WTM/ASB/CFID/CFID-SEC4/30313/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4), 11(4A), 11A(1)(b)(i), 11B(1) and 11B(2) of the 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:

SL. NO.	NOTICEE(S)	PAN
1.	Manpasand Beverages Limited	AAHCM1210E
2.	Mr. Dhirendra Hansraj Singh	ABTPS3636E
3.	Mr. Abhishek Dhirendra Singh	BGZPS2752R
4.	Mr. Milind Babar	ABDPB5999H
5.	Mr. Chirag Doshi	AEGPD2611G
6.	Ms. Bharti Naik	ALKPP8874G
7.	Mr. Nishish Mobar	AAQPM7762H
8.	Mr. Kaushal Ameta	AJPPA2514B
9.	Mr. Vimal Patel	APKPP0587J
10.	Mr. Paresh Thakkar	ACQPT7457C

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

In the matter of Manpasand Beverages Limited

Background:

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received complaints including emails dated September 23, 2019 **(Annexure-1)** from Mr. Bipin Rathod, Chairman of the Audit Committee of Manpasand Beverages Limited (hereinafter referred to as "**Manpasand**" / "**the Company**" /

"**MBL**") alleging suspected fraudulent transactions and high degree of financial mismanagement in the Company.

2. MBL has its registered office at 1768 & 1774 Patki - 1, Village Manjusar, Tal., Savli, District-Vadodara, Gujarat, and it was listed on BSE and NSE in June 2015 by raising Rs.400 Crore through IPO. The Company subsequently also raised Rs.500 Crore through Qualified Institutional Placement (QIP). It is engaged in manufacturing and distribution of fruit based beverages. Brief details of MBL's shareholding pattern, directorship and financial overview during financial years 2018-19 and 2019-20 are as under:

Shareholding pattern of MBL

Table no. 1

Details	**Financial Year ended (in %)**	
	March 31, 2019	**March 31, 2020**
Promoter Holding	44.33	44.33
Non Promoter Holding	55.67	55.67
Total share capital	100.00	100.00

Board of Directors of MBL

Table no.2

Sl. No.	**Name of the Director**	**Designation**	**Appointment Date**	**Cessation Date**
1	Mr. Dhirendra Hansraj Singh	Executive Director, Chairperson & MD	17-10-2010	NA
2	Mr. Abhishek Dhirendra Singh	Executive Director	17-10-2010	NA
3	Mr. Bharatkumar M. Vyas	Independent Director	14-08-2014	26-05-2019
4	Mr. Vishal Satinder Sood	Non-Executive Director	22-01-2011	24-05-2019
5	Mr. Chirag Janardan Doshi	Independent Director	14-08-2014	29-05-2019
6	Mr. Milindkumar V. Babar	Independent Director	03-10-2014	27-05-2019
7	Ms. Bharti Pratish Naik	Non-Executive Director	14-08-2014	30-12-2019
8	Mr. Dhruv K. Agrawal	Non-Executive Director	01-05-2015	26-05-2019
9	Mr. Jitendra V. Dhivare	Independent Director	11-07-2019	30-09-2019

10	Mr. Bipin Motilal Rathod	Independent Director	11-07-2019	30-09-2019
11	Mr. Uday J. Kamath	Independent Director	02-08-2019	30-09-2019
12	Mr. Nishish Mobar	Independent Director	09-10-2019	NA
13	Mr. Vimal R. Patel	Independent Director	03-01-2020	NA
14	Mr. Kaushal Ameta	Independent Director	03-01-2020	NA

Financial overview of MBL

Table no. 3

Particulars	**Financial Year ended** (Rs. in crore)		
	March 31, 2018	**March 31, 2019**	**March 31, 2020**
Total Income	984.95	649.53	43.31
Operating Profit / (Loss)	207.43	48.98	(39.25)
Net Profit / (Loss)	**99.99**	**(591.87)**	**(190.46)**

3. During preliminary examination, the following were observed regarding the Company:

3.1. M/s Deloitte Haskins & Sells (‘Deloitte’), the Statutory auditors of Manpasand for 8 years, resigned with immediate effect on May 26, 2018 citing, *inter alia*, the Company’s failure to provide certain information.

3.2. Subsequently, the Company appointed M/s Mehra Goel & Co. as Statutory auditors, who completed the statutory audit for FY 2017-18. The audited financial results for FY 2017-18 were declared on June 27, 2018 which were neither qualified nor anything significant was emphasized. M/s Mehra Goel & Co. also conducted limited review of the audited financial results of Manpasand for the first three quarters of FY 2018-19 (i.e. up to Dec 2018).

3.3. The Commissioner of Central GST and Customs (“CGST”) carried out search and seizure proceedings at various premises of the Company in May 2019 and certain key managerial persons of Manpasand viz. Mr. Abhishek Singh (Whole Time Director), Mr. Paresh Thakkar (Chief Financial Officer) and Mr. Harshvardhan Singh (Promoter) were taken into judicial custody. In this regard, CGST vide letter dated July 07, 2019, *inter alia*, informed that Manpasand had shown inflated sales figure in its balance sheet by way of receipt/ supply of fake invoices without actual receipt/ supply of goods. It was further informed in the said letter that Manpasand had floated 38 bogus/paper firms to inflate its turnover and that inward and outward transactions made with such bogus firms amount to Rs.188.48 Crore and Rs. 691.30 Crore, respectively. Further, Manpasand had also used input tax credit from fake invoices for payment of GST liabilities resulting into loss of GST revenue to exchequer. The quantum of GST evaded was to be ascertained only after completion of the investigation.

3.4. Post search and seizure proceedings by CGST, eight directors, including three independent directors, of the Company resigned from their positions between May 25, 2019 to September 30, 2019. Further, M/s Mehra Goel & Co., statutory auditors, resigned from their position with effect from July 4, 2019, by citing, *inter alia*, recent actions, including action and investigation initiated by Goods & Services Tax (GST) Authorities, resignation of the directors and the Company Secretary of the Company, as the reasons for resignation.

3.5. Finquest Financial Solutions Pvt. Ltd. ('Finquest'), a Non-Banking Financial company (NBFC), sanctioned secured term loan of Rs 100 crore to Manpasand in July 2019. Finquest appointed Ernst & Young ('*E&Y*') to carry out the due diligence as one of the conditions for disbursement of the said loan. It was later brought to the notice of the Board of Directors that sales invoices, purchase invoices, production records and bank statements had not been made available by Manpasand to E&Y. E&Y observed that the Company entered into repetitive transactions with unexplained parties, the volume of which was extraordinarily high, and majority of the transactions were routed through accounts maintained with ICICI Bank and Punjab National Bank. Finquest team placed before the board members of Manpasand the E&Y report on due diligence and highlighted the major discrepancies in accounting.

3.6. Subsequently, the Company appointed M/s Batliboi & Purohit as Statutory Auditor in place of M/s Mehra Goel & Co. to fill the causal vacancy. M/s Batliboi & Purohit observed significant adverse findings during their statutory audit for FY 2018-19**,** which were informed to MBL's Board and the Audit Committee for taking suitable corrective measures.

3.7. M/s Batliboi & Purohit also resigned from their position as the Statutory Auditors on October 3, 2019, by citing, *inter alia*, recent developments of litigation amongst the Board of Directors and subsequent resignation of directors along with Company Secretary and not allowing its audit team members to enter Vadodara factory for conducting statutory audit.

3.8. There were several disagreements between promoters and other directors during Board meetings held on September 6, 2019 and September 12, 2019. Pursuant to the same, Mr. Bipin Rathod sent an email to SEBI as the Chairman of the Audit Committee of the company on September 23, 2019 informing about suspected fraudulent transactions and high degree of financial mismanagement apparently committed in Manpasand.

4. Thereafter, SEBI conducted an investigation in the matter to ascertain whether there was a manipulation/ misrepresentation in the books of accounts of Manpasand, resulting in possible violation of provisions of the SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations, 2003**"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**, **2015**") and Securities Contracts (Regulation) Act, 1956. Accordingly, SEBI appointed M/s Chokshi & Chokshi LLP ("**Chokshi & Chokshi**" / "**Forensic Auditor**") to conduct forensic audit of the Company's financial statements for the financial years 2018-19 and 2019-20 (hereinafter referred to as "**Investigation Period**" or "**IP**").

Findings of Forensic Audit Report:

5. The Forensic Auditor submitted the Forensic Audit Report ("**FAR**") in the matter. A summary of findings of the FAR is provided below.

Overstatement of Purchases:

5.1. The Company had made purchases amounting to Rs.2.16 crore from various Unregistered Dealers ("**URD**"). No payments were made to these parties and the balance payable to these parties were adjusted with third party balances. The Company had made purchases totalling to Rs 4.64 Crore from various URDs during the audit period and in certain cases the purchase value from such URDs exceeded threshold limit of compulsory registration as per CGST Act, 2017, i.e. Rs 20 Lakhs. However, no GST had been collected from URDs in such cases. Further, no payments were made to such URDs. Instead, credit balances of these parties were adjusted fully with various third parties.

5.2. The Company also overstated purchases amounting to Rs. 99.03 Crore, wherein the parties had neither filed the GST Annual return (GSTR9) nor submitted the GST Audit report / Reconciliation Statement (GSTR9C). Further, it was observed that GSTIN of certain parties (creditors) were issued on nearby dates of start of the purchase transactions and cancelled within 3 months to 12 months from the last date of purchase transaction entered into with such parties. In absence of invoices of the creditors and in view of such accounting entries with limited payments and adjustments, the transactions appearing in the books of accounts seemed to be doubtful in nature.

Overstatement of Sales:

5.3. On sample verification from GST website, it was observed that the Company had overstated the sales to the tune of Rs 392.35 Crore wherein the GSTIN of certain debtors were issued on nearby date of start of the sale transactions and cancelled within 3 months to 12 months from the last date of sale transactions with the parties and the parties had neither filed the GST Annual return (GSTR9) nor submitted the GST Audit report / Reconciliation Statement (GSTR9C).

5.4. On scrutiny of the books of accounts and based on the sales booked and the GSTIN/PAN mentioned in the ledger masters, it was observed that the Company had booked sales to various parties. On further scrutiny on GST website regarding some of the parties on sample basis, it was observed that the parties with whom transactions amounting to Rs.29.84 Crore were entered into, were not registered for dealing in the said goods/products being manufactured by the Company. Further, there was non-receipt of sale considerations and debtors balance were adjusted by passing journal entries.

5.5. On the basis of scrutiny of books of accounts and based on narrations mentioned for locations–Unit-II, Varanasi, VNS-II, Saha & Sri City, certain debtors were observed to be common in multiple units. Further, credit notes were issued for entire sales made to them and no stock was recovered from them. The amount of such sales booked was Rs.1290.04 Crore and credit notes issued amounted to Rs.589.39 Crore. Based on books of accounts and above observations, it appeared that sales booked to certain parties were reversed entirely through credit notes, however no stock was recovered from such parties. Such sales of Rs. 589.39 Crore and stock sold were questionable in nature.

Adjustment Using 'Tax Invoice-II':

5.6. An analysis of 3743 debtors (99%) carried out for the Tax Invoice-II issued during the FY 2018-19, showed adjustment entries amounting to Rs.971.48 Crore, reversal of sales and debtors' write-off in debtor's ledgers, which pertained to sales booked under Tax Invoice-II vouchers. The rationale for maintaining series Tax Invoice-II in sales invoices was unknown.

GST Reversal of ITC on Sales Reversal:

5.7. The Company had passed an entry for the ITC Reversal under Provision for Indirect Tax and classified the same under Other Expenses – Business Promotion Expenses. The Company had reversed Input Tax Credit on purchases of Rs.30 Crore. However, the Company had not reversed accounting entry pertaining to purchases made in the same financial year.

