the irregularities were identified in the financial statement of the company and stated that in some cases the figures is not showing the amount in proper head like sundry creditors, loans and advances and sundry debtors regrouped incorrectly. The same is rectified while finalizing the financials for the year ended 31-03-2024.”

16.15. I further note that the Noticees in their replies submitted the party-wise list of debtors amounting to Rs. 1,537.93 Lakhs as on March 31, 2024, which, *inter alia*, includes the receivables from the following parties:

“

Table 4

Sr. No.	Particulars³	Amount (Rs. in Lakhs)
1	Amar*****Ltd- R.O. Powai	10.00
2	Con***** India	196.68
3	Ma*****ders/ Ch***** Jain	172.49
4	Me***** LLP	43.34
5	Sa***** Developers	200.93
6	Shar***** Co.	258.08
7	Shree ***** Enterprises	255.55
8	Shree ***** Industries	11.57
9	Shu***** LLP	20.10
10	S R***** LLP	33.60
11	St***** links	70.70
	Total	1,273.04

”

16.16. In this regard, I note that it was alleged in the SCN that the amounts due from the aforementioned 11 entities were not Trade Receivables but the advances given to them by the proprietorship firm “Salasar Exterior”, which was taken over by the Noticee 1 in terms of a business succession agreement dated July 12, 2018. However, the Noticee 1 has classified these advances under the head “Trade Receivables”. Hence, it was alleged that the Noticee 1 had done gross negligence in

³ Name of the entities excised for the sake of confidentiality.

the accounting treatment of advances. I further note that the Noticees in their replies have not disputed these findings. However, from the perusal of the party wise list of debtors amounting to Rs. 1,537.93 Lakhs as on March 31, 2024, as provided by the Noticees, I find that amounts due from these 11 entities amounting to Rs. 1273.04 Lakhs have been still classified under the head “Trade Receivables”. I further note that the Noticees in their replies have not enclosed the ledgers of these 11 entities. Hence, it could not be ascertained whether any transactions have been made with these 11 entities by Noticee 1 during FY 2023-24 or not.

16.17. I further note that the Noticees in their replies have submitted the party wise list of “Loans & Advances” and “Sundry creditors” as on March 31, 2024. However, the Noticees have not submitted the underlying working papers for all the parties grouped under these heads to substantiate their claims regarding the re-classification/re-grouping of the amounts shown under Loans & Advances, and Sundry Creditors. The Noticees have enclosed the copies of ledgers and invoices in respect of around 12 parties from the list, and the basis for submitting ledgers of only these selected 12 parties was also not mentioned in their replies. It is further noted that the copies of parties wise list, ledgers, and invoices of 12 parties as submitted by the Noticee were not certified. In the absence of underlying working papers, like ledgers, for all the parties grouped under these heads, it cannot be concluded whether the deficiencies pointed out during the course of the investigation regarding classification of advances to suppliers under the head “Sundry Creditors” have been rectified or not in the financial statement for the year ended March 31, 2024.

16.18. From the material on record, I note that it was also alleged that the Noticee 1 has failed to make provision for long outstanding doubtful debts/advance as required under Accounting Standard – 4 and the same has not been disputed by the Noticees in their replies. However, the Noticees in their replies have not submitted whether any adequate provisions have been made or not for the long outstanding doubtful debts/advance as per applicable accounting standards in the financial statement for the year ended March 31, 2024. Moreover, from the perusal of the financial statement

for the year ended March 31, 2024, as submitted by the Noticees also, I have not found creation of any such provisions.

16.19. I further note that the auditor's report annexed to the financial statement for the year ended March 31, 2024, *inter alia*, states as under:

“Disclaimer of Opinion

We have audited the standalone financial statements of SALASAR EXTERIORS AND CONTOUR LIMITED (“the company”), which comprise the Balance Sheet as at 31st March 2024, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and notes to accounts the financial statements including summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying standalone financial statements of the company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this standalone financial statement.” (Emphasis supplied)

16.20. In view of the aforesaid discussions, the submission of the Noticees that they have rectified all the deficiencies pointed out during the course of investigation while finalizing the financial statement for the year ended March 31, 2024, cannot be accepted.