Ledger Balances adjusted through 'Other JV entries':

5.8. The Company had booked 16,875 "Other JVs" journal entries amounting to Rs.1,454 Crore in FY 2018-19 and 2,818 "Other JVs" journal entries amounting to Rs.143 Crore in FY 2019-20 which indicated that the Company had passed substantial number of Other JV entries in the books of accounts. The Company had purchased from creditors and sold to debtors. Later on, the receivables i.e. debit balance of debtors were adjusted with payables i.e. credit balance of creditors, due to which *prima-facie* very less or no actual cash outflow / inflow was observed. Based on analysis, it was observed that the Company adjusted the "Other JVs" journal entries accounted during FY 2018-19 and FY 2019-20 in

Unit-II amounting to Rs.425.04 Crore and Rs.1.99 Crore respectively, against debtors' and creditors' balances.

Understatement of Debtors:

5.9. The Company sold goods to various parties from whom recovery was pending & sales amount was receivable. The Company transferred various such debit balances/ receivables from debtors to Capital Advances / WIP by accounting Other JVs for Rs.62.07 Crore.

5.10. Analysis of the adjustment amounts for debtors as compared with the sales for the period revealed that more than 50% of the Company's receivables were adjusted with third parties and receipts from debtors were less than 50%. The Company adjusted debtor's balances with third parties which led to understatement of debtors to the tune of Rs.561.68 Crore (Rs.425.04 Crore + Rs.62.07 Crore + Rs.74.57 Crore) and Rs 61.84 Crore (Rs.51.01 Crore + Rs.10.83 Crore) for FY 2018-19 and 2019-20 respectively.

5.11. The Company sold goods to various parties from whom recovery was pending and sales amount was receivable. The Company had received *ad hoc* funds from certain third parties with whom there were no sale or purchase transactions. Various receivables were adjusted against receipts from such third parties. It was observed that after receiving funds from certain entities, the Company transferred similar amount of funds to Gonglu Agro Pvt. Ltd. totalling Rs.17.45 Crore.

5.12. It was observed that there were certain debtors' ledgers having opening balances as on 01st April 2018 and no sale/purchase transactions were undertaken during F.Y. 2018-19 and F.Y. 2019-20 with such debtors. Opening balance of such debtors amounting to Rs.8.51 Crore was adjusted fully with various third-party balances.

Sales Booked Vs. Sales Receipts:

5.13. The Company disclosed total sales of Rs.812.58 Crore (gross) for FY ended March 31, 2019. While the opening balance of debtors was Rs.139.27 Crore as on April 01, 2018, the bank receipts were only Rs.143.80 Crore and closing balance of debtors was Rs57.37 Crores as on March 31, 2019. The same indicated that the Company had overstated the sales by Rs.750.68 Crore [Rs.812.58 Crore (Sales) + Rs.139.27 Crore (opening debtors) – Rs.143.80 Crore (bank receipts) – Rs.57.37 Crore (closing debtors)].

5.14. Further, the Company had disclosed total sales of Rs.40.83 Crore (net) for FY ended March 31, 2020. While the opening balance of Debtors was Rs.57.37 Crore as on April 01,2019, the bank receipts were only Rs.33.34 Crore and closing balance of Debtors was Rs.2.40 Crore, as on March 31, 2020. The same indicated that the Company had overstated its sales by Rs.62.36 Crore [(Rs.40.83 Crore (Sales) + Rs.57.37 Crore (opening debtors) – Rs.33.44 Crore (bank receipts) – Rs.2.40 Crore (closing debtors)].

Transactions with parties having same PAN:

5.15. The Company carried out sales and purchase transactions with certain parties all of which were proprietorships registered in name of Mr. Shailesh Kumar Kharwar and having same PAN. Such transactions were questionable in nature. The Company had overstated the purchases and the sales to the tune of Rs.44.73 Crore and Rs.68.22 Crore, respectively, by carrying out purchase and sales transactions with these parties.

Understatement of Creditors:

5.16. The Company had booked Rs1.89 Crore as "Factory Fuel Expense" from various parties under the voucher type "Other JV" and credit balance in such creditor's ledger was entirely adjusted against various third party debit balances. However, no GST was charged in such expenses and there was no narration in entries of such expenses booked. Further, the Company had booked Rs.6.04 Crore as "Repairs & Maintenance" from various parties out of which substantial amount was booked in respect of M/s. Do Well Moulds (Vapi). However, the balance of creditor, M/s.Do Well Moulds (Vapi), was adjusted with various third party balances.

5.17. The Company had booked various expenses amounting to Rs.3.46 Crore, which were adjusted with the debtors.

Reimbursement of Branding Expenses:

5.18. The Company booked reimbursement of branding expenses of Rs 27.82 Crore during FY 2018-19 in Unit-II by passing 5,634 accounting entries under Other JVs by crediting debtors. Huge variation in amounts of monthly reimbursement of branding expenses booked in FY 2018-19 was observed. Company did an adjustment of Rs.0.48 Crore with the third party. On comparing of the amount of reimbursement of branding expenses booked against various debtors with sales to such debtors, it was observed that the percentage of branding expenses was very high in certain case. There was no recovery from such debtors and balances were adjusted with creditors.

Overstatement of Expenses-Doubtful Claim Reimbursement:

5.19. Company booked claim reimbursement expenses of Rs.6.36 Crore in Manpasand (Unit-II) and Rs.3.35 Crore in Manpasand (Saha) by crediting debtors. On scrutiny of books of accounts and based on narrations mentioned and ledger scrutiny of such claim reimbursement expenses debtors, it was observed that huge amount of sales was booked to such debtors in short period. Further, major amount of debit balances of these debtors were adjusted against balances of respective creditors. Further, claim reimbursement expenses were booked against such debtors, without accounting ITC credit for GST separately. The Company's abovementioned claim reimbursement expenses appeared to be questionable.

Other findings:

5.20. *Overstatement of impairment*: The Company had impaired the assets w.r.t. Sri City Project and Vadodra Project, to the tune of Rs.22 Crore without details such as list of assets impaired, valuation report, technical certificates, invoices pertaining to the vendors.

5.21. *Loans & Advances:* The Company had provided for doubtful recovery against capital advances for Rs.268.82 Crore, for each of financial year ending March 31, 2019 and March 31, 2020, which was almost 100% of capital advances.

5.22. *Overstatement of Receivable:* The Company had overstated its receivables by Rs.60.45 Crore regarding old plant & machinery from Tetra Pak India Pvt Ltd and disclosed as capital advances.

5.23. *Questionable provision for doubtful Debts:* The Company had provided certain debtors for doubtful recovery amounting to Rs.81.48 Crores, in the same financial year of sales.

5.24. *Overstatement of fixed assets:* The Company had overstated fixed assets by Rs.1 Crore.

5.25. The above findings are summarised in the below table:

Table no.5

Observations	**Amount (Rs. in crore)**	
	FY 2018-19	**FY 2019-20**
Overstatement of Purchases - Purchase Entries without any underlying fund transfers and subsequently adjusted with third parties	2.16	
Overstatement of Purchases - Purchase Entries without any GST collection and subsequently adjusted with third parties	4.64	
Overstatement of Purchases - Purchases without invoices from suspicious/ non-GST compliant entities	99.03	
Overstatement of Sales - Sales to suspicious/ non-GST compliant entities	392.35	
Overstatement of Sales - Sales to unregistered parties with different businesses	29.84	
Overstatement of Sales - Sales by way of credit notes without any recoveries	589.39	
Adjustments using 'Tax Invoice-II' Voucher entries	971.48 (971.95 – 0.47)	
GST Reversal of ITC on Sales Reversal	30.00	
Ledger Balance adjusted through 'Other JV's' entries	425.04	1.99
Understatement of Debtors and Overstatement of Capital Advances by transfer entries	62.07	
Understatement of Debtors - Debtors balance adjusted with third party balances	561.68 (425.04 + 62.07 + 74.57)	61.84 (51.01+10.83)
Understatement of Debtors - Debtors and Other Party Receipts Adjustments	17.45	
Understatement of Debtors - Debtors opening balance adjusted with third party balances	8.51	

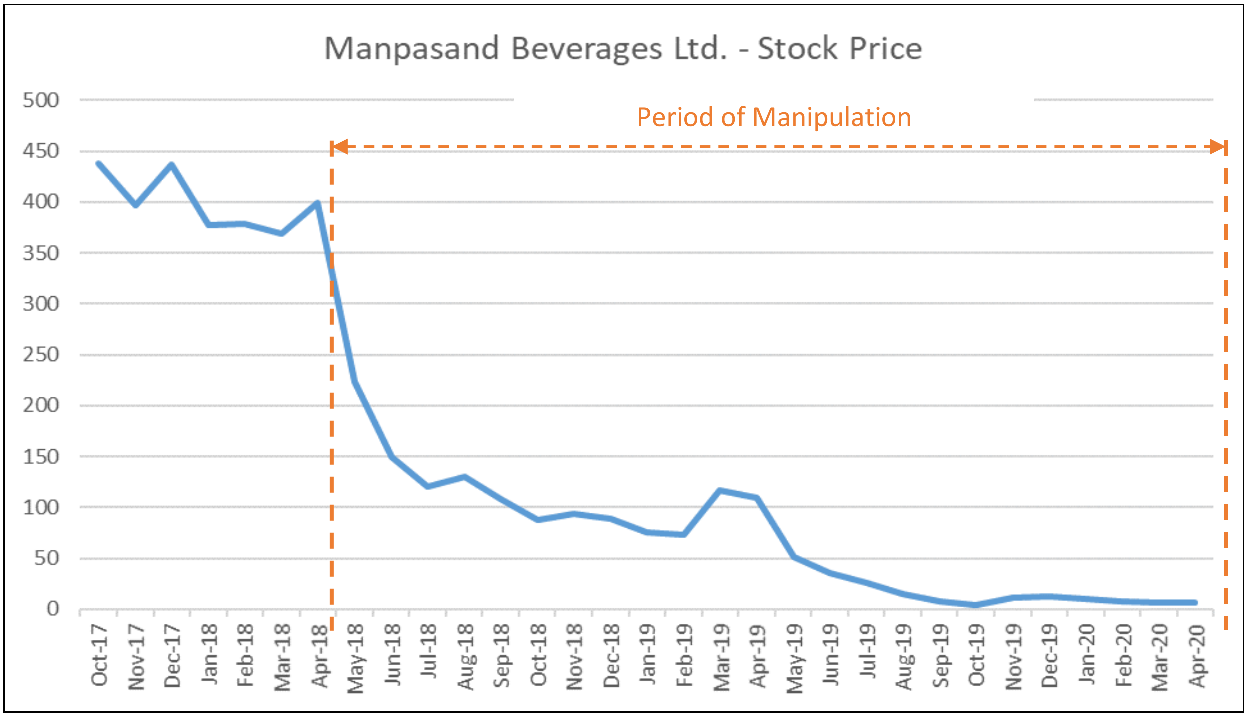
Overstatement of Sales - Sales amount neither reflecting in bank receipts or debtor balances	750.68 (812.58 (Sales) + 139.27 (opening debtors)–143.80 (bank receipts)– 57.37 (closing debtors)	62.36 (40.83 (Sales) + 57.37 (opening debtors) – 33.44 (bank receipts) –2.40 (closing debtors))
Overstatement of Purchases and Sales - Transactions with non-genuine parties (multiple parties having same PAN) with negligible fund movements	Purchases - 44.73 (46.81 (Purchases) – 2.08 (bank payments) Sales - 68.22 68.22 (Sales)	
Understatement of Creditors - Third Party Adjustments in Creditors for Expenses	7.93 (1.89 + 6.04)	
Understatement of Creditors - Multiple expenses from Creditor & Third party adjustments	3.46 (0.40 + 0.72 + 2.34)	
Branding Expenses adjusted with third parties	0.48	
Overstatement of Expenses - Doubtful Claim Reimbursements	9.71 (6.36 + 3.35)	
Overstatement of Impairment - Impairment w.r.t. Sri City Project & Vadodara Project	22.00 (12 + 5 + 5)	
Doubtful Loans & Advances	268.82	268.82
Overstatement of Receivables - Old Plant & Machinery from Tetra Pak India Pvt. Ltd.	60.45	
Questionable provision for doubtful debt	81.48	
Overstatement of fixed assets	1.00 (0.14 + 0.83 + 0.03)	

6. The above-mentioned observations of the Forensic Auditor were further corroborated by various factors viz. inputs provided by CGST, multiple abrupt resignations by the directors and the statutory auditors, findings reported by the statutory auditors, M/s Batliboi & Purohit, to the Company's Board and Audit Committee, significant write-off/ provisioning/ impairment undertaken by Company itself in its financial statements for FY 2018-19, reluctance/ failure of the Company in providing various information, details, documents etc. to SEBI/ the Forensic Auditor appointed by SEBI/ the Company's statutory auditors, centralization of accounting entries for debtors and creditors in spite of having separate accounting system for various premises, mismatch in sales reversed as per accounting books and GST books, failure of the Company in providing details of the counterparties

for independent balance confirmations, absence of counterparties observed during the site visits conducted by the Forensic Auditor and apparent inconsistencies in the financial statements of the Company.

7. In view of the above, as the abovementioned findings of the forensic audit stood corroborated by other factors, it was apparent that the financial statements of MBL for FYs 2018-19 and 2019-20 were manipulated and the figures contained therein were significantly misstated, as summarized in the Table at para 5.25. This led to publication of manipulated, untrue and misleading financial results of the Company during FYs 2018-19 and 2019-20, which presented a false picture of the financial health of the Company to investors. The publication of such manipulated financial figures by the Company had an impact on MBL's share price as depicted below:

MBL Stock Price Impact Chart *Chart no. 1*



Source: BSE

8. The comparison of price movement of scrip of Manpasand with the movement of BSE FMCG Sectoral and SENSEX Indices on quarterly basis, commencing from April 01, 2018 is as under:

Comparative price movement of the scrip: *Table no.6*

Quarters ending	**Closing price (Rs.)**	**% value of the share price from 31 Mar -2018 level**	**Sectorial Indices- BSE FMCG**	**As % rise/fall in BSE FMCG Indices from 31 Mar- 2018 level**	**Sensex**	**As % rise/fall in Sensex from 31 Mar- 2018 level**
31-Mar-18	369.2	100%	10,290	100%	32,968	100%
30-Jun-18	149.1	(Fall 60%) 40%	11,213	Rise 109%	35,423	Rise 107%
30-Sep-18	107.85	(Fall 71%) 29%	11,503	Rise 112%	36,227	Rise 110%
31-Dec-18	89.00	(Fall 76%) 24%	11,829	Rise 115%	36,068	Rise 108%
31-Mar-19	116.95	(Fall 68%) 32%	11,742	Rise 114%	38,672	Rise 115%
30-Jun-19	35.45	(Fall 90%) 10%	11,362	Rise 110%	39,394	Rise 107%
30-Sep-19	7.50	(Fall 98%) 2%	11,767	Rise 114%	38,667	Rise 105%
31-Dec-19	11.97	(Fall 97%) 3%	11,406	Rise 111%	41,253	Rise 125%
31-Mar-20	6.20	(Fall 98%) 2%	10,254	Fall 99.65%	29,468	Fall 89%

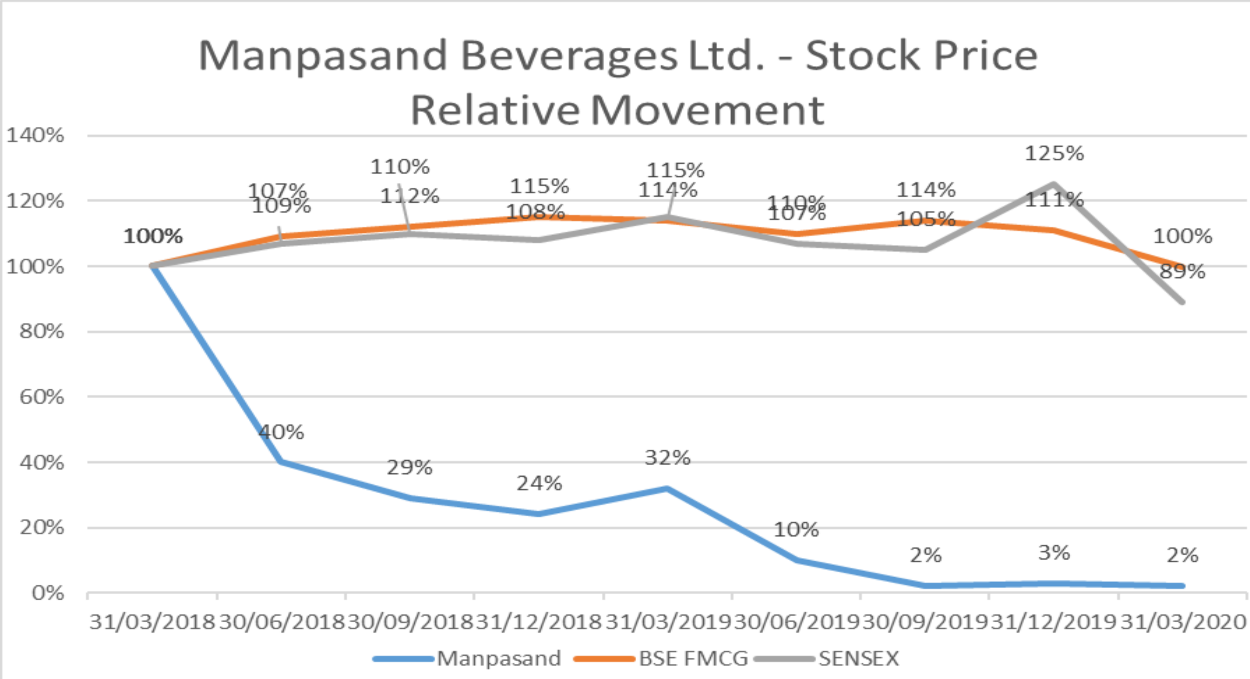
Company's quarterly financial performance:

Table no.7 *(Rs. In Crore)*

Quarters	**March-2018**	**June 2018**	**Sept 2018**	**Dec-2018**	**Mar - 2019**	**June 2019**	**Sept-2019**	**Dec-2019**	**Mar - 2020**
Net Profit	43	37	8	10	(647)	N/A*	(34)	(26)	(97)
% of March 2018 price level	-	85%	20%	23%	(1514%)	-	(79%)	(61%)	(227%)

**Financial Statement not available.* Source: BSE

Chart no 2.



9. It was observed that during the investigation period, BSE FMCG Indices and Sensex consistently maintained their level above the starting level except in March 31, 2020 (start of Covid Period). However, Manpasand share price fell by around 98% and continuously traded below the starting level. The same indicates that fall in price of the scrip of Manpasand was not due to adverse macro factors in the market.

10. It was further observed that even the manipulated financial results published by the Company showed that its quarterly financial results were significantly deteriorating and the Company was suffering huge losses during FY 2018-19 and 2019-20. Further, it was also facing number of controversies viz. search & seizure by GST authorities, arrest and judicial custody of the Company's Whole Time Director-Abhishek Singh and CFO-Paresh Thakkar, resignation of Statutory Auditors, Directors, Company secretary etc. All these events relating to the Company and its dismal financial performance made huge impact on its future prospects/scenario and therefore, market/ investors' reaction came in the form of drastic fall (98%) in the scrip price. Further, it was also clear that had the Company

published its true and fair financial statements, the impact on the scrip price would have been further steeper/rapid, leading to erosion of almost entire value of the scrip of the Company.

Failure to furnish information and Non-Cooperation to the investigation:

11. During the Investigation, SEBI issued summonses dated December 11, 2020, February 4, 2021 and February 24, 2021 to Manpasand and other Noticees, viz. Mr. Dhirendra Singh, Mr. Abhishek Singh and Mr. Paresh Thakkar, seeking the following information:
    - (a) Physical verification report of Inventory as sought by the forensic auditors vide email dated January 28, 2021 and reminder emails dated February 4, 2021, February 18, 2021 and February 23, 2021.
    - (b) Declaration of source of funds of loan from directors & Agreement for the said loan as sought by the forensic auditors vide email dated January 28, 2021 and reminder emails dated February 4, 2021, February 18, 2021 and February 23, 2021.
    - (c) Name, contact nos. and email ID of the respective units as sought by the forensic auditors vide email dated February 1, 2021 and reminder emails dated February 4, 2021, February 18, 2021 and February 23, 2021.
    - (d) Top 10 invoices of certain parties (debtors/creditors) during the audit period as sought by the forensic auditors vide email dated February 1, 2021 and reminder emails dated February 4, 2021, February 10, 2021, February 18, 2021 and February 23, 2021:
    - (e) Stock Inward-Outward register for all units as sought by the forensic auditors vide email dated February 1, 2021 and reminder email dated February 4, 2021, February 10, 2021, February 18, 2021 and February 23, 2021.
    - (f) Balance confirmation from debtors and creditors as sought by the forensic auditors vide email dated February 1, 2021 and reminder emails dated February 4, 2021, February 10, 2021, February 18, 2021 and February 23, 2021.

(g) All Invoices of Tetra Pack & Dowell Moulds for which capital advances were made as sought by the forensic auditors vide email dated February 1, 2021 and reminder emails dated February 4, 2021, February 10, 2021, February 18, 2021 and February 23, 2021.

(h) List of invoices pertaining to capital purchases required for conducting audit (as per the file shared) as sought by the forensic auditors vide email dated February 2, 2021 and reminder emails dated February 4, 2021, February 10, 2021, February 18, 2021 and February 23, 2021.

(i) Invoices pertaining to debtors & creditors as per the list shared as sought by the forensic auditors vide email dated February 2, 2021 and reminder email dated February 4, 2021, February 10, 2021, February 18, 2021 and February 23, 2021.

(j) Details for transaction / balance confirmation along with invoices for the parties as per the file shared as sought by the forensic auditors vide email dated February 6, 2021 and reminder emails dated February 10, 2021, February 18, 2021 and February 23, 2021.

(k) List of all litigations during the audit period and status of the same along with all the relevant documents as sought by the forensic auditors vide email dated February 10, 2021 and reminder emails dated February 18, 2021 and February 23, 2021.

(l) GSTR-2A, ITC comparison of GSTR-1 and GSTR-3B, GSTR-2A and GSTR-3B for both the years under audit along with GST Login Credentials of the company as sought by the forensic auditors vide email dated February 10, 2021 and reminder emails dated February 18, 2021 and February 23, 2021.

(m) KYC of the customers & vendors as sought by the forensic auditors vide email dated February 17, 2021 and reminder email dated February 23, 2021.

12. Manpasand and the abovementioned Noticees allegedly failed to provide the above information and details, which were crucial for completion of the forensic audit. In absence of such crucial information / details, the forensic audit had to be

concluded, based on limited information available on record. Further, several findings of M/s. Batliboi & Purohit-erstwhile Statutory Auditor of MBL, could not be verified by the Forensic Auditor due to non-availability of the information. Additionally, the non-submission of information caused delay in the conclusion of the forensic audit.