Findings on Issue I

16.21. In view of the discussions in the previous paragraphs, I note that no justifiable reason has been brought on record by the Noticees with regard to the violations alleged against Noticee 1 in the SCN. As noted from previous paragraphs, it is rather an admitted fact that the financial statements of Noticee 1 during the IP were not in consonance with the generally accepted accounting principles in India and the accounting standards. In this regard, I find it imperative to emphasize that in the era of disclosure based regime, a company's financial statements, comprising of financial performance, financial position, cash flows, accounting principles adopted, and other

material information about the company, must reflect a true and fair view and should be free from any material misstatement. A company's financial statements empower investors to make an informed investment decision.

16.22. For a true and fair view, the financial position of the company shall invariably contain the details of actual assets and liabilities of the said company. However, by classifying advances to suppliers or the advances given for a project under the head "Sundry Creditors"/"Trade Payables", the Noticee 1 has understated its creditors in the financial statements. Further, by showing advances made to 11 entities under the head "Trade Receivables", the Noticee 1 has overstated its receivables generated from their ordinary course of business. From the material on record, I further note that the Noticee 1 had also failed in making adequate provisions for long outstanding doubtful debts/advance as required under AS-4.

16.23. In view of the above, it is established that the Noticee 1 had failed to prepare and publish its financial statements as per the generally accepted accounting principles in India and the Accounting Standards which led to misrepresentation and misstatement in its financial statements for the FYs 2019-20, 2020-21 and 2021-22 and therefore, violated the provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations.

17. Issue II - If the answer to Issue I is affirmative, Whether Noticee 2 (being MD of the Noticee 1 during the IP) and Noticee 3 (being ED of the Noticee 1 during the IP) were responsible for the acts, omissions, and conduct of the Noticee 1 and thereby violated provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations read with Section 27 of SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7) and 4(2)(f)(iii)(12) of the LODR Regulations?

17.1. As the violations against Noticee 1 have been established, I am now proceeding to deal with Issue II.

17.2. It was alleged that Noticee 2 (being MD of the Noticee 1 during the IP), and Noticee 3 (being ED of the Noticee 1 during the IP), were responsible for the day-to-day affairs of the Noticee 1. By virtue of their positions on Noticee 1's board, they were responsible for the acts, omissions, and conduct of Noticee 1. Hence, misrepresentation and misstatement in the Noticee 1's financial statements were attributable to the Noticees 2, and 3.

17.3. In response to the above allegations, the Noticees in their replies, have, *inter alia*, stated that:

"Noticee 2 was being MD of the company shared a responsible position on the Board. Lockdown due to Covid-19 has an unprecedented effect on the economy of India and has severely affected the small industries and the start-ups. revenue generation was fallen as operations have been reduced.

The revival of the company was the biggest challenge which was faced by the managing director. Above factor affected the decision of the managing director which almost lead to misrepresentation and misstatement in the company's financial statements

Noticee 3 was designated as ED & CFO of the company, but due to long negative phase of COVID which affected the Business of the company, Noticee 3 was unable to act responsibly which lead to mispresentation and misstatement in the company's financial statement.

Further, the non-occupancy of staff and lack of communication between the management of the company and Statutory auditor also affected the decision of Noticee 3."

17.4. In this regard, I note that the Noticees in their replies have admitted that Noticee 2 was MD during the IP and Noticee 3 was ED during the IP. It was further admitted that the Noticees 2 and 3 were responsible for the day-to-day affairs of the Noticee 1 during the IP.

17.5. The Noticees in their replies have submitted that due to Covid and lack of staff, Noticees 2 and 3 were unable to act responsibly, which led to misrepresentation and misstatement in the financial statements of Noticee 1. This contention of the Noticees has been dealt with in paragraph 16.10. of this order.

17.6. I further note that the Noticees in their replies submitted that due to negligence by the statutory auditor and communication gap with the statutory auditor, there was misrepresentation and misstatement in the financial statements of Noticee 1. This contention of the Noticees has been dealt with in paragraphs 16.7. to 16.9. of this order.

17.7. In view of the discussions in the previous paragraphs, I note that no justifiable reason has been brought on record by the Noticees with regard to the aforesaid violations alleged against Noticees 2 and 3 in the SCN. As noted from previous paragraphs, it is rather an admitted fact that the Noticees 2 (being MD of the Noticee 1 during the IP) and 3 (being ED of the Noticee 1 during the IP) were responsible for the day-to-day affairs of the Noticee 1 during the IP.