13. As per explanation provided in Regulation 4(1) of PFUTP Regulations, 2003, any device, scheme or artifice to manipulate the books of accounts or financial statement of a listed company that would directly or indirectly manipulate the price of securities of that company shall always deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market. Further, in terms of Regulation 4(2)(f) of the PFUTP Regulations, 2003, an act which involves knowingly publishing, inter alia, financial results and financial statements which are not true in the course of dealing in securities is a manipulative, fraudulent or an unfair trade practice. Further, Regulations 4(1)(c) and 33 of the LODR Regulations, 2015 provide that the information provided to a stock exchange and the financial results prepared by a list company are true and free from misrepresentations.

14. As Manpasand prepared and submitted to the stock exchanges and published manipulated financial results (quarterly, half-yearly as well as annual) which were not true, it was alleged that Manpasand had violated the provisions of Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of SEBI (PFUTP) Regulations, 2003 r/w Sections 12A(a),(b),(c) of SEBI Act, 1992, Regulations 4(1)(c) and 33 of LODR Regulations, 2015. Further, by failing to provide the information sought by the Investigating Authority, as mentioned in above paras, Manpasand had also allegedly violated the provisions of Section 11C(2) read with Section 11C(3) of SEBI Act, 1992.

Allegations against Mr. Dhirendra Hansraj Singh (Noticee 2) and Mr. Abhishek Singh (Noticee 3):

15. Mr. Dhirendra Hansraj Singh ('Dhirendra Singh') was promoter, Chairman and the Managing Director of Manpasand as per the Annual Reports of FYs 2018-19 and 2019-20. He was a member of the Board and the Audit Committee during the aforesaid period. He was also a Key Managerial Personnel ("**KMP**") in the Company by virtue of his designation as the Managing Director of the Company. He attended all the 17 board meetings during the investigation period. Further, he also certified in the annual reports of the Company that the financial statements presented a true and fair view of the Company's affairs and were in compliance with existing accounting standards, applicable laws and regulations, as required under Regulation 17(8) of LODR Regulations, 2015.

16. Mr. Abhishek Singh was a promoter and an Executive Director of Manpasand during the investigation period and he attended all the 5 board meetings during FY 2018-19 and 8 out of 12 board meetings during FY 2019-20. As per the Annual Report for FY 2018-19, Mr. Abhishek Singh was associated with the Company since its incorporation. He was a KMP in the Company by virtue of his designation as the Executive Director. He also certified in the annual reports of the Company that the financial statements presented a true and fair view of the Company's affairs and were in compliance with existing accounting standards, applicable laws and regulations, as required under Regulation 17(8) of LODR Regulations, 2015. Further, he also failed to furnish required information sought by the Investigating Authority.

17. It is the duty and responsibility of the directors of a company to ensure that proper systems and controls are in place for ensuring that financial statements / results prepared and reported / published by that company are free from misrepresentations and are not manipulated. Dhirendra Singh, being in-charge of the operations and decision making process as MD of the Company and Abhishek Singh, being an executive director of the Company, were allegedly involved in

preparation and publication of manipulated financial results / statements. Further, they also failed to provide information sought by the Investigating Authority, as referred to above. Accordingly, they are alleged to have violated the provisions of Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 read with Sections 12A(a),(b),(c) and 27 of SEBI Act, 1992 and Regulations 4(1)(c), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7), 17(8) and 33 of LODR Regulations, 2015 and Section 11C(2) read with Section 11C(3) of SEBI Act, 1992.

Allegation against the Audit Committee Members [Mr. Dhirendra Singh (Noticee 2), Mr. Milind Babar (Noticee 4), Mr. Chirag Doshi (Noticee 5), Ms. Bharti Naik (Noticee 6), Mr. Nishish Mobar (Noticee 7), Mr. Kaushal Ameta (Noticee 8) and Mr. Vimal Patel (Noticee 9)]

18. As per Regulation 18(3) read with Para A of Part C of Schedule II of LODR Regulations, 2015, Audit Committee of the Company was expected to, inter-alia, perform functions which included oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement was correct, sufficient and credible; reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval; and reviewing, with the management, the quarterly financial statements before submission to the board for approval, etc.

19. Considering the wide-spread mis-statements in the financial statements of Manpasand for FYs 2018-19 and 2019-20, it was apparent that the audit committee not only failed to ensure that the financial reports recommended by it to the Board for approval (which were ultimately published by the Company) were free of misrepresentations but also failed in ensuring that the management put in place sufficient checks and balances in financial reporting functions. The Forensic Auditor had pointed out instances of rampant accounting adjustments made across parties and after balance sheet dates, incorrect accounting of loans and

other financial transactions and presence of more than one accounting system which indicated large-scale failure of internal controls in the Company as far as financial reporting function was concerned.

20. Further, Mr. Milind Babar, one of the members of the audit committee, in his response dated October 8, 2021, inter-alia, stated that "*during the meeting, as per the practice followed by the company, the Managing Director, Mr. Dhirendra Singh, being one of the members of the audit committee, used to explain the financial results, his plans for development of the company and company's system of internal controls and compliance withal laws and regulations along with the procedures being followed by various departments and accuracy of transactions. Mr. Dhirendra Singh used to assure the audit committee that there was no deviation and nothing adverse was brought to the notice of audit committee*."

21. The above-stated manner of functioning of the audit committee clearly indicated that the audit committee was functioning under the influence of Mr. Dhirendra Singh, the promoter and Managing Director of the Company. The audit committee allegedly failed to independently evaluate the accuracy of the financial statements and relied on Mr. Dhirendra Singh's assurances. The other members of audit committee also failed to account for conflict of interest presented by Mr. Dhirendra Singh being a promoter and senior most executive of the Company and hence, the members of the audit committee failed in the responsibility of independent oversight over the functioning of the management.

22. In view of the above, it was alleged that the members of the Audit Committee [Mr. Milind Babar (for FY 2018-19), Mr. Chirag Doshi (for FY 2018-19), Mr. Dhirendra Singh (for FY 2018-19 & FY 2019-20), Ms. Bharti Naik (for FY 2019-20), Mr. Nishish Mobar (for FY 2019-20), Mr. Kaushal Ameta (for FY 2019-20) and Mr. Vimal Patel (for FY 2019-20)] failed to comply with the provisions of Regulation 18(3) read with Para A of Part C of Schedule II of LODR Regulations, 2015.

Allegation against Mr. Paresh Thakkar, Chief Financial Officer (Noticee 10):

23. Mr. Paresh Thakkar was Chief Financial Officer ("**CFO**") of the Company throughout the investigation period and was a KMP by virtue of his designation in the Company. He certified in the annual reports of the Company that the financial statements presented a true and fair view of the Company's affairs and were in compliance with existing accounting standards, applicable laws and regulations, as required under Regulation 17(8) of the LODR Regulations, 2015. Considering that the financial statements of Manpasand were found to be manipulated, Mr. Paresh Thakkar, being the CFO of the Company, failed in his duty and was responsible for the mis-statements in the books of accounts of Manpasand. Further, he also failed to furnish information sought by the Investigating Authority, as referred to above.

24. In view of the above, Mr. Paresh Thakkar was alleged to have violated the provisions of Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 read with Sections 12A(a),(b),(c) and 27 of SEBI Act, 1992, Regulations 4(1)(c), 17(8) and 33 of LODR Regulations, 2015 and Section 11C(2) read with Section 11C(3) of SEBI Act, 1992.

Show Cause Notice, Replies and Personal Hearings:

25. A Show Cause Notice dated March 31, 2022 ("**SCN**") was issued to Noticees 1 to 10 calling upon them to show cause as to why appropriate directions under Sections 11(4) and 11B(1) read with Section 11(1) of the SEBI Act, 1992 including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions not to be associated with any registered intermediary/ listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever should not be issued against then for the aforementioned alleged violations. The Noticees were also called upon to show cause as to why monetary penalty under Sections 15A(a)/15HA/15HB, as the case may be, read with Sections 11(4A) and 11B(2) of the SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and Imposing Monetary Penalties) Rules,

1995 ("**Adjudication Rules**"), should not be imposed on them for the abovementioned violations.

26. The SCN was duly served on the Noticees. Mr. Dhirendra Singh (Noticee 2) (vide emails dated May 03, 2022 and May 19, 2022), Mr. Abhishek Singh (Noticee 3) (vide emails dated May 03, 2022 and May 19, 2022), Ms. Bharti Naik (Noticee 6) (vide email dated May 20, 2022), Mr. Nishish Mobar (Noticee 7) (vide letter dated May 19, 2022) and Mr. Paresh Thakkar (Noticee 10) (vide email dated May 02, 2022 and May 19, 2022) submitted, *inter alia*, that the Company was pushed into CIRP by Hon'ble NCLT, Ahmedabad, vide Order dated 01.03.2021, pursuant to which the existing management was suspended with the entire powers being handed over to the Interim Resolution Professional appointed by the Hon'ble NCLT. They also submitted that vide order dated 20.04.2021, the Hon'ble Supreme Court had also ordered to maintain the status quo, which was still prevailing. Further, due to the ongoing CIRP, the Noticees did not have access to records of the Company. The Noticees requested that they be allowed to file reply once the CIRP was set aside and they get access to records of the Company.

27. Mr. Milind Babar (Noticee 4) and Mr. Chirag Doshi (Noticee 5) replied to the SCN vide their individual letters dated April 20, 2022. Vide the said letter, they submitted inter alia the following:

(a) The Noticees were independent directors. They were also members of the Audit Committee (Mr. Milind Babar: from 03.10.2014 to 27.05.2019 and Mr. Chirag Doshi: from 14.08.2014 to 29.05.2019).

(b) The investigation / search by the GST Authorities was conducted after Noticees' resignation from the Board of Directors of the Company.

(c) The findings of Forensic Auditor pertained to maintenance of accounts / daily entries in the Accounting Systems with which Noticees were not associated as independent directors. Hence, they have no comments to offer in this regard.

(d) The Noticees have no comments to offer regarding conclusions drawn by SEBI that Manpasand's financial statements were manipulated and mis-stated.

(e) As regards the allegation of non-compliance with Regulation 18(3) of the LODR Regulations, 2015, the Noticees deny that as members of Audit Committee, they failed to ensure that the financial statements were free from misrepresentations and that management put sufficient checks and balances in financial reporting.

(f) The Noticees submit that independent directors visited the Company during the meetings and were not involved in the day-to-day operations of the Company. Hence, the Noticees cannot be held responsible for checking and ensuring that no accounting adjustments was done, loans / other transactions were correctly accounted for and presence of more than one accounting system was checked. These were executive functions and normally carried out by the executive directors / directors who were responsible for day-to-day operations of the Company. In this regard, the Noticees place reliance on the judgment dated May 14, 2018 of the Hon'ble Supreme Court in the matter of Chintalapati Raju Vs. SEBI and SEBI Order dated September 27, 2019 in the matter of Acropetal Technologies Ltd.

(g) SCN has referred to Mr. Milind Babar's statement that Mr. Dhirendra Singh, as the executive member of the Audit Committee would make presentation and explain the financial statements as he was in charge of the day-to-day operations of the Company and knew exactly how the Company functioned. However, that did not mean that other independent directors who were members of the Audit Committee did not ask any questions or discussed the matter and merely endorsed the results.

(h) The Audit Commiittee was a very robust committee discharging its duties and performing its role in the best manner possible.

28. Mr. Kaushal Ameta (Noticee 8) vide email dated May 02, 2022 and letter dated July 10, 2022 has submitted *inter alia* the following:

(a) The Noticee was appointed as an independent director of the Company w.e.f. January 03, 2020. He became part of the Audit Committee in Jan-Feb 2020. He resigned from post of independent director on September 20, 2021.

(b) SCN has alleged that the Noticee had attended one of the meetings of the Audit Committee on 14.02.2022. However, complete details of meeting have not been provided. No discussions had taken place in the said meeting. No specific allegation has been made against the Noticee in the SCN.

(c) The Noticee denies all the allegations made against him in the SCN.

(d) The irregularities, as alleged in the SCN and pointed out by Mr.Bipin Motilal Rathod in his letter dated September 23, 2019, had occurred before the appointment of the Noticee as a director of the Company. Thus, the allegation of violation of Regulation 18(3) of the LODR Regulations, 2015 cannot be made against the Noticee.

(e) Further, even the search and seizure by GST and Custom Authorities in May 2019 were conducted far before Noticee joined the Company as independent director.

(f) The shares of the Company were suspended by the exchanges due to certain irregularities. The Noticee is a company secretary. The Noticee was therefore contacted by the management of the Company to help in revocation of the suspension. The Noticee accepted to become a director of the Company. However, his role was limited to helping the Company in revocation of suspension. The Noticee had nothing to do with the financials of the Company.

(g) The SCN has made allegations or irregularities in respect of financial results of FY 2018-19 and quarterly financial results of first 3 quarters of FY 2019-20. It has not made any allegation or adverse observation in respect of quarter 4 of FY 2019-20. Since the alleged irregularities happened before Noticee's appointment as a director, he cannot be made liable for the same.

(h) Neither the Forensic Auditor nor NSE has made any specific adverse findings against the Noticee.

29. Further, Mr. Kaushal Ameta (Noticee 8) vide letters dated August 04, 2022 and November 18, 2023 has cited a number of orders of various authorities in support of his contentions.

30. Noticee 1 was granted opportunity of personal hearing on July 25, 2022. However, it failed to appear on the said date. Noticees 2, 3, 5, 6, 7 and 8 were granted opportunities of personal hearing on July 25, 2022. On the said date, the Noticees appeared and submitted that certain annexures to the SCN were not opening. The Noticees were directed to collect fresh soft copies of annexures within next two days. Subsequently, personal hearings were scheduled for the said Noticees on December 05, 2022, December 09, 2022 and December 12, 2022. However, the said Noticees failed to attend the hearing, *inter alia*, on the ground that CIRP was in progress and they had no access to Company's documents.

31. Mr. Milind Babar and Mr. Chirag Doshi (Noticees 4 and 5) were granted opportunity of personal hearing on July 01, 2022, which was attended by them through their authorized representative. Mr. Kaushal Ameta (Noticee 8) was granted opportunity of personal hearing on July 01, 2022 and July 25, 2022, which he attended through his authorized representative.

32. All the Noticees were granted, vide letter dated November 07, 2023, a further opportunity to make additional written submissions. In response to the same, Mr. Milind Babar (Noticee 4), vide email dated November 14, 2023 submitted that he had no additional submissions to make. Further, Noticees 2, 3, 6, 7, 9 and 10 vide their letter dated November 28, 2023 made written submissions and also requested a personal hearing and cross examination of the Forensic Auditor. Accordingly, the said Noticees were granted an opportunity of personal hearing on February 26, 2024 which was attended by their authorized representative. The Noticees during the said hearing also submitted a written submission dated February 26, 2024. During the hearing, regarding Noticees' request for cross-examination of the Forensic Auditor, it was clarified to the Noticees that they could counter the findings of the Forensic Auditor by providing documentary evidences. It was further clarified that the request for cross-examination of the Forensic Auditor was not justified, since the findings in Forensic Audit Report were based on documentary evidences rather than mere subjective opinion. Accordingly, the Noticees' request for cross-examination of the Forensic Auditor was rejected.

33. Subsequent to the abovementioned hearing, Noticees 2, 3, 6, 7, 9 and 10 submitted additional written submissions dated March 04, 2014.

34. Noticees 2, 3, 6, 7, 9 and 10 vide their letters dated November 28, 2023, February 26, 2024 and March 03, 2024 have submitted, *inter alia*, the following:

(a) The allegations made in the SCN are bald and devoid of any merit, material and substance.

(b) The Hon'ble NCLT, Ahmedabad vide its order dated March 01, 2021 had initiated Corporate Insolvency Resolution Process (CIRP) in relation to the Company and moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016 (the Code) had been declared, prohibiting various actions, in terms of Section 14(1) of the Code.

(c) The CIRP was challenged before the Hon'ble Supreme Court, which vide order dated April 20, 2021 directed that status quo be maintained. Subsequently, the Hon'ble Supreme Court, vide order dated March 28, 2023 set aside the CIRP.

(d) Thereafter, the Hon'ble NCLT, vide order dated September 11, 2023 pushed the Company into CIRP by admitting a Section 9 petition filed by another Operational Creditor (OC).

(e) The Hon'ble SAT and the Hon'ble Supreme Court in various matters has set aside proceedings by SEBI where moratorium has been declared under Section 14 of the Code. The SCN in this matter should therefore be withdrawn.

(f) Since the Company was under CIRP and Interim Resolution Professionals were appointed during the aforesaid period, the Noticees do not have access to the documents and records of the Company. In absence of the documents and records, the Noticees cannot effectively defend themselves from the allegation made in the SCN, till the Company is under CIRP. The same is against the principles of natural justice.

(g) SEBI has not conducted any independent investigation in the matter and its Investigation Report is wholly based on the Forensic Audit Report. It is a settled principle of law that powers such as of investigation cannot be delegated to any external agency. Accordingly, the allegation made in the SCN are just heresy and devoid of any substance.

(h) Considering that the Forensic Audit Report is nothing more than an opinion of a Chartered Accountant, the Noticee request for the opportunity to cross examine Mr. Nikesh K Shah, who has prepared the Forensic Audit Report.

(i) The Forensic Audit for FY 2018-19 and 2019-20 was never completed and still was at a very initial stages of the audit as on 28.02.2021, i.e. a day before the Company was admitted to CIRP. No physical visits were ever done by the auditors. It has been indicated by the auditor that the audit team visited MBL office in Vadodara on March 08, 2021, i.e., after the Company was admitted to CIRP. Audit teams' inability to access the record after MBL was admitted to CIRP cannot be attributed to Noticees. Also, significant portion of documents (physical and digital) were seized by the CGST authorities in Vadodara, Ambala and Varanasi during their Search and Seizure proceedings during May-July 2019. Later, representatives of Finquest had also stolen or destroyed many crucial data and records from the Company when they were having the Control of the Company during July-September 2019.

(j) The observations highlighted in the SCN arise out of the incomplete work of the auditors. The same should have been completed by the auditors with the assistance of the IRP. However, it appears that the forensic report has been submitted merely on the basis of surmises and conjectures. As a result of the same, the SCN which has heavily relied upon the Audit Report, also does not have any evidence to substantiate its allegations.

(k) The Company is a victim of a pre-planned, fraudulent scheme and conspiracy perpetrated by Finquest Financial Solutions Pvt Ltd (FINQUEST) wherein under the garb of promise to provide working capital worth Rs.100 Crores, six documents were executed by and between MBL & FINQUEST. Within a span of two and a half months, it was clear that this entire so called transaction of providing working capital loan was nothing but a mere play to gain the entire control of MBL which is having asset base of around Rs.625 Crores, as per the last audited balance sheet as on 31st March 2020.

(l) Finquest and its representatives took over the control of the Company, including the Board of the Directors, between 01.07.2019 and 30.09.2019 and appointed Mr. Bipin Rathod as an Independent Director of MBL, even though he was a nominee of Finquest and couldn't be termed as an Independent Director. Mr. Bipin Rathod was the CFO of Finquest during the said period and thus, his appointment was legally invalid and void.

(m) The motive of Mr.Bipin Rathod was tainted and he had filed false complaint at the behest of his employer, i.e., Finquest, only to cause damage to MBL. The dispute of MBL with Finquest is sub-judice and pending before various courts of law including various High Courts. Recently, the Hon'ble Gujarat High Court in its judgement dated 04.10.2023 has made damning observations against Finquest.

(n) The resignation of M/s Deloitte Haskins & Sells. (Deloitte), the Statutory Auditor of MBL, is part of a very dangerous trend had started in the securities market, where the auditor of a listed company used to resign from the post of the Statutory Auditor, citing slightest issue with the company or even without citing any reason. Realizing the dangerous trend, SEBI vide its Circular dated October 18, 2019 has put new requirements on the auditors. Even before the said Circular come into force, it was a legitimate expectation from the Statutory Auditor to complete its assignment before tending its resignation after financial year end or quarter end. However, Deloitte did not fulfil its duty The allegation made by Deloitte is bald. Deloitte did not indicate which information the Company failed to provide. Such resignation of the statutory auditor should not be held against the Company or its directors.

(o) CGST authorities, till date, have not served a single SCN, Demand Order, Assessment Order or any notice pertaining to the allegations regarding CGST stated in the SCN. Further, the disputes with CGST are sub-judice and the Noticees strongly deny the allegations raised by them. The amounts deposited pursuant to the arrest were deposited with CGST under protest to secure bail. In any case, SEBI does not have power and authority to investigate or initiate proceedings for such an allegation. Further, these observations were never raised by the Forensic Auditor or SEBI till February 28, 2021 i.e., the date MBL was admitted to CIRP and Interim Resolution Professional was appointed. Now the Noticees do not have access to the documents and records of the Company, in absence of which the Noticees cannot defend themselves.

(p) To substantiate and corroborate the allegations, the SCN just refers to the FAR. However, the bald allegations in FAR are not substantiated with any evidence. Rather, SCN indicates that FAR has been corroborated by the inputs provided by CGST, multiple abrupt resignation by the directors and the statutory auditors, allegations made by Batliboi & Purohit etc. However, the resignations of directors were for different reasons and the same cannot be held against the Company and Noticees. Mehra Goel & Co. (auditor) resigned on account of disruptions due to CGST Department. As regards Batliboi & Purohit (auditor), they were controlled by Finquest and were aiding Finquest in their illegal attempt to take over MBL. They resigned merely hours after an FIR was lodged against Finquest and its directors.

(q) Similarly, other factors referred to in the SCN as corroborating the findings of FAR were irrelevant. Surprisingly, the SCN does not even try to independently prove any allegation even on the basis of preponderance of probability. Rather, it concludes that the findings as mentioned in FAR are in order therefore, it alleges that financial statements of MBL for FY 2018-19 and FY 2019-20 are manipulated.

(r) Further, just to link the baseless allegations with the price of shares of MBL, the SCN compares the price of shares of MBL with various indices and alleges that price of share of MBL was not due to macro factors in the market. The SCN has attributed the fall in share prices to the allegations of "manipulation". However, like every listed company, MBL in its Red-Herring Prospectus (RHP) had listed all the potential internal and external risks associated with investing in the securities of the Company.

(s) Further, as visible from the chart in SCN, the fall in share prices began in May

2018. This was the period when Deloitte had resigned as the statutory auditors of MBL for FY 2017-18. Thereafter, various events like CGST proceedings, Finquest's hostile takeover attempt, Covid-19, and Off- season were the primary reasons for lower levels of equity share prices. This has been re-iterated even by SEBI in para 10.3 of this SCN. Hence, it is clear that the fall in share price was not due to any alleged "manipulation".

(t) Further, for alleging violation 4(1) of PFUTP Regulations, 2003, SEBI has to establish that the books of accounts were manipulated in order to manipulate the price of the securities of MBL.