17.8. From the material on record, I note that Noticees 2 and 3 were signatories of Noticee 1's financial statements for FYs 2019-20, 2020-21, and 2021-22 and have attended the following board meetings during the IP. It is further noted that Noticees 2 and 3 were KMPs of Noticee 1 as per the provisions of Companies Act, 2013.

Table 5

Name of Director/ CFO	2019-20	2020-21	2021-22
	Number of Board meetings held		
	6	5	5
	Number of Board meetings attended		
Shree Kishan Joshi, MD	6	5	5
Videh Shree Kishan Joshi, Promoter, Executive Director & CFO	6	5	5

17.9. In this regard, I would like to refer to Section 27 of the SEBI Act, which, *inter alia*, states as under:

“27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company,

every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly”

17.10. Since, Noticees 2 and 3 were involved in the day to day affairs of Noticee 1, they were duty-bound and responsible for the affairs of Noticee 1. It is also pertinent to note that Regulation 4(2)(f) of the LODR Regulations casts specific responsibilities on the board of directors of the company to monitor the effectiveness of the company governance practices, ensure that financial reporting depicts a true and fair view, ensure operational transparency to stakeholders, exercise independent judgement on corporate affairs, etc.

17.11. In this regard, I would also like to rely on the following orders of the Hon’ble Supreme Court:

17.11.1. In the matter of **N. Narayanan vs. SEBI** ⁴, the Hon’ble Supreme Court has, *inter alia*, stated that:

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

40. The appellant has taken the stand, as already stated, that even though he was a whole time Director he was not conversant with the accounts and finance and was only dealing with the human resource management of the company, hence, he had no fraudulent intention to deceive the investors. We find it difficult to accept the contention. The appellant, admittedly, was a whole time Director of the company, as regards the preparation of the annual accounts, the balance-

⁴AIR 2013 SC 3191.

sheet and financial statement and laying of the same before the company at the Annual General Meeting and filing the same before the Registrar of the Companies as well as before SEBI, the Directors of the company have greater responsibility, especially when the company is a registered company. Directors of the companies, especially of the listed companies, have access to inside knowledge, such as, financial position of the company, dividend rates, annual accounts etc. Directors are expected to exercise the powers for the purposes for which they are conferred.”

17.11.2. In the matter of **Official Liquidator v. P.A. Tendolkar**⁵, the Hon’ble Supreme Court has, *inter alia*, stated that:

“A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially”.

17.12. In view of the aforesaid discussions, it is established that the Noticees 2 and 3 failed to discharge their duties and obligations in the effective manner required from them. By virtue of their positions on Noticee 1’s board, they were responsible for the acts, omissions, and conduct of the Noticee 1. Therefore, it is established that the Noticees 2 and 3 have violated the provisions of Regulations 4(1)(a),(b)&(c), 4(2)(e)(i), 33(1)(a)&(c), and 48 of the LODR Regulations read with Section 27 of the SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(1), 4(2)(f)(iii)(3), 4(2)(f)(iii)(6), 4(2)(f)(iii)(7), and 4(2)(f)(iii) (12) of the LODR Regulations.

⁵(1973) 1 SCC 602.

18. **Issue III - If the answer to Issue I is affirmative, Whether Noticee 3 (being CFO of the Noticee 1 during the IP) furnished false certification to the Board of Directors stating that the financial statement presented a true and fair view and thereby violated provisions of Regulation 17(8) of the LODR Regulations?**

18.1. As the violations against Noticee 1 have been established, I am now proceeding to deal with Issue III.

18.2. It was alleged that Noticee 3 (being CFO of the Noticee 1 during the IP) had signed the compliance certificate as required under Regulation 17(8) of the LODR Regulations, which, *inter alia*, states that *“the financial statements and other financial information included in this report present a true and fair view of the company’s affairs for the period presented in this report and are in compliance with the existing accounting standards, applicable laws and regulations”*. Hence, it was alleged that the Noticee 3 had furnished false certification to the board of directors stating that the financial statements present a true and fair view.