(u) As regards the alleged failure to provide information to Investigating Authority, the Noticees submit that each and every information sought vide summons dated 11.12.2020 was provided within 8 days. Vide summons dated 04.02.2021, a total of 46 items were sought by SEBI. Out of the same, MBL had provided 40 items within 6 days, even though there was Covid-19 wave at that time. Similarly, vide summons dated 24.02.2021, a total of 31 items were sought out of which the Company provided 24 items, inspite of Covid-19 situation. Thus, it can be seen that between 11.12.2020 and 28.02.2021 (last day before the Company went under CIRP), a total of 87 items were sought from the Company, out of which 74 items were provided or were already available with the auditors.

(v) Since May 2019, the Company's records have been accessed by multiple authorities. As a result of the same, several records are now lying with aforesaid authorities and the Noticees do not have access to the same.

(w) The allegations in respect of which investigation has conducted by SEBI is ostensibly for determination of manipulation of sales and purchases by the Company which is the exclusive domain of Central Government, NCLT or the Registrar of Companies, as the case may be. SEBI cannot exercise the powers of investigation in this case and accordingly the Investigation is a nullity and the SCN emanating therefrom deserves to be withdrawn forthwith.

(x) All the purchases and sales by the Company have been supported by required invoices, delivery-challans etc. and duly corroborated by the corresponding parties for purchase/sale and also duly reported by GST Returns. The sales and purchases were never inflated. The auditors never visited the registered office to corroborate the evidences. It is highly improbable that such acts would escape the stringent scrutiny by factories inspection, third party verifications from customers and Suppliers, Audit by Independent CAs, etc.

(y) The Forensic Auditor visited the registered office while the Company was undergoing CIRP. No direct mention of this fact has been specifically made by the auditor. The auditor could have chosen to visit the registered office of the Company with the cooperation of the IRP, yet the auditor on purpose chose to not make any such attempts and proceeded with finalizing its report based on incomplete information.

(z) Page 11 of the Forensic Audit Report states that "*Based on name of the ledgers in the books of accounts, it appears that the Company has executed transactions with unregistered dealers, i.e. proprietorship and partnership firms. However, in absence of such parties, we were unable to verify the existence of such parties*". This clearly shows that the auditor, instead of thorough investigation, has taken the easier route of assuming that such parties do not exist at all. The invoices could have been verified at the registered office and necessary verifications could have taken place. However, no such exercise was done during the time when the Noticees were in control of the Company.

(aa) SEBI and the Forensic Auditor have ignored the acts of Finquest, which were covered by the Terms of Reference and Scope which were to be specifically covered by the Forensic Auditor, as stated on Page 7 of the Forensic Audit Report. The Forensic Auditor, it seems, has on purpose ignored various misdeeds of Finquest.

(bb) As regards observations regarding purchase from Unregistered Dealers (URDs) and balance adjustments; purchase above Rs.20 Lakh from URDs; purchase vs. GST details; sales vs. GST details and verification of business of parties as per GST website, as referred to in the SCN, the Noticees submit that these are old industry practices and the same have existed over many years. No such observations were made by the Forensic Auditor when it conducted the forensic audit for the FYs 2016-17 and 2017-18. Even assuming, without admission, that these observations are correct, these issues are specifically covered under the provisions of GST Act and the Company has not received any demand notice/ order from GST Department within whose exclusive domain such offences fall. It is not the Company's duty to ensure that its channel partners are registered with GST Department. Sales made to entities who are recently registered with GST does not mean they are doubtful. Further, GST laws do not bar such transactions. Further, the Company cannot be held liable for business category description by any channel partner.

(cc) As regards sales booked vs. credit notes, referred to in para 7.2.3 of the SCN, the Noticees submit that this specific disclosure was already made by the Company in its Annual report even before the Forensic Auditor was appointed. The numbers stated in the FAR are hugely overstates as even inter-unit adjustments have been termed as sales and sales returns. One of the most accurate bases to confirm the actual sales is the GSTR-1 comparison with books of accounts. Any overstatement or understatement of sales could easily be traced through such comparison. However, no allegation has been made against the Company regarding difference between GSTR-1 and books of accounts.

(dd) Regarding allegations of adjustments using Tax-Invoice II, as referred to in the SCN, the Noticees submit that the said allegation has been made due to particular nomenclature of tax invoices. No such observations were made by the Forensic Auditor when it conducted the forensic audit for FYs 2016-17 and FY 2017-18. Also, the auditor has tried to sneak in the alleged "sales reversal" figure which was already referred to in Para 7.2.3. There is major overlap in numbers by the auditors just to buff up the numbers. Mere absence of rationale for nomenclature of invoices cannot be inferred to mean that all such invoices are wrongful. The Forensic Auditor just assumed that either there was no rationale or that the Noticees won't provide with the rationale.

(ee) As regards GST reversal of ITC on sales reversal, as alleged in para 7.4 of the SCN, the Noticees submit that the auditors did not care to understand the transactions and have been careless to jump to the conclusion that purchases not being reversed was wrongful. As already stated in the Annual report of the Company for FY 2018-19, the Company did witness certain sales return. These goods were perishable in nature and held no value after expiry. The sales reversal was not mere book entry but an actual event of sales reversal. As per GST provisions, ITC availed on purchases needs to be reversed on sales which were later reversed. There cannot be a reversal of purchases. That would mean that no purchase took place, leading to any transaction after that as infructuous. Sales reversal leads to reversal of ITC availed on purchases. The auditors have been quick to assume that sales reversal should also mean purchase reversal. Further, the Company has not received any notice / order from GST Department in this regard.

(ff) As regards ledger balances adjusted through ‘Other JV entries’, as alleged in para 7.5 of the SCN, the Noticees submit that the auditors have failed to understand basic tally and blatantly have stated that Company has been passing thousands of Other JV entries. These JV entries have been in practice for many years now. The Company operates separate tally for all of its units. The said practice was followed for better compliance with specific regulations at different locations. The maker/checker control is there as all inter-company balances are checked and reviewed by the Company representatives to ensure reconciliation. This was also informed to the Forensic Auditor when it conducted forensic audit for FYs 2016-17 and 2017-18. These 'Other JVs' are the inter-unit transfer of entries for consolidation and cannot be termed as wrongful as this has been the practice for years.

(gg) As regards understatement of debtors, as referred to in para 7.6 of the SCN, the Noticees submit that the said observation could have been satisfied through confirmation of third-party transactions and balance. However, the auditors never performed this activity even though all the information was available with them.

(hh) As regards sales booked vs. sales receipts, as referred to in para 7.7 of the SCN, the Noticees submit that the observation of the Forensic Auditor that the sales were overstated by Rs.62 Crore is not correct. Any overstatement could be traced by comparing difference between books of accounts and GSTR-1.

(ii) As regards overstatement of purchases and sales, as referred to in para 7.8 of the SCN, the Noticees submit that there are multiple instances within the industry of distributors trading in various goods through various firms having same or different PAN. The Company cannot debar a channel partner having a sister concern with same PAN, as long as the dealing is fair.

(jj) As regards understatement of creditors, as referred to in para 7.9 of the SCN, the Noticees submit that the same could be found by confirmation of third-party transaction and balances. However, the auditors never obtained such confirmation even when the information was available with them.

(kk) As regards reimbursement of branding expenses, as referred to in para 7.10 of the SCN, the Noticees submit that the auditor hasn't understood the business of the Company. The Company always spent on branding since it got listed in 2015. No such query was raised during the Forensic audit of FYs 2016-17 and 2017-18. There was variation in monthly amount of reimbursement of branding expenses, which was natural as the Company operated in seasonal industry and fluctuations could be seen throughout the year.

(ll) As regards overstatement of items, as referred to in the SCN, the Noticees submit that the said information was already disclosed in detail in Company's annual report for FY 2018-19, much prior to the start of the Forensic Audit.

(mm) The sales disclosed in the published financial statements for FY 2018-19 was Rs.636.07 Crore and for FY 2019-20 was Rs.40.83 Crore. The total disclosed sales during the two FYs was Rs.676.90 Crore. A figure of Rs.676.9 Crore cannot be overstated by Rs.2,864.32 Crore. This same absurdness is present in some form for all heads of manipulation – overstatement of purchases, understatement of debtors, understatement of creditors, etc.

(nn) The SCN does not independently prove any allegation even on the basis of preponderance of probability. Rather, it concludes that the findings as mentioned in FAR are in order, to allege that the financial statements of MBL for FYs 2018-19 and 2019-20 are manipulated and misstated. It has failed to acknowledge that the Company itself made all the necessary disclosures to the shareholders in its annual reports for FYs 2018-19 and 2019-20 even before the FAR was submitted. These annual reports were approved by the shareholders.

(oo) It is clear and known fact that the fall in the scrip price was due to external events like auditor resignation, GST action, etc. rather than alleged manipulation of financial results.

Consideration of Issues and Findings:

35. I have examined the SCN issued to the Noticees, the replies filed by them and other material available on record. Before proceeding any further, I deem it appropriate to refer to the legal provisions allegedly violated by the Noticees. which are quoted below:

SEBI Act, 1992:

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

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

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

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

Section 27: Contravention by Companies

(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 167[contravention] was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such 168[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.

PFUTP Regulations, 2003:

Prohibition of certain dealings in securities

***Regulation 3**. No person shall directly or indirectly—*

(a) ....

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized

stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Prohibition of manipulative, fraudulent and unfair trade practices
Regulation 4.

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

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:

……

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

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors.

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

LODR Regulations, 2015:

Regulation 4: Principles governing disclosures and obligations

(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)……

(b)……

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

Regulation 4(2):

"4(2)(f)(i)(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."

"4(2)(f)(ii)(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed."

"4(2)(f)(ii)(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."

"4(2)(f)(iii)(7) The board of directors shall exercise objective independent judgement on corporate affairs."

Regulation 18

(3) The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.

Schedule II

Part C

A. Role of the Audit Committee and Review of Information by Audit Committee

(1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval.

(5) reviewing, with the management, the quarterly financial statements before submission to the board for approval.

(7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.

(11) evaluation of internal financial controls and risk management systems;

(12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Regulation 33: Financial results.

(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.

(b) The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ Ind AS 34 – Interim Financial Reporting), as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable.

(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.

(d) The listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself [/herself] to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

(e) The listed entity shall make the disclosures specified in Part A of Schedule IV.

(2) The approval and authentication of the financial results shall be done by listed entity in the following manner:

(a) The quarterly financial results submitted shall be approved by the board of directors:

Provided that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

(b) The financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results.

(c) The limited review report shall be placed before the board of directors, at its meeting which approves the financial results, before being submitted to the stock exchange(s).

(d) The annual audited financial results shall be approved by the board of directors of the listed entity and shall be signed in the manner specified in clause (b) of sub-regulation (2).

(3) *The listed entity shall submit the financial results in the following manner:*

(a) The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within forty-five days of end of each quarter, other than the last quarter.

(b) In case the listed entity has subsidiaries, in addition to the requirement at clause (a) of sub-regulation (3), the listed entity shall also submit quarterly/year-to-date consolidated financial results.

(c) The quarterly and year-to-date financial results may be either audited or unaudited subject to the following:

(i) In case the listed entity opts to submit unaudited financial results, they shall be subject to limited review by the statutory auditors of the listed entity and shall be accompanied by the limited review report.

Provided that in case of public sector undertakings this limited review may be undertaken by any practicing Chartered Accountant.

(ii) In case the listed entity opts to submit audited financial results, they shall be accompanied by the audit report.

(d) The listed entity shall submit annual audited standalone financial results for the financial year, within sixty days from the end of the financial year along with the audit report and Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion):

Provided that if the listed entity has subsidiaries, it shall, while submitting annual audited standalone financial results also submit annual audited consolidated financial results along with the audit report and Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion)

Provided further that, in case of audit reports with unmodified opinion(s), the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while publishing the annual audited financial results.

(e) The listed entity shall also submit the audited or limited reviewed financial results in respect of the last quarter along-with the results for the entire financial year, with a note stating that the figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to the third quarter of the current financial year.

(f) The listed entity shall also submit as part of its standalone or consolidated financial results for the half year, by way of a note, a statement of assets and liabilities as at the end of the half-year.
(g) The listed entity shall also submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year.
(h) The listed entity shall ensure that, for the purposes of quarterly consolidated financial results, at least eighty percent of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.
(i) The listed entity shall disclose, in the results for the last quarter in the financial year, by way of a note, the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods.

(4) *The applicable formats of the financial results and Statement on Impact of Audit Qualifications (for audit report with modified opinion) shall be in the manner as specified by the Board.*

(5) For the purpose of this regulation, any reference to "quarterly/quarter" in case of listed entity which has listed their specified securities on SME Exchange shall be respectively read as "half yearly/half year" and the requirement of submitting 'year-to-date' financial results shall not be applicable for a listed entity which has listed their specified securities on SME Exchange.

(8) The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/ companies whose accounts are to be consolidated with the listed entity as per AS 21 in accordance with guidelines issued by the Board on this matter.

36. I note from the SCN that as per the findings of the Forensic Audit Report (FAR), the financial statements of the Company for FYs 2018-19 and 2019-20 were manipulated and mis-stated. The FAR has pointed out various irregularities in the financial statements, which include -

- Purchases made from Unregistered Dealers (URDs) without making payments or by adjusting the payables with third parties.
- Overstatement of purchases and sales, transactions with parties who had not filed GST Returns making such transactions suspect.
- Sales to suspicious / non-GST compliant entities,

- Sales to unregistered parties with different businesses,
- Adjustment of debtor balances with third parties' balances,
- Adjustment of ledger balances through 'Other JV' entries,
- Understatement of debtors and overstatement of capital advances by transfer entries,
- Sales amount neither reflecting in bank receipts nor in debtor balances,
- Sale and purchase transactions with multiple parties having same PAN with negligible fund movements making the transactions suspect,
- Understatement of creditors, overstatement of expenses through doubtful claim reimbursements,
- Overstatement of impairments, overstatement of receivables and fixed assets, etc.

37. Details of the abovementioned irregularities are provided in the SCN as well as in earlier paragraphs of this Order. The extent of alleged mis-statements is quantified and summarised in the Table under para 5.25 above.

38. I note that while Noticee directors of the Company have responded to the SCN, there has been no separate response from the Company.

39. I note that Noticees 2, 3, 6, 7, 9 and 10 have contested the allegations in the SCN on various grounds. In respect of the said allegations, the Noticees, instead of making specific submissions supported by documentary evidences in respect of each of the allegations, have made generalized submissions, which are summarized below:

(a) The Company was under CIRP and the Company's documents were in custody of Insolvency Resolution Professional (IRP) and other authorities (GST Authorities etc.). As a result of the same, the Noticees did not have any access to the documents of the Company to rebut the allegations.

(b) The findings in the FAR are based on conjectures and surmises, without actual verification of records.

(c) Many of the alleged irregularities were old industry practices, being followed for many years. The Company has not received any demand notice / order from GST Department in respect of the alleged irregularities.

(d) Alleged irregularities pertaining to GST do not fall within the purview of SEBI.

40. I have considered various submissions made by the Noticees, which are summarized and stated in earlier paragraphs of this Order. I note that while Noticees 2, 3, 6, 7, 9 and 10 have cited lack of access to Company's documents as being an impediment to their effective rebuttal of the allegations, they have failed to furnish any evidence to show that they tried to obtain the relevant documents from Insolvency Resolution Professional or other authorities who may have such documents in their custody. Further, it is noted from Noticees' submissions that the Company's CIRP Proceedings and the consequent moratorium remained stayed for a considerable period. The Company in its submissions made vide letter dated March 04, 2024 has itself admitted that the Company had come out of CIRP in March 2023 and had resumed its operations. Further, it is noted from the order dated September 14, 2023, passed by Hon'ble NCLAT, New Delhi (copy provided by the Noticees), that the moratorium declared by the Hon'ble NCLT, Ahmedabad, vide its order dated September 11, 2023 has been stayed. Under these circumstances, it cannot be accepted that the Noticees did not have access to Company's documents at any point of time after the SCN was issued. Accordingly, I do not accept the Noticees' contention that they did not have access to documents for effectively replying to the SCN.

41. The Noticees have challenged the findings in the FAR as being subjective opinion of the forensic auditor. They have contended that the FAR is full of conjectures and surmises. However, the FAR cites various specific instances in support of the conclusions drawn in the FAR. The Noticees ought to have rebutted the concerned findings by producing supporting documentary evidences. However, except

making general denials, the Noticees have failed to counter the findings in the FAR, which are referred to in the SCN.

42. The Noticees have questioned certain observations in the FAR, as mentioned in the SCN, by making submissions which are summarized in paras 34(bb) to 34(oo). I have considered the said submissions. However, I find the Noticee's submissions to be in the nature of general denials, without the backing of any supporting documentary evidences.

43. In certain instances, the Noticees have questioned the figures of overstatement, as found by the Forensic Auditor. In respect of allegations pertaining to sales booked vs. sales receipt, as referred to in para 7.7 of the SCN, the Noticees have questioned Forensic Auditor's finding that the sales were overstated by Rs.62.36 Crore. However, it is noted that the Noticees in their submissions have only considered the figure of sales on net basis, without taking into account the other factors, viz. figures of bank receipts, opening debtors and closing debtors. The SCN had considered all such factors and has accordingly arrived at the figure of overstatement of Rs.62.36 Crore. Similarly, the Noticees have argued that as per observations in FAR, the overstatement of Company's total sales for FYs 2018-19 and 2019-20 comes to Rs.2864.32 Crore, which is factually incorrect. However, in this case also, the Noticees have not considered all other relevant factors while calculating the quantum of overstatement. I thus find that the submissions of the Noticees in this regard cannot be accepted.

44. Noticees 2, 3, 6, 7, 9 and 10 have further contended that many of the alleged irregularities involving GST did not fall within the domain of SEBI. They have further submitted that they have not received any demand notice / order from GST authorities in respect of the alleged irregularities. In this regard, I note that it is the mandate of SEBI laws, as referred to in the SCN, that a listed company's published financial statements ought to be true and fair presentation of its financial position and free from any mis-statement. Accordingly, the SCN has merely pointed out the instances of mis-statements in the financial statements, as found

by the Forensic Auditor, which also involved aspects of GST laws. However, the SCN has not charged the Noticees for any violation of the provisions of GST Act or its rules. Any mis-statement in the financial statement would fall under the ambit of SEBI laws, even if it involves issues covered by any other law, including GST laws, not administered by SEBI. Thus, it is misplaced on part of the Noticees to say that the SCN has ventured into the domain of GST laws which are outside the domain of SEBI. Accordingly, the Noticees' contention in this regard cannot be accepted.

45. I note that the Noticees, in the course of the instant proceedings, had requested for an opportunity to cross-examine the Forensic Auditor. However, it was noted that the findings in the FAR were not based merely on subjective opinion but on concrete documentary evidences supporting the observations. The Noticees, instead of asking for an opportunity to cross-examine the Forensic Auditor, should have countered the findings by producing supporting records and documents. Accordingly, the Noticees' request for cross-examination of the Forensic Auditor was rejected and the same was conveyed to them during the personal hearing held on February 26, 2024.

46. As the Company has failed to rebut the findings of the FAR mentioned in the SCN, I am of the view that the allegation in the SCN that the financial statements of the Company for FYs 2018-9 and 2019-20 were mis-stated and manipulated stand established. I note from records that the price of the scrip of the Company had reached a high of Rs.369.20 (closing price) on March 31, 2018. I note that Deloitte, the statutory auditor of the Company, resigned on May 26, 2018 by citing the failure of the Company in providing certain information. Subsequent to the same, the price of the scrip fell to Rs.149.10 (closing price) on June 30, 2018. Further, there was a search and seizure proceedings conducted at various premises of the Company in May 2019, subsequent to which the price of the scrip fell further to Rs.35.45 (closing price) as on June 30, 2019. The fall in the price of the scrip was contrary to the general trend observed in the exchange indices during that time. Thus, it is clear that the high prices of the scrip prior to the abovementioned fall were influenced by the mis-stated financial statements published by the Company.

47. As the financial statement of the Company for FYs 2018-19 and 2019-20 are found to be mis-stated, which had influenced the price of the scrip, it is inferred that the Company (Noticee 1) had violated the provisions of Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 read with Sections 12A(a),(b),(c) of SEBI Act, 1992 and Regulations 4(1)(c) and 33 of LODR Regulations, 2015.

48. It is noted that Dhirendra Singh (Noticee 2) was the promoter, Chairman & Managing Director and a member of the Audit Committee of the Company during the relevant time. Further, Abhishek Singh (Noticee 3) was a promoter and an executive director of the Company during the relevant time. Further, Paresh Thakkar (Noticee 10) was the Chief Financial Officer (CFO) of the Company during relevant time. All three persons, being the CMD / executive director / CFO, as the case may be, were responsible for preparation and publication of the financial statements, which have been found to be manipulated and mis-stated. The said three Noticees had certified the mis-stated financial statements of the Company as true, under Regulation 17(8) of the LODR Regulations, 2015. Further, Noticee 2 had attended all the 17 board meetings of the Company during the Investigation Period. Similarly, Noticee 3 attended 5 board meetings in FY 2018-19 and 8 out of 12 board meetings in FY 2019-20.

49. I note that the Manpasand witnessed repeated mid-term resignations of its statutory auditors and directors during the Investigation Period. Further, the share price of the Company fell from a high of Rs.369.20 as on March 31, 2018 to around Rs.6 at the end of the Investigation Period, which led to significant wealth destruction for shareholders in value of their holdings. The Company continues to remain suspended from trading at the exchanges even now. These factors indicate that the affair of the Company were not conducted in a fair manner.

50. Since Noticees 2, 3 and 10 were the key persons managing the affairs of the Company and were responsible for preparation and publication of manipulated financial statements for FYs 2018-19 and 2019-20, I hold that Noticee 2, 3, and 10

have violated provisions of Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 read with Sections 12A(a),(b),(c) and 27 of SEBI Act, 1992, Regulations 4(1)(c), 17(8) and 33 of LODR Regulations, 2015. Additionally, Noticee 2 and 3 have also violated the provisions of Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7) of the LODR Regulations, 2015. Further, Noticee 2 has also violated the provisions of Regulation 18(3) read with provisions of Clauses A (1), (4), (5), (7), (11) (12) and 13 of Part C of Schedule II of the LODR Regulations, 2015.

51. I note that the manipulations in Manpasand had started prior to the investigation period, as the Company was found to have mis-utilized proceeds of a Qualified Institutional Placement done by the Company in September 2016, as established vide the Adjudication Order dated March 02, 2023, passed by SEBI. Further, SEBI vide the said Order had also found *inter alia* that Manpasand had deficiencies in internal controls and had published misleading financial statements for FYs 2016-17 and 2017-18. However, since these facts are not part of the present proceedings, I have not taken them into consideration while deciding on the allegations against the Noticees.