18.3. In response to the above allegations, the Noticees in their replies, have, *inter alia*, stated that:

“As till 2018 we were working as proprietorship firm in the name of M/s Salasar Exteriors and in the year 2018 our company has been converted from proprietorship firm to Public Limited company as Salasar Exteriors and Contour Limited and there after through IPO on NSE SME ITP platform our company’s shares were listed on exchange on 12th September, 2019, and immediate after IPO in the month of March 2020 sudden resignation of Mr. Manoj Kumar Agarwal Chief Financial Officer of the company, it has affected the company’s working of Books of accounts, as Mr. Mr. Manoj Kumar Agarwal was working with us since 2013-14 and he was looking entire books of account and finance and due to his sudden resignation, Mr. Videh Joshi was appointed as CFO due non-availability of suitable candidate for CFO position due to impact of Covid-19 professionals and employees were shifted to their native places from Mumbai due to savior impact of Covid-19 in Mumbai pandemics, further due to

casual vacancy of CFO the company was unable to take the better decision which leads to failure in preparation of financial statements as per the Generally Accepted Accounting Principles. As our company is engage in the business of civil and Interior designing, and company giving services to various clients at various sites which involved the lots of Labour, employees, supervisors, huge material and equipment's of the company, as per the survivor impact of Covid-19 in Mumbai majority of Labour, employees, supervisors left the job and shifted to their home town for saving their life, it impacted the business of the company drastically, therefore Mr. Videh Joshi Executive Director cum CFO of the company was totally busy to look after the sites where all the material and equipment were stuck off and sites were also stuck due to non-availability of Labour, employees, supervisors, due to which he could give more time to look after the Book of Account and other related matters and this all was handled by new accounts staff appointed by company, this is the reason there was mistakes in grouping of heads.

After the sudden resignation of Mr. Manoj Kumar Agarwal, Mr Videhi has taken the position of CFO. Further due to lack of Financial information and communication gap from Mr. Manoj Kumar Agarwal, Mr Videhi was unable to take proper decision which leads to misrepresentation and misstatement in the company's financial statements."

18.4. In this regard, I note that the Noticees in their replies have not disputed the findings of the investigation; rather, it is an admitted fact that Noticee 3, being CFO of Noticee 1 during IP, had signed the compliance certificate as required under Regulation 17(8) of the LODR Regulations, despite the fact that there was a misstatement in the financial statements of Noticee 1.

18.5. The Noticees in their replies have submitted that due to a lack of financial information and a communication gap with the erstwhile CFO, Noticee 3 was unable to take a proper decision, which leads to misrepresentation and misstatement in Noticee 1's financial statements.

18.6. In this regard, I would like to refer to the provisions of Regulation 17(8) of the LODR Regulations, which, *inter alia*, state that:

“17.

.....

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

PART B: COMPLIANCE CERTIFICATE

[See Regulation 17(8)]

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

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

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

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

18.7. In view of the above, it is noted that the LODR Regulations cast specific responsibilities on the CFO to independently verify the truthfulness of financial statements. Noticee 3 is expected to sign the compliance certificate only if he is satisfied that the financial statements present a true and fair view and are in compliance with the applicable accounting standards, laws, and regulations. Hence, at this juncture, the Noticee 3 cannot take a plea that due to lack of financial information and communication gap with the erstwhile CFO, he was not able to take proper decisions. The liability and responsibility of the Noticee 3 cannot be absolved on account of these bald statements. When the law casts specific responsibilities on the Noticee 3 by virtue of his designation as CFO in the Noticee 1, the same has to be discharged in a serious and diligent manner. However, in the instant case, Noticee 3 had not exercised his duties, responsibilities, and obligations diligently but just signed the compliance certificate in a cursory manner. In view of the same, the submission of the Noticees in this regard cannot be accepted.

18.8. In view of the aforesaid discussions, it is established that the Noticee 3 had furnished false certification to the board of directors stating that the financial statements present a true and fair view and therefore, violated the provisions of Regulation 17(8) of the LODR Regulations.

Issue IV - Does the violation, if any, on the part of the Noticees attract a monetary penalty under Section 15HB of the SEBI Act?

19. As it has been established that the Noticees have violated the provisions of the law as alleged in the SCN, the Noticees are liable for payment of a monetary penalty in terms of Section 15HB of the SEBI Act.

20. In this context, I would also like to refer to the order of the Hon'ble Supreme Court of India in the matter of *Chairman, SEBI Vs Shriram Mutual Fund*⁶ wherein Hon'ble Supreme Court of India held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not."*

21. The text of the above said Section 15HB of the SEBI Act is reproduced below:

"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."*

⁶2006 (5) SCC 361

Issue V - If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15J of the SEBI Act?

22. While determining the quantum of penalty under section 15HB, it is important to consider the factors stipulated in section 15J of the SEBI Act, which reads as under:

“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.”

Factors Considered While Imposing Penalty

23. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticees nor the amount of loss, if any, caused to an investor/clients as a result of the default of the Noticees. As regard the repetitive nature of the default, there is nothing on record to show that the nature of default by the Noticees is repetitive.

24. I note that it has been established that Noticee 1 has failed to prepare and publish its financial statements as per the generally accepted accounting principles in India and the Accounting Standards, which led to misrepresentation and misstatement in its financial statements for the FYs 2019-20, 2020-21, and 2021-22. It is also established that the Noticees 2 (being MD of the Noticee 1 during the IP), and 3 (being ED of the Noticee 1 during IP), failed to discharge their duties and obligations in the effective manner required from them. By virtue of their positions on Noticee 1's board, they were responsible for the acts, omissions, and conduct of the Noticee 1. It is further

established that the Noticee 3 being CFO of the Noticee 1 during the IP furnished false certification to the board of directors stating that the financial statements present a true and fair view.

25. It is important to note that financial statements are the benchmark that many stakeholders use to evaluate a company's financial standing. Financial statements that have been falsified may result in inaccurate evaluations. Further, the persons in charge of affairs of management of a company are entrusted with fiduciary duty to act in the interest of the shareholders; as such, they are trustees of the shareholder's interests. Those holding responsible positions of Directors, CFO, etc., in the listed companies have greater responsibilities as they take major decisions on behalf of the company. They are expected to exercise the powers in a bona fide manner and in the interest of all stakeholders of the company.

26. A company acts through its board of directors. The directors are also responsible for all the acts of omission and commission by the company. The directors have an obligation to make sure that appropriate financial reporting systems and controls are in place. They are also expected to monitor the efficacy of such systems and controls.

27. The CFO of the listed entity is responsible for ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit, ensuring that the correct procedures have been followed that would result in the correctness, authenticity, and comprehensiveness of the information, statements, and reports related to financial information of the company filed by the listed entity under the regulations prescribed by SEBI.

28. Therefore, any violation of the law especially by people holding responsible positions like MD, CEO, Director, etc. of a listed company needs to be viewed seriously.

29. Hence, the violations committed by the Noticees cannot be considered as inadvertent. The case deserves the imposition of a monetary penalty.

30. The Noticees in their replies have, *inter alia*, stated that:

“company has already paid the huge amount of SOP fine under SEBI LODR Regulations 2015, as the company is a small SME Listed company, and its management Directors/Promoters are giving its best efforts to work in the favour and interest of company and public shareholders, therefore keeping in view the interest and benefit of public shareholders and company we request your good office and Hon'ble Adjudicating Officer to take lenient view on the allegations.....and consider imposing the minimum penalty possible.”

31. The aforementioned factors have been taken into consideration while adjudging the penalty.

E. ORDER

32. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in the preceding paragraphs, and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a monetary penalty on the Noticees as given in the table below:

Table 6

Noticee No.	Noticee Name	Penal Provision	Penalty Amount
1	Salasar Exteriors and Contour Limited	Section 15HB of SEBI Act	Rs. 5,00,000/- (Rupees Five Lakhs)
2	Mr. Shree Kishan Joshi		Rs. 3,00,000/- (Rupees Three Lakhs)
3	Mr. Videh Shree Kishan Joshi		Rs. 3,00,000/- (Rupees Three Lakhs)

33. I am of the view that the said penalties are commensurate with the lapses/omissions on part of the Noticees.

34. The Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e.,

www.sebi.gov.in on the following path, by clicking on the payment link:
ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.

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

Date: October 31, 2024

Place: Mumbai

**N HARIHARAN
CHIEF GENERAL MANAGER
AND ADJUDICATING OFFICER**