52. As regards other Noticees, I note that Milind Babar (Noticee 4), Chirag Doshi (Noticee 5), Bharti Naik (Noticee 6), Nishish Mobar (Noticee 7), Kaushal Ameta (Noticee 8) and Vimal Patel (Noticee 9), in their capacity as members of the Audit Committee of various period during the Investigation Period, are alleged to have violated the provisions of Regulation 18(3) read Clauses A (1), (4), (5), (7), (11) (12) and 13 of Part C of Schedule II of the LODR Regulations, 2015.

53. I note that Noticee 4, 5, 7, 8 and 9 were independent directors and Noticee 6 was a non-executive director of the Company. All these Noticees were part of the Audit Committee of the Company and their tenures are mentioned in the Table under Para 2 above. The provisions of LODR Regulations, 2015 referred to above, cast certain duties on members of the Audit Committee, including keeping oversight of

a listed company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.

54. I note that Noticee 4 and 5 have submitted that they were not involved in the day-to-day operations of the Company. According to them, they cannot be held responsible for checking and ensuring that no accounting adjustments were made, loans / other transactions were correctly accounted for and presence of more than one accounting system was checked. They have further contended that these were executive functions and normally carried out by the executive directors / directors who were responsible for the day-to-day operations of the Company.

55. I am of the opinion that the members of Audit Committee have been entrusted with certain legal obligations and such obligations cannot be discharged in a perfunctory manner. The members have to act independently and have to remain vigilant. However, since the financial statements of the Company are found to be manipulated and such manipulation extended over a long time overlapping with their tenures, it is evident that Noticees 4 and 5 did not perform their duties in a diligent manner. Accordingly, I hold that Noticee 4 and 5 have violated the provisions of Regulation 18(3) read with Clauses A (1), (4), (5), (7), (11) (12) and 13 of Part C of Schedule II of the LODR Regulations, 2015.

56. However, I note that SCN has not alleged active involvement of Noticees 4 & 5 in the manipulation of the financial statements. Further, no specific role played by these Noticees in the manipulation has been alleged in the SCN, except that they were part of the Audit Committee. I have taken into consideration the above fact, while deciding the directions to be issued against them for the said violation.

57. Kaushal Ameta (Noticee 8) has submitted that he was appointed as an independent director of the Company only on January 03, 2020. He has submitted that the shares of the Company were suspended by the exchanges due to certain irregularities. The Noticee, being a company secretary, was therefore contacted by the management of the Company to help in revocation of the suspension. The

Noticee accepted to become a director of the Company. However, his role was limited to helping the Company in revocation of suspension. The Noticee had nothing to do with the financials of the Company.

58. Noticee 8 has further submitted that SCN has made allegations or irregularities in respect of financial results of FY 2018-19 and quarterly financial results of first 3 quarters of FY 2019-20. It has not made any allegation or adverse observation in respect of quarter 4 of FY 2019-20. Since the alleged irregularities happened before Noticee's appointment as a director, he cannot be made liable for the same. He has further contended that neither the Forensic Auditor nor NSE has made any specific adverse findings against him.

59. I have considered the submissions of Noticee 8. I note that the said Noticee was appointed as an independent director only on January 03, 2020, which was close to the end of the Investigation period. Since the manipulation of the financial statements had started much before Noticee's appointment and the Noticee's tenure as member of the Audit Committee, as part of the Investigation Period, is limited to less than 3 months, I am inclined to give benefit of doubt to the Noticee. Accordingly, I hold that the allegation of violation of the abovementioned provisions of LODR Regulations, 2015 by the Noticee 8 are not substantiated.

60. As regards, Bharti Naik (Noticee 6), Nishish Mobar (Noticee 7) and Vimal Patel (Noticee 9), it is noted that they have made submissions on the same lines as Noticee 2, 3 and 10 and have not contended anything specific on their roles as members of Audit Committee. I note that Bharti Naik was a member of the Audit Committee from August 14, 2014 to December 20, 2019. Further, Nishish Mobar was a member of the Audit Committee from October 09, 2019 onwards. I thus find that they have remained members of audit committee for a considerable period covered under the Investigation Period. Accordingly, since the financial statements of the Company are found to be manipulated and such manipulation extended over a long time overlapping with their tenures, it is evident that Noticees 6 and 7 did not perform the duties in a diligent manner. Accordingly, I hold that Noticee 6

and 7 violated the provisions of Regulation 18(3) read with Clauses A (1), (4), (5), (7), (11) (12) and 13 of Part C of Schedule II of the LODR Regulations, 2015.

61. However, similar to the case of Noticees 4 and 5, I note that SCN has not alleged active involvement of Noticees 6 & 7 in the manipulation of the financial statements. Further, no specific role played by these Noticees in the manipulation has been alleged in the SCN, except that they were part of the Audit Committee. I have taken into consideration the above fact, while deciding the appropriate direction to be issued against them for the said violation.

62. As regards Vimal Patel (Noticee 9), I note that he has been a member of the Audit Committee from January 03, 2020 onwards. I note that similar to the case of Kaushal Ameta (Noticee 8), Vimal Patel's appointment was very close to the end of the Investigation period, as he was appointed as an Audit Committee member only on January 03, 2020. Since the manipulation of the financial statements had started much before Noticee's appointment and the Noticee's tenure as member of the Audit Committee, as part of the Investigation Period, is limited to less than 3 months, I am inclined to give benefit of doubt to Vimal Patel (Noticee 9). Accordingly, I hold that the allegation of violation of the abovementioned provisions of LODR Regulations, 2015 by Vimal Patel (Noticee 9) are not substantiated.

63. I note from the SCN that Noticees 1, 2, 3 and 10 were issued summonses dated December 11, 2020, February 4, 2021 and February 24, 2021, seeking information, as listed under para 11 above. It is alleged that they failed to furnish the required information.

64. Noticees 2, 3 and 10, in respect of the above, have submitted that a total of 87 items were sought vide the abovementioned summonses, out of which the Noticees provided 74 items, before the Company went under CIRP vide Order dated 01.03.2021 of the Hon'ble NCLT. The Noticees have submitted that since May 2019, the Company's records have been accessed by multiple authorities. As a result of the same, several records are now lying with aforesaid authorities and

the Noticees do not have access to the same.

65. I note that though Noticees have claimed that they did not have access to various documents, they have not produced any evidence to show that they made an effort to obtain relevant information from the authorities, having custody of the said documents. Accordingly, I am not inclined to accept the submissions of the Noticees. Accordingly, I hold that Noticees 1, 2, 3 and 10 have violated the provisions of Section 11C(2) & (3) of the SEBI Act, 1992.

66. The violations of the provisions of PFUTP Regulations, 2003 and the SEBI Act, 1992 established against Noticees 1, 2, 3 and 10 make them liable for monetary penalty under Section 15HA of the SEBI Act, 1992. Further, the violation of the provisions of LODR Regulations, 2015 established against the Noticees 1 to 7 and 10 make them liable for monetary penalty under Section 15HB of the SEBI Act, 1992. Further, the failure to furnish information to IA, as established against Noticees 1, 2, 3 and 10 makes these Noticees liable for monetary penalty under Section 15(a) of the SEBI Act, 1992. Accordingly, I deem it fit to impose monetary penalties on the Noticees. While deciding the monetary penalty, I have considered the factors mentioned under Section 15J of the SEBI Act, 1992. In this regard, considering the violations established against Noticees 1, 2, 3, 4, 5, and 10 in the Adjudication Order dated March 02, 2023 passed by SEBI, I find that the violations committed by them are repetitive in nature.

67. Apart from the monetary penalty, I also deem fit to issue directions of restraint against Noticees 1, 2, 3, and 10 for violations established against them. As regards Noticees 4, 5, 6 and 7, I am of the opinion that imposition of monetary penalty would suffice as appropriate action for violations committed by them.

68. I note that the Company (Noticee 1) has been under CIRP in the past. However, from the Noticees' submissions as well as from Hon'ble NCLAT's Order dated September 14, 2023 , which is available on its website, I note that the moratorium imposed under Section 14 of the Code is currently not in operation.

Order:

69. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11, 11(4), 11(4A), 11A(1)(b)(i), 11B(1) and 11B(2) read with of Section 19 of the SEBI Act, 1992 and Rule 5 of the Adjudication Rules, hereby direct the following:

(a) Manpasand Beverages Ltd. (Noticee 1), Dhirendra Hansraj Singh (Noticee 2), Abhishek Dhirendra Singh (Noticee 3) and Paresh Thakkar (Noticee 10) are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, in any manner whatsoever, for a period of 3 years from the date of this Order.

(b) Dhirendra Hansraj Singh (Noticee 2), Abhishek Dhirendra Singh (Noticee 3) and Paresh Thakkar (Noticee 10) are restrained from holding any position of director or key managerial personnel in any listed company or any intermediary registered with SEBI, or associating themselves with any listed public company or a public company which intends to raise money from the public or any intermediary registered with SEBI, in any capacity, for a period of 5 years from the date of this Order.

(c) If the Noticees 1, 2, 3, and 10 have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out / square off such open positions within seven days from the date of this order. The Noticees are, however, permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

(d) The Noticees 1, 2, 3, 4, 5, 6, 7, and 10 are hereby imposed with monetary penalties under Sections 15HA, 15HB and 15A(a) of the SEBI Act, 1992, as per the details mentioned in the Table below:

Sl. No.	Name of the Noticee	Penalty imposed under Section 15HA of the SEBI Act, 1992	Penalty imposed under Section 15HB of the SEBI Act, 1992	Penalty imposed under Section 15A(a) of the SEBI Act, 1992	Total penalty to be paid
1.	Manpasand Beverages Ltd.	Rs.10,00,000	Rs.5,00,000	Rs.2,00,000	Rs.17,00,000
2.	Dhirendra Hansraj Singh	Rs.10,00,000	Rs.5,00,000	Rs.2,00,000	Rs.17,00,000
3.	Abhishek Dhirendra Singh	Rs.10,00,000	Rs.5,00,000	Rs.2,00,000	Rs.17,00,000
4.	Milind Babar	NA	Rs.2,00,000	NA	Rs.2,00,000
5.	Chirag Doshi	NA	Rs.2,00,000	NA	Rs.2,00,000
6.	Bharti Naik	NA	Rs.1,00,000	NA	Rs.1,00,000
7.	Nishish Mobar	NA	Rs.1,00,000	NA	Rs.1,00,000
8.	Paresh Thakkar	Rs.10,00,000	Rs.5,00,000	Rs.2,00,000	Rs.17,00,000

(e) The Noticees 1, 2, 3, 4, 5, 6, 7, and 10 shall remit / pay the amount of penalty mentioned against their respective names in the Table under sub-para (d) above, within 45 days of receipt of this order by using the undermentioned pathway: www.sebi.gov.in/ENFORCEMENT → Orders → Orders of Chairman/ Members → Click on PAY NOW or by using the web link: https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. The said Noticees shall forward the details/confirmation of penalty so paid through e-payment to "The Division Chief, CFID-SEC6, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai -400 051" and also to e-mail id: tad@sebi.gov.in in the format given in the table below.

1. Case Name	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for : (like penalties/ disgorgement/ recovery/settlement amount and legal charges along with order details)	

70. The directions issued above against Manpasand Beverages Ltd. (Noticee 1) shall be subject to any order passed by any competent court / tribunal having jurisdiction under any law, including orders passed by NCLT / NCLAT under the provisions of Insolvency and Bankruptcy Code, 2016.

71. The proceedings against Noticees 8 and 9 are hereby disposed of without any direction.

72. This order comes into force with immediate effect.

73. A copy of this order shall be sent to the Noticees, recognized Stock Exchanges, Depositories and Registrar and Transfer Agents for information and compliances.

PLACE: MUMBAI **ASHWANI BHATIA**

DATE: APRIL 30, 2024 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA