WTM/AB/CFID/CFID/30277/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

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

IN RESPECT OF:

	ENTITY	PAN
1.	LEEL Electricals Ltd.	AAACL0484G
2.	Bharat Raj Punj	AAHPP4196K
3.	Achin Kumar Roy	AACPR6406K
4.	Mr. Nipun Singhal	AFFPG0064A
5.	Mukat Behari Sharma	AIYPS6825M
6.	Sushil Kabra	ABHPK1225H
7.	Surjit Kishan Sharma	AUQPS5234A
8.	Geeta Tekchand	AAAPT0907H
9.	Anita Kakar Sharma	ARBPK3057B

IN THE MATTER OF LEEL ELECTRICALS LTD.

1. LEEL Electricals Ltd. ("**LEEL/the Company**") was incorporated in 1987 and the corporate office of the company is situated at 159, Okhla Industrial Estate, Phase - III, New Delhi -110020. The Company earlier had three reportable business segments, which were:-
    a) Consumer Durable ("**CD**") Business,
    b) Original Equipment Manufacturing and Packaged Air Conditioning Segment and
    c) Heat Exchangers and Components Segment.

2. As per the Corporate Announcement made by the Company on May 08, 2017, the CD business was acquired by Havells India Ltd. (Havells) for a consideration of Rs. 1550 Crore. Subsequent to the said transaction, SEBI received a complaint dated November 13, 2018, from a shareholder of the Company, *inter alia* alleging that promoters and the senior management of the Company have diverted funds including the funds received from the sale of the CD business. SEBI also received a letter dated February 15, 2019, from the Office of the Commissioner for Central Goods and Service Tax which *inter alia*

stated that LEEL had availed GST input tax credit of Rs. 40.53 Crore against reported purchase of material amounting to Rs. 225.19 Crore without actually receiving any goods and without any underlying financial transactions. The letter also mentioned that the Whole Time Director and Chief Financial Officer of LEEL had admitted in a statement filed before the High Court of Rajasthan that the company had entered into such transactions to show an increase in the volume of turnover.

3. Given the above, SEBI initiated an investigation into the affairs of the Company and appointed Deloitte Touche Tohmatsu India LLP ("**Deloitte**"), vide letter dated April 12, 2019, to conduct a forensic audit of the books of the Company for the financial years 2017-18 and 2018-19. On completion of the audit, Deloitte submitted a Forensic Audit Report ("**FAR**") to SEBI on February 25, 2020. Subsequently, SEBI, after recording the statements of the relevant people and obtaining information from the entities covered under the FAR, completed its investigation in the matter.

4. In the meanwhile, NCLT, Allahabad Bench, vide Order dated December 09, 2019, admitted Corporate Insolvency Resolution Proceedings ("**CIRP**") against the Company and appointed a Resolution Professional (**RP**). Thereafter, NCLT vide order No.356/2021 dated December 16, 2021, directed that "*the Corporate Debtor (LEEL) is ordered to be liquidated in terms of section 33(2) of the Code read with sub-section (1) thereof*". The Company is, therefore, currently under liquidation.

5. The SEBI Investigation noted that various violations of the provisions of the securities laws and, based on the same, a Show Cause Notice dated July 05, 2022, was issued to the Company, its Whole-Time Directors, Independent Directors and certain KMPs. The allegations contained in the SCN against the respective Noticees are summarized below:

Diversion of Funds:

6. It was alleged in the SCN that the Company misused/diverted funds to the tune of Rs. 472.11 Crore in the years prior to the investigation period, the details of which are captured in the Table below and elaborated in the subsequent paragraphs:

DIVERSION OF FUNDS OF THE COMPANY (RS. IN CRORE)

REF NO.	HEADING	AMOUNT OF DIVERSION IDENTIFIED	AMOUNT OF MISREPRESENTATION
8.1	RELATED PARTIES' DEBIT BALANCES TRANSFERRED IN CAPITAL WORK-IN-PROGRESS	313.23	313.23
8.2	TRANSFER OF RELATED PARTY RECEIVABLE BALANCE TO VENDOR'S ACCOUNT	148.88	148.88
8.3	FICTITIOUS PREPAID EXPENSES WRITTEN OFF	10.00	10.00
	TOTAL	**472.11**	**472.11**

Related parties' debit balances transferred to Capital Work-in-Progress ("CWIP"):

7. It was noted from the Annual Report of LEEL for the year 2017-18 that the amount recorded under the head CWIP increased from Rs. 10.13 Crore as of March 31, 2017, to Rs. 313.23 Crore as of March 31, 2018. It was alleged in the SCN that the increase in the CWIP was primarily due to the transfer of balances receivable from certain related/associated entities ("**CWIP entities**") to the ledger *"2000000130- Capital Work in Progress"*, the details of which are given below:

TABLE NO. 3 **DETAILS OF CWIP AS ON MARCH 31, 2018**
(RS. IN CRORE)

S. NO.	PARTICULARS	ASSOCIATION	AMOUNT (RS. IN CRORE)
1	HIMALAYAN MINERAL WATERS PVT. LTD. **(HMWPL)**	RELATED*	120.03
2	PERFECT RADIATORS AND OIL COOLERS PVT. LTD. **(PROC)**	RELATED*	62.19
3	FEDDERS IT TECHNOLOGY PVT. LTD. **(FITPL)**	RELATED*	59.13
4	ZENITH IMPEX PVT. LTD. **(ZIPL)**	ASSOCIATED #	36.00
5	FEDDERS AIRCOOL PVT. LTD. **(FAPL)**	RELATED *	16.00
6	RAJSEE ESTATES PVT. LTD. **(REPL)**	ASSOCIATED #	11.29

7	FEDDERS ELECTRIC AND ENGINEERING LTD. **(FEEL)**	RELATED *	8.62
	TOTAL		**313.23**

(Source: FAR)

*Enterprises owned or significantly influenced by key management personnel or their relatives
associated with the Company by way of common directors.

8. It was noted that M/s. Goel Garg & Co ("**GGC**"), Chartered Accountants, who were the Statutory Auditor of LEEL for the FY 2017-18, had resigned on December 18, 2019, citing *inter alia* non-receipt of sufficient information from the Company. GGC, subsequently, vide letter dated June 15, 2021, submitted that Rs. 313.23 Crore, which was camouflaged in the books of LEEL under various entries such as sundry creditors, etc. was transferred to CWIP in 2017-18. GGC also submitted that there was no change in CWIP till its resignation in December 2019.

9. It was also noted in the SCN that the compliance officer and the members of the Audit Committee ("**AC**") of the Company submitted in their deposition before SEBI that AC meetings were never held and these transactions were not undertaken with the approval of the AC.

10. Based on all the above, it was alleged in the SCN that LEEL had made payments to related parties over the years without the approval of the AC or the Board and then camouflaged the receivable balances from these parties by transferring Rs. 313.23 Crore out of the balance receivable to CWIP without any rationale and supporting documents.

Transfer of Related party receivable balance to vendor's account

11. It was stated in the SCN that the Forensic Auditor, based on an analysis of the Vendor Ledger (Ledger No. 0011000110), noted that a single journal entry amounting to Rs. 148.88 Crore was recorded on March 31 2016 whereby the receivable balance from FEEL (related party of LEEL) was transferred to Mettube, one of the vendors of LEEL for the purchase of Copper tubes (HSN code 74110000), located in Malaysia. It was noted that no narration or supporting documentation was made available for the aforesaid transfer of the receivable balance from the Company's related party to Mettube. Further, it was noted that

the related party disclosure in the annual report of LEEL for the FY 2016-17 did not disclose the aforesaid transaction.

12. Given the above, it was alleged in the SCN that LEEL had made payments to a related party and subsequently by passing a book entry on March 31, 2016, reduced the receivable balance from the said related party by Rs. 148.88 Crore and adjusted the same against another vendor account without justification and approval. This, as per the SCN, not only led to the diversion of the funds to the tune of Rs. 148.88 but also misrepresentation of the financials of the Company for the year 2016-17.

Fictitious Prepaid Expenses Written off

13. The SCN notes that the balance from asset ledger *"2030513000-Prepaid Expenses"* amounting to Rs. 14.66 Crore was transferred on February 28, 2018, as a cost to the sale of CD business. However, a break-up of the said prepaid expenses was not provided by the Company. The FAR, based on an analysis of the ledger of prepaid expenses notes that on March 31, 2014, Rs.10 Crore was booked as prepaid expenses by the Company with a simultaneous reduction in the receivable balance of FEEL. No narration was available for this transaction in the ledger extracts provided by the Company.

14. It was therefore alleged in the SCN that the receivable balance of FEEL (related party) was reduced by Rs. 10 Crore by creating a fictitious entry of prepaid expenses without justification and this led to the diversion of funds and misrepresentation of the profit on the sale of CD business by the said amount.

<u>Misrepresentation of Financials</u>:

Fictitious entries in a vendor ledger for inflation of profit:

15. LEEL maintained three ledgers (ledger no. 0011000110, 0010000264 and 0011000055) in its books of accounts for the transactions with Mettube. The balance reflected in these three ledgers as of the closing date of the respective financial years for the period April 01, 2013, to March 31, 2019, is given in the table below:

DATE	BALANCE OF LEDGER NO. 0011000110	BALANCE OF LEDGER NO. 0010000264	BALANCE OF LEDGER NO. 0011000055	TOTAL RECEIVABLE/(PAYABLE) BALANCE
31-MAR-13	(15.41)	-	9.60	(5.81)
31-MAR-14	152.73	(38.00)	(5.47)	109.26

31-MAR-15	280.15	(38.00)	4.26	246.41
31-MAR-16	510.08	(38.00)	13.32	485.40
31-MAR-17	**509.32**	(38.00)	(19.02)	452.30
31-MAR-18	(11.74)	(38.00)	(42.29)	(92.03)

16. It can be noted from the Table above that LEEL which had a payable balance of INR 5.81 Crore to Mettube as on 31st March 2013 started reporting significant receivable balance from FY 2014 to FY 2017. The SCN alleged that this was despite LEEL having not made any sales/advances to Mettube during this period.

17. It was further alleged in the SCN that inventory booked by LEEL, in its books, from Mettube in many quarters was higher than the total import of the said commodity into India from Malaysia, as reflected in Government of India ("**GoI**") Data. To illustrate, it was noted that inventory aggregating to Rs. 375.60 Crore was booked by LEEL in the quarter ended 31st March 2018, as compared to the total imports amounting to INR 197.60 Crore for the said material from Malaysia into India during that quarter as per the GoI Data.

18. The SCN also noted that as per the information obtained from Mettube, there was a significant amount payable by LEEL to Mettube as of April 01, 2017, whereas as per the books of LEEL, Rs. 452.30 Crore was receivable from Mettube. Further, an entry for the purchase of inventory amounting to Rs. 320.60 Crore, made by giving effect to Ledger *"2030000013-Inventory – Others",* on February 28, 2018, was disputed and Mettube stated that no such inventory was supplied to LEEL.

19. The SCN also alleged that at the end of each financial year during the period 2013-14 to 2015-16 an accounting entry was passed by LEEL by debiting *"0011000110 - Mettube International SDN BHD"* and crediting *"GL 4000000060 - Consumed-Others"* and no supporting documents were available in the records of LEEL for the said entries. It was alleged in the SCN that by passing such accounting entries, LEEL overstated the profit for the respective financial years by Rs. 356.68 Crore in aggregate. Given the same, it was alleged in the SCN that LEEL would have reported losses in F.Y. 2013-14, 2014-15 and 2015-16 if these entries were not made.

20. Based on the findings in the FAR, the SCN also alleged that the books of LEEL reflected a transaction dated March 31, 2018, amounting to INR 42.65 Crore

where the receivable balance from Mettube was written off by adjusting it as a cost to the sale of CD segment. It was noted that no supporting documentation or copy of any internal approval for the said write-off was made available by LEEL to SEBI or to the Forensic Auditor.

21. Given the above observations, it was prima facie noted that the ledger of Mettube was used as an accounting pass-through ledger to pass adjustment accounting entries for inflating the profit for many years by LEEL. The same practice was continued by LEEL during the IP by passing a journal entry on February 28, 2018, for recognizing a fictitious inventory of Rs. 320.60 Crore. The aforesaid adjustment entries have led to misrepresentation of the financials. Also, the profit on the sale of CD business disclosed by the Company in its financial statements for the year ended September 30, 2017, and March 31, 2018, was understated.

Inflated Stock-in Transit:

FICTITIOUS PURCHASES AND SALES:

22. As stated in the preceding part of this Order, SEBI had received a letter from the Office of Commissioner of Central Goods & Service Tax, Ministry of Finance, wherein it was stated that LEEL availed GST Input Tax Credit of INR 40.53 Crore against a fictitious purchase of goods to the tune of INR 225.19 Crore, during the period from July 2017 to March 2018. It was stated in the letter that the Company had reported such sales to show an inflated annual turnover in financials.

23. It was further alleged in the SCN, based on the observations in the FAR, that the value of purchases as per the purchase register was higher than the number reported in its profit and loss statements for FY 2017-18, by Rs. 317.11 Crore. It was also noted that the purchases from Related/Associated parties formed approx. 25.20% i.e. Rs. 428.94 Crore out of Rs. 1,701.87 Crore of total purchases recorded in the books during FY 2017-18. Similarly, it was also noted that the value of sales as per the sales register was higher by Rs. 268.39 Crore as compared to the sales in LEEL's profit and loss statements for FY 2017-18. The sales made to Related/Associated parties formed approx. 16.37% i.e. Rs. 363.84 Crore out of net sales of Rs. 2,222.06 Crore during FY 2017-18.

24. The value of the Closing stock as per financial statements was Rs. 119.79 Crore higher than the value of inventory as per the stock register of 2017-18. Further, instances have been observed where the month in which the average closing

rate per unit of material was way-off from the average closing rate for the remaining period in FY 2017-18. The above indicate that the purchases and sales booked by the Company were not consistent with the amounts disclosed in the financial statements, leading to potential misrepresentation.

25. In the TAR, it has been concluded that *"the Company has adjusted debit balances of the above customers with the other customers' credit balances. The Company has issued credit notes amounting to Rs. 263.30 cores during FY 2018-19 for the sale made during 2017-18. Hence the sales of 2017-18 are inflated at least to that extent. On analysis of the stock register, it was seen that there were no input or output entries of stock and dummy entries were passed to inflate the stocks."*

26. Given the above, it was alleged that the purchases and sales reported by the Company do not appear to be genuine and have resulted in inflating the sales and purchases at least to the extent of Rs. 224.87 Crore and Rs. 225.21 Crore respectively in the FY 2017-18, thereby resulting in misrepresentation of the Financial Statements. Further, the related party disclosures made by the Company for purchases and sales, it was alleged, were incomplete, inadequate and misleading.

Misrepresentations in the calculation of Profit on Sale of CD Business

27. In terms of the Business Transaction Agreement dated April 19, 2017, the consideration payable by Havells for the acquisition of LEEL was Rs. 1550 Crore. It was, however, noted that as per the accounting records of LEEL for FY 2017-18, the profit reported from the sale of the CD Business was only Rs. 662.80 Crore, the breakdown of which is given in the table below:

CALCULATION OF PROFIT ON SALE OF CD BUSINESS

PARTICULARS	AMOUNT IN CRORE	AMOUNT IN CRORE
SALE CONSIDERATION		1550.00
LESS: EXPENSES ADJUSTED -		**(478.07)**
COST OF GOODS SOLD TRANSFERRED	(308.70)	
STORES & SPARES CONSUMED	(11.91)	
PREPAID EXPENSES ADJUSTED	(14.66)	
CONSULTANCY CHARGES – MINDAGE SOLUTIONS PVT. LTD.	(5.06)	
INCENTIVE PAID TO ANITA KAKAR	(1.93)	

OTHER EXPENSES (INCLUDING LEGAL FEES PAID TO EY, PROVISION FOR E-WASTE, ETC.)	(135.81)	
LESS: BRANCH ACCOUNT ADJUSTMENT (2C01-LEEL ELECTRICALS)		(183.29)
LESS: SET OFF OF RECEIVABLES BALANCE FROM HAVELLS INDIA LTD. (001009366)		(90.88)
LESS: SET OFF OF RECEIVABLE BALANCE FROM "0010018817 – HAVELLS INDIA LTD"		(92.24)
LESS: SET OFF OF RECEIVABLE BALANCE FROM "0010018837 – HAVELLS INDIA LTD"		(0.07)
LESS: BALANCE OF METTUBE INTERNATIONAL SDN BHD		(42.62)
PROFIT AS PER ANNUAL REPORT OF FY 2017-18		**662.80**

28. The SCN alleged that the deductions made to profit from the sale of CD business were not justified and unrelated costs were deducted from the consideration received from Havells resulting in the lower figure being reported in the books of the Company.

29. The SCN further alleged that the Company had failed to obtain the requisite approvals while engaging in related party transactions and also failed to implement the corporate governance norms specified under the LODR Regulations.

<u>Related Party Transactions and Disclosure Violation</u>

30. As it was prima facie noted that the AC meeting of the Company was held only on paper, the SCN alleged that the requisite approval for related party transactions was not obtained by the Company as mandated under the LODR Regulations. It was also noted that in respect of the transactions with the related parties, there was a variance in the amount recorded in the ledgers of the company and the disclosures as per LEEL's annual report for FY 2017-18.

<u>Failure of Corporate Governance</u>

31. Given the above, it is *prima facie* alleged that the financial statements of LEEL for the FY 2013-14 to FY 2018-19 were fraudulently manipulated and the figures contained therein were significantly misstated. This led to the publication of manipulated financial results of the Company from FY 2013-14 to FY 2018-19. The SCN further alleged that such publication of information in the financial statements which are not true and misleading or in a distorted manner was in contravention of the provisions of the SEBI Act, PFUTP Regulations and LODR Regulations.

32. Based on the above alleged transgressions, the SCN called upon the Company, its Whole-Time Directors, and members of the AC to show cause as to why penalties and directions should not be imposed/issued against them under the provisions of the SEBI Act, the LODR regulations and PFUTP Regulations.

Cross-Examination and Hearings

33. The Noticees were granted an opportunity of personal hearing as per the following schedule:

Notice 1	March 14, 2023
Noticee 2	
Noticee 3	
Noticee 4	March 15, 2023
Noticee 5	
Noticee 6	
Noticee 7	March 16, 2023
Noticee 8	
Noticee 9	

34. All Noticees other than Noticee 9 availed the opportunity of hearing. Noticee 9 requested an opportunity to cross-examine certain co-Noticees be provided prior to the hearing. Accordingly, an opportunity to cross-examine Noticees 5, 7 and 8 was provided to Noticee 9. The cross-examination initially scheduled

on May 22, 2022, could not be conducted as all three Noticees who were to be examined expressed their inability to attend citing varied reasons including health concerns. Considering the same, another opportunity for cross-examination was provided on July 17, 2023. This date was given considering the request of Noticee 5 who had expressed his inability to be present for examination in June 2023 citing health concerns. However, even in this instance, the cross-examinations could not be completed as the witness refused to participate at the last moment.

35. Thereafter, another opportunity was provided and the cross-examination of Mukat Behari Sharma (Noticee 5) was conducted on 02.08.2023 and 24.08.2023. The cross-examination of Surjit Kishan Sharma (Noticee 7) was conducted on 01.08.2023 while the cross-examination of Geeta Tekchand (Noticee 8) was conducted on 07.08.2023. After completing the cross-examinations, an opportunity of personal hearing was granted to Noticee 9 on October 13, 2023.

36. The summary of the oral and written submissions made on behalf of the Noticees is given below:

Bharat Raj Punj

a. Noticee submitted that he was not involved in the day-to-day affairs of the company nor was he responsible for finance and accounts functions of LEEL. It was stated that even though he was a director of the Company, he was not at the helm of the affairs. Noticee submitted that he was based out of the USA and was looking after overseas acquisitions etc.

b. It was submitted that his late father Mr Brij Raj Punj along with the Core Team Members (consisting of Whole Time Directors and Key Finance Officials) were in charge of the day-to-day management and affairs of the Company, especially the activities/transactions impugned in the Notice.

c. It was submitted that since the Company is presently under liquidation he did not have access to all the documents required to file an effective reply to the SCN and both SEBI and resolution professional had failed to furnish all the documents sought by him. The documents cited by the Noticee, which were not furnished to him, included the bank statements of LEEL for the period FY 11 to FY 17, the minutes of the quarterly meetings of the Company etc.

d. *It was submitted that the impugned proceedings suffer from enormous laches as the alleged violations pertain to the period starting from 2010-11.*

e. *The Noticee submitted that he along with his family has been residing in the United States for the last many years and his primary engagement and full-time responsibility is managing the affairs of Real Technology, LLC.*

f. *It was submitted that he was the only son of his late father, who was the CMD of the Company. He was appointed as an additional director of LEEL in August 2012. The Noticee submitted that he was subsequently appointed as Deputy Managing Director (DMD) pursuant to the board resolution dated 13 August 2015. He was later re-appointed as Deputy Managing Director on 30 May 2017 pursuant to the board resolution dated 30.05.2017.*

g. *Noticee submitted that his principal engagement was to look after the foreign subsidiaries of the Company and it was never intended for me to be involved in the day-to-day functioning and operations of the Company in India.*

h. *It was submitted that the affairs of the Company (including, specifically, the financial affairs of the Company) were being managed and overseen by the following key senior management personnel: (i) Anita Kakar Sharma (Company Secretary & VP, Finance); (ii) Sushil Kabra (Group CFO); (iii) AK Roy (Whole-time Director); (iv) Mukat Behari Sharma (Whole-time Director and CFO); (v) Nipun Singhal (Whole-time Director); (vi) Randhir Jain (GM, Banking) and (vii) Mr. Arun Paliwal (Vice-President – Banking) (together, the "Core Management Team"), all of whom used to report to Late Sh. Brij Raj Punj, the CMD.*

i. *It was submitted that the Noticee was under constant pressure from the Core Management Team to take office as Managing Director after the death of his father considering he was the only son of the CMD, Late Sh. Brij Raj Punj. Consequently, the Noticee reluctantly accepted to take on the position of Managing Director on 30 May 2018.*

j. *Noticee submitted that even during his tenure as Managing Director, he was not involved in any financial transactions of the Company and was not a signatory to any of the bank accounts of the Company. Such functions were being undertaken by the Core Management Team, who were more closely involved with the affairs of the Company. It was submitted that the core management team only escalated issues to his attention when the Company* *was on the brink of collapse or when they were on their way out of the Company.*

k. *It was submitted that in February and December 2018, the Income Tax Department conducted a 'search and seizure' on the premises and facilities of the Company and its Directors. Noticee submitted that most of the Core Management Team had submitted their resignations from the Company after the search and seizure in February.*

l. *The Noticee contented that certain issues relating to the financials of the Company during the period prior to his taking over as Managing Director of the Company were brought to light pursuant to the search and seizure conducted in December 2018. It was submitted that as soon as the said issue was flagged to the Noticee's attention he apprised the AC and requested for immediate action vide letter dated 24 December 2018.*

m. *It was also submitted that the income tax raids, which emerged from the affairs and operations of the Company related to a period prior to the Noticee becoming Managing Director and resulted in unnecessary individual harassment being inflicted on him and this among other things, ultimately contributed to the Noticee's resignation as Managing Director on March 02, 2019.*

n. *In respect of the Lloyd group circular dated September 25, 2014, on "Re-organisation Finance and Accounts functions of LEEL" wherein it was stated that "Mr. Sanjeev Mittal will look after Finance and Accounts Functions of LEEL at a Company level and will report to Mr. Bharat Punj", it is submitted that Mr. Sanjeev Mittal, Senior V.P (Finance and Accounts) never reported to the Noticee and his reporting was to then CFO Mr. Sushil Vij.*

o. *Noticee submitted that he was not present in the Board Meeting held on May 30, 2017, where the alleged Related parties' debit balances were transferred to Capital Work in Progress ('CWIP"). It was also stated that it is evident from the minutes of the Board Meeting held on May 30, 2017, attached as Annexure 18 of SCN, that no such matter was discussed in the meeting. Noticee contented that Mrs. Anita Kakkar Sharma has forged the minutes and registers of the Company without the knowledge of the Board of Directors of LEEL.*

p. *Noticee finally submitted that it is evident from the statement of Mr. Sushil Kabra that it was Late Shri Brij Raj Punj and Ms. Anita Kakar who were responsible for transactions under question in the present proceedings.*

Achin Kumar Roy

a. It was submitted that the Noticee never acted as the Chief Executive Officer (CEO) of LEEL. The allegation in this respect is based solely on wrong disclosures made in the Annual Report for FY 2007 wherein it was incorrectly stated that the Noticee was associated with the Company for over a decade as the CEO.

b. It was submitted that the Noticee joined LEEL in the year 1996 as a Vice President and continued to hold the position till he was appointed as a WTD in 2007.

c. With respect to the role of the Noticee as a member of the AC during the period 2007 to 2014, it was submitted that it was limited to attending meetings held under the chairmanship of K Lal.

d. Noticee submitted that during his entire career, he has never held any position or was part of any assignment which required financial know-how. Noticee also submitted that during FY17 and FY18, there was no reason to doubt the financial soundness and fairness of the Company.

e. In respect of the Noticee signing the CEO/CFO statement for FY 17, it was submitted that the Noticee was forced to sign the statement during this period as both Mr. Bharat Punj and Mr. Brij Raj Punj were in the United States during this time. Therefore, at the time of the Board meeting, only two WTDs were present and he was requested by the CFO cum WTM to sign the statement to ensure compliance with the requirement that at least two WTDs have to sign the said statement.

f. As for the reason for signing the statement in FY 18, the Noticee submitted that this was done at the insistence of Noticee 2 who was then the MD of the Company. The Noticee stated that to give him comfort to sign the statement, a letter of comfort signed by the CFO cum WTD was placed before him. It was submitted that the Noticee signed the statement considering that it was *approved by the CFO under whose supervision it was made, approved and presented before the Board of the Company.*

g. *It was contented by the Noticee that he was not involved with the day-to-day affairs of the company and his responsibility only included managing the OEM Division at Kala Amb. It was submitted that his knowledge of the company was restricted to attending four board meetings of the company and the agenda circulated for such meetings.*

h. *Noticee submitted that even though he was entitled to 5% of the profit before tax of the units managed by him, the same was paid at the sole discretion of the late Brij Raj Punj. It was further submitted that all payments made to him were duly approved by the Board of LEEL and disclosed in the annual reports of the Company.*

i. *In respect of the allegation in the SCN regarding the transactions with Mettube, the Noticee submitted that in this respect he was only aware that LEEL used to purchase copper tubes from Mettube. The SAP ID mentioned in the SCN in relation to the said transactions did not belong to the Noticee or anyone from his division. These SAP IDs were assigned to LEEL's finance and accounts team headed by Mukut Sharma.*

j. *The Noticee submitted that he was not aware of these transactions during his tenure with LEEL.*

k. *Further, in respect of the questions raised in the SCN regarding the compensation paid to him by LEEL, it was submitted that the same was based on merit. It was also pointed out that he was earning a higher compensation for the work he was doing post his resignation from LEEL.*

Nipun Singhal

a. *It was submitted that there were no direct allegations against the Noticee but for the fact that he was a whole-time director of the Company during the period May 30, 2013 to May 08, 2017.*

b. *It was submitted that the Noticee ceased to be a director of LEEL from May 08, 2017, when the CD business was sold to Havells. The Noticee's resignation was part of the closing actions of the sale.*

c. *The Noticee was a WTD of LEEL only for a period of 38 days during the investigation period.*

d. *Noticee submitted that he was neither the director in charge of finance and accounting function of LEEL nor was he the designated compliance officer.*

e. *As the WTD responsible for the CD business, the Noticee had no reason to doubt the representations being made to the Board by the directors in charge of finance and accounting were wrong or misleading.*

f. *Noticee submitted that it was presented in all board meetings that all the necessary compliances are in place. In view of the extensive corporate governance measures in place, the Noticee had no reason to doubt that LEEL was not complying with any applicable laws and regulations.*

g. *In respect of the consultancy charge paid to Mindage Solutions Pvt. Ltd. , which was set off from the sales proceeds of the CD business, when LEEL was in the process of exiting the CD business, the Late Brij Raj Punj expressed interest in expanding into other business streams.*

h. *For this purpose, Brij Raj Punj sought to avail consultancy services from the Noticee. This was taking into consideration the fact that under the Noticee's leadership, the CD business had grown manifold.*

i. *The Noticee never insisted on any formal agreement for this assignment as Brij Raj Punj's health had deteriorated during this period and he had been to the United States of America for his cancer treatment.*

j. *The period of consultancy was between May 2017 and July 2017. The Noticee submitted business reports to Brij Raj Punj in Houston on September 1, 2017. The support of this contention the Noticee submitted copies of emails exchanged with Brij Raj Punj and his flight tickets.*

k. *It was submitted that the Noticee did not retain copies of the business reports submitted to Brij Raj Punj as Mr. Punj had specifically directed him not to keep any copies for confidentiality reasons presumably because he had already resigned from the Company at this point.*

l. *Mindage Solutions Pvt. Ltd. has duly disclosed this amount received from LEEL as consultancy charges.*

m. *The decision to write off the consultancy charges from the proceeds of the sale of the CD business was a decision taken by the persons in charge of the finance and accounts functions of LEEL and the Noticee cannot be held liable for the* *same. Further, as the Noticee had resigned from LEEL at this point, he had no access or information regarding how this payment was treated in the books of LEEL.*

Mukat Behari Sharma

a. *Noticee stated that LEEL was a professionally managed company and every person who was part of the management had a specific responsibility. The management was headed by the Late Brij Raj Punj, who was also the Chairman and the Managing Director (CMD).*

b. *It was submitted that the CMD, the Group CFO (Sushil Kabra), the VP Finance and Company Secretary (Anita Sharma) and the respective business heads were above him in the organization hierarchy.*

c. *Notice submitted that he was never entrusted with the responsibility of acting as the Group CFO. It was stated that even in the organization structure furnished by the Company to SEBI it was shown that the Noticee designation was shown as Whole Time Director and CFO (CSR Activities, Company's Construction Activities, Head of Fabrication Business, Supervising F&A of Czech Companies, Wind Mill Tower Fabrication, Steel Railway Business and Defense Truck Bodies). Notice submitted that in the same organization structure, Sushil Kabra was shown as Group CFO (Group Finance, Accounts and Banking) and Anita Sharma was shown as Company Secretary and VP Finance (Head of Secretarial Department, Investor Relations, Finance and Accounts and Treasury Head).*

d. *It was canvassed by the Noticee that the organization structure submitted by the Company would clearly show that Accounts, Finance, Banking and Taxation functions were either headed by Anita Sharma or Sushil Kabra.*

e. *The Noticee submitted that he never acted as a KMP in the true sense and the approving authorities at a corporate level for payments were either Sushil Kabra, Anita Sharma or Akhter Aziz Sidquee (CFO and WTD of FEEL).*

f. *Noticee reiterated that he did not have any say in financial matters and the role assigned to him was to look after the CSR projects of the Company.*

g. *It was submitted that none of the business heads/accounts heads of various divisions of the Company were reporting to him. Further, even the budget/funds* *for all the project businesses were sanctioned by Anita Sharma. In support of this contention, the Noticee submitted certain emails written by him to Anita Sharma.*

h. Noticee also contented that material for weekly review meetings was never shared with him and these documents were also sent to the CMD, Anita Sharma, Sushil Vij and Sushil Kabra.

i. Noticee made a reference to the Earnings Conference Call held on May 31, 2017. It was submitted that perusal of the transcript of the call would reveal that the real authority vested with Anita Sharma and the Noticee's name was not even included as an attendee and he also did not answer any questions.

j. It was submitted that the Noticee was not involved in the negotiations leading up to the sale of the CD business.

k. Even in respect of his role as a member of the AC, it was submitted that this was largely ceremonial and no meetings of the AC were ever held.

l. The Noticee submitted that in all the transactions in question, the payment was made online and the Noticee never had the privileges to approve any such transactions. It was submitted that the approving authority for all such transactions was Anita Sharma. It was further submitted that such payments were approved by Anita Sharma in consultation with the Late Brij Raj Punj till his passing away and subsequently with Bharat Raj Punj.

m. It was submitted that when Anita Sharma proceeded on maternity leave, in her absence the Treasury functions were delegated to Akthar and not the Noticee.

n. In respect of the reference drawn to the submissions made by the Noticee in Misc Petition 1238/2019 in the Rajasthan High Court, the Noticee submitted that the same was filed by the advocate hired by Bharat Raj Punj and he had only signed by the Vakalatnama while in Judicial Custody. Noticee also submitted a copy of a letter submitted by the Company addressed to Dy Director Income Tax, New Delhi, wherein it was stated that the Noticee was not involved in running the Bhiwadi factory or the steel trading business where the transactions under question were undertaken.

Sushil Kabra

a. *It was submitted that it was, in fact, the act of whistle-blowing by the Noticee that unraveled the wrongdoing perpetrated by the company and its promoters along with their trusted people. The whistle-blowing proved to be the catalyst for the investigations subsequently undertaken by various government agencies.*

b. *Noticee submitted that he joined LEEL on October 03, 2016, and his employment was regularized on April 03, 2017. Noticee submitted that during his 6 month probation period, he was completely sidelined and was not given any exposure to the day-to-day functioning of the Board. It was submitted that he had brought this to the attention of the late Brij Raj Punj and Bharat Punj vide email dated February 26, 2017. A copy of the said email was submitted by the Noticee.*

c. *It was submitted that Noticee's position as CFO was never confirmed by the Board of LEEL and not a single compliance action was taken as mandated by SEBI regulations and Companies Act. This, the Noticee submitted, was part of a well-designed plan to deny him powers of CFO so as to not allow his interference in anything involving essential finances of the Company.*

d. *It was submitted that he was brought into the company largely to liaise with banks to ease the liquidity crunch being faced by the Company. Towards this end, he was given the title of "Group CFO" to indicate to the banks that he had the ability to negotiate with them.*

e. *Noticee submitted that he was not inducted on the Board of the company or given the role of overseeing or reviewing the financial statements. It was submitted that it can be noted from the annual report for FY18 that the certificate dated May 30, 2018, was signed by Mukat Sharma and Achin Roy and not the Noticee. This shows that these two individuals were responsible for maintaining internal controls for the Company's financial reporting.*

f. *It was further urged that if SEBI perused the emails received by the Noticee during this period, it would show that he was not engaged in day to day financial activities of the company. These emails would demonstrate that though the financial and accounting division of LEEL was headed by Mukat Sharma, the actual controls and powers were exercised by Anita Sharma. It was submitted* *that Anita Sharma with direct support of Late Brij Raj Punj had full control of group finances and accounting matters.*

g. *Noticee submitted that the fact that decision-making and implementation powers were concentrated within a small group consisting of the promoters and their coterie was brought to the attention of the management by the Noticee vide email dated October 24, 2017.*

h. *Noticee submitted that the email dated May 19, 2017, by Anita Sharma to the Late Brij Raj Punj clearly demonstrates that all the financial powers were vested with a small coterie of individuals close to the promoters.*

i. *It was further submitted that it can be noted from the email exchanges between Anita Sharma and Late Brij Raj Punj that she was directly taking instructions from the CMD in financial matters and never reported to him as claimed by her during her deposition before SEBI.*

j. *The Noticee submitted that even though the other co-Noticees in these proceedings were named in the proceedings initiated by the Ministry of Corporate, the Noticee's name was not included.*

Surjit Kishan Sharma

a. *Noticee submitted that he was a senior citizen aged around 78 years. He earlier served in the Indian Air Force as Air Vice Marshal.*

b. *It was submitted that somewhere around 2005, he was approached by the Late Brij Raj Punj asking him to join the board of LEEL as an independent director.*

c. *Noticee submitted that he had no experience of finance and the corporate world. It was submitted that he was given to understand that serving as an independent director would not require any specialized knowledge of law and finance and his role would be limited to advising on policy issues and providing strategic guidance.*

d. *It was submitted that the Noticee was given to understand that since the functioning of the management is above the Board and the financial functions of the Company were being personally looked into and monitored by the Late Brij Raj Punj along with his trusted aide Anita Sharma (the designated company secretary and VP Finance, who was actually controlling the whole finance and compliance function of the company) and other finance executives, there was nothing to worry about.*

e. *Noticee stated that he was given to understand that AC meetings are normal statutory requirements, AC meetings would be a routine affair and actual decisions etc. would be taken by the whole board in board meetings.*

f. *It was submitted that it was only in 2018 that he became aware of the alleged violations committed by the management of LEEL. Noticee submitted that these allegations came as a rude shock to him and he submitted his resignation in September 2018. Noticee submitted that he resigned from the Board of LEEL w.e.f July 30, 2019.*

g. *Noticee submitted that the only benefit he received for serving on the Board of LEEL for close to 10 years was the sitting fee amounting to Rs. 6,40,000.*

Geeta Tekchand

a. *It was submitted that the allegations in the SCN against Noticee are in the context of her being one of the Independent Directors of the Company during the Investigation period.*

b. *Noticee submitted that she was a physical therapist by profession and somewhere around 2010, she was approached by the Late Brij Raj Punj asking her to join the board of LEEL.*

c. *It was submitted that the Noticee had no experience of the financial and corporate world and she took up the assignment only due to the insistence of Mr. Punj.*

d. *It was submitted that the Noticee was given to understand that since the functioning of the management is above the Board and the financial functions of the Company were being personally looked into and monitored by the Late Brij Raj Punj along with his trusted aide Anita Sharma (the designated company secretary and VP Finance, who was actually controlling the whole finance and compliance function of the company) and other finance executives, there was nothing to worry about.*

e. *Noticee stated that she was given to understand that AC meetings are normal statutory requirements, AC meetings would be a routine affair and actual decisions etc. would be taken by the whole board in board meetings.*

f. *It was submitted that it was only in 2018 that she became aware of the alleged violations committed by the management of LEEL. Noticee submitted that these* *allegations came as a rude shock to her and she submitted her resignation in September 2018. The resignation the Noticee submitted was not accepted by the Company and subsequently, she resigned from the Board w.e.f January 24, 2019, by marking her resignation to all the members of the Board.*

g. *Noticee submitted that the only benefit she received for serving on the Board of LEEL for close to 10 years was the sitting fee amounting to Rs. 5,85,000.*

Anita Sharma

a. *It was submitted that the role of the Noticee with respect to conduct of the AC meetings was secretarial in nature and she neither had the power to set the agenda for such meetings nor the power to investigate related party transactions and place them before the AC. Such a role would only be exercised by the CFO and his team.*

b. *It was canvassed on behalf of the Noticee that statutory obligations such as examination of financial statements, approval of related party transactions etc. are to be performed by the AC with the assistance of internal and statutory auditors. Any omission on the part of the AC in performing its statutory obligations cannot be attributed to the Noticee.*

c. *In respect of the allegation that AC meetings were only on paper, and the Noticee used to prepare the minutes of the AC meetings and get them signed by the members, it was submitted that:-*

   i. *the decision on whether to include or exclude transactions that are to be placed before the AC was taken by the Chairman and the Managing Director at the relevant time.*

   ii. *the decision whether to convene such meetings physically or not was also taken by the Managing Director at the relevant time as well as the AC members themselves. The Noticee cannot be held responsible for their decision to not conduct meetings of the AC.*

   iii. *None of the co-Noticees have disputed in their statements as well as in the cross-examination that the Board Meetings were not conducted or that the contents of the minutes of the AC meetings were fabricated.*

   iv. *The members of the AC, who were also directors on the Board of Directors, have ratified the minutes of the AC meetings and marked* *their presence in the attendance registers. Further, the co-Noticees also did not raise any objections in the Board Meetings in respect of the veracity of the minutes of the AC meetings or discussion thereof.*

d. It was also submitted that the framework with respect to the financial statements of a company is primarily governed by Sections 128, 129 and 134 of the Companies Act, 2013 and under these sections, all the obligations with respect to financial statements are cast on the Board of Directors. Further, any liability for contravention of these provisions is fastened on the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board in this regard. It was submitted that it is a matter of record that the Noticee was never charged by the Board with any obligations with respect to the financial statements of the Company. The Noticee's role with respect to the financial statements of the Company was limited to placing the final versions of the financial results (after being verified and audited by the statutory auditors) before the Board of Directors and the AC for their approval.

e. On being asked whether the Noticee was charged by the Board to carry out functions under Sections 128 and 129, none of the co-Noticees who were cross-examined stated that she was charged by the Board with this function. Further, none of the co-Noticees were able to point out any specific board resolution authorizing the Noticee to carry out functions under Sections 128 and 129 of the Companies Act, 2013.

f. The Noticee's role in respect of the "treasury functions" was limited to coordinating with business units of the Company purely on their specific cash flow requirements and fund flows in the corporate cash credit bank accounts and reporting the same to her supervisors - Mr. Manohar Thairani, Mr. Ravi Swaminathan, Mr. Sushil Vij, and Mr. Sushil Kabra, all qualified and experienced Chartered Accountants together with the promoters of the company, namely Mr. Brij Raj Punj and Mr. Bharat Raj Punj. This role was merely an operational role involving data collation and was conducted on specific instructions of the aforesaid supervisors.

g. It was also submitted that The manner in which the business units of the Company utilized the funds was beyond the knowledge and scope of employment of the Noticee.

h. *It was submitted that the Noticee was never the "sole approving authority" in respect of the bank transactions of the Company*

i. *In respect of the allegation in the SCN that the incentive received by the Noticee pursuant to the sale of the CD business was INR 4 Crore and not INR 1.93 Crore, it was submitted that the allegation appears to be primarily based on the statement dated 21.03.2022 of Mukat Behari Sharma. The Noticee vehemently denied this allegation and stated that when confronted during the cross-examination, Mukat Behari Sharma could not produce any evidence to substantiate this claim other than an email dated 19.05.2017.*

j. *In support of the contention that the claim made by Mukat Behari Sharma was false, the Noticee made the following submissions:-*

   i. *Mukat Behari Sharma was the CFO and Whole Time Director of the Company at the relevant time, and he had finalised and signed the financial statements of the Company during the relevant period when the Noticee received the remuneration. None of these financial records evidences any payment of INR 4 Crore as a performance incentive to the Noticee.*

   ii. *Mukat Behari Sharma attended and participated in the meeting of the Board of Directors of the Company on 30.05.2017, during which the Board expressly approved and ratified the one-time incentive payment of INR 1.93 Crore to the Noticee.*

   iii. *Neither Mukat Behari Sharma nor any of the other directors on the Board have ever raised any objection to the contents of the resolutions passed during the meeting held on 30.05.2017, which expressly records the approval of payment of INR 1.93 Crore to the Noticee.*

k. *Noticee furnished copies of her bank statements and cheques along to show that the incentive awarded to her was only INR 1.93 Crore and the final amount received by her (after deduction of TDS) was INR 1.26 Crore.*

l. *It was submitted that even the Forensic Audit specifically records that the incentive paid to the Noticee was INR 1.93 Crore.*

m. *Noticee further submitted that the SCN wrongly states that the incentive received by the Noticee was not approved by the Board of Directors since the* *minutes of the Board Meeting dated 30.05.2017 specifically record and approve the incentive of INR 1.93 Crore paid to the Noticee.*

n. It was further contended that the SCN also wrongly records that the Noticee has admitted in her statement before SEBI that the incentive paid to her was INR 4 Crore. It was submitted that the Noticee made no such admission and in fact, had provided a detailed note subsequent to her statement recording before SEBI explaining the amounts received by her. It was stated that in the said note the Noticee has categorically denied receiving the amount of INR 4 Crore.

o. The email dated 19.05.2017 is the only documentary record relied upon by the Investigating Authority to allege that the incentive paid to the Noticee was INR 4 Crore. In any case, without prejudice to the foregoing and without admitting the contents of the aforesaid email, the email at best demonstrates preparation to facilitate the receipt of the amount of INR 4 Crore which did not reach fruition

p. In respect of the statement made by Mukat Behari Sharma attributing knowledge to the Noticee in respect of irregularities in financial statements and claiming that the Noticee was responsible for the financials of the Company, it was submitted that as the CFO of the Company, Mukat Behari Sharma has signed the CFO certificates that are part of the Annual Reports of the Company and statutorily mandated under the SEBI (LODR) Regulations, 2015. In these certificates, the CFO and the CEO jointly assume responsibility for maintaining internal controls for the financial reporting and declare the financial statements are not fraudulent or illegal.

q. It was also submitted that Mukat Behari Sharma carried out an internal investigation in respect of Mr. Sushil Kabra's whistle blower complaint and a report in respect of this investigation was placed in the Board Meeting and the AC meeting on 14.11.2018. In this report, Mr. Mukat Behari Sharma states that there were no irregularities in fund flows and no siphoning of funds took place.

r. Noticee submitted that the cross-examination of Mukat Behari Sharma reveals that his Statement dated 21.03.2022, which has been heavily relied upon by the Investigating Authority to frame baseless allegations against the Noticee, is rife with false statements and is contradictory to the documentary evidence on record with the Investigating Authority and records produced by the Noticee. It was therefore urged that Mukat Behari Sharma is not a credible witness and *his statement dated 21.03.2022 should not be relied upon while adjudicating the present matter.*

Consideration

37. I have considered the SCN, the FAR, other material available on record along with the oral and written submissions made on behalf of the Noticees. It is noted that charges in the SCN primarily relate to the diversion of funds from LEEL, which was a listed company, and misrepresentations in its financial statements. The SCN has been issued to nine Noticees. Noticee 1 is the Company. The other Noticees were either Whole-Time Directors, key management personnel or members of the AC during the time the alleged contraventions were observed. They have been charged for being in charge of the company during the relevant time or the failure to comply with regulatory obligations cast on them.

38. It is noted that the Company is presently under liquidation and the reply on behalf of the Company has been filed by the Liquidator. It is noted that neither the Liquidator nor any of the other Noticees have submitted evidence or contested the charges levelled against the company in the SCN. Rather, the co-Noticees have, in their respective replies, tried to distance themselves from the allegations and sought to portray that they had no role in carrying out the alleged violations. Given the same, the allegations against the Company shall be examined based on the material available on record. Thereafter, I shall proceed to examine the role of the individual Noticees.

39. Before moving ahead to consider the issues on merit, it would be appropriate to deal with the preliminary objections raised by certain Noticees that the present proceedings are vitiated by the alleged delay on the part of SEBI in initiating the proceedings. It has been contended that the transactions being questioned pertain to the period starting from FY2011 and the SCN in the matter came to be issued only in 2022. In this regard, I note that trigger for the present proceedings was the sale of CD business by LEEL in FY 2017 and consequent questions that were raised regarding the understatement of profits accrued from these transactions. As stated earlier, the first complaint in the matter was received by SEBI on November 13, 2018 and SEBI ordered a forensic

investigation on April 12, 2019. The audit report was received by SEBI on February 25, 2020. It is, however, noted that the SEBI investigation on the issues highlighted in the audit report could be completed only in July 2022 pursuant to which the SCN was issued immediately thereafter.

40. I note from the records that the issuance of SCN was affected by the lockdowns that were imposed as part of tackling the first and second waves of the COVID 19 pandemic. Thereafter, after receipt of the replies of the Noticees to the SCN, hearings were scheduled in the matter in March 2023. During the course of the hearing, the representative for Noticee 9 sought cross examination of certain persons. This request was partially allowed and the cross examinations got concluded by August 2023, after being rescheduled on two occasions on the request of the witnesses. After the completion of the cross-examinations, Noticee 9 was provided another opportunity of hearing on October 13, 2023. Given the above, I am of the view that preliminary objection raised on ground of delay is not justified.

41. I am now proceeding to consider the matter on merits. The charges levelled against the Company in the SCN can be broadly clubbed under three heads: ***diversion of funds to related parties; misrepresentation of financial statements and misrepresentation of the profits from the sale of the CD business***.

DIVERSION OF FUNDS TO RELATED PARTIES.

It was alleged in the SCN that the Company had diverted funds to related parties in three ways: (a) by advancing funds to related parties and subsequently transferring balances due from them to the CWIP Ledger; (b) by transferring the receivable balance from related parties to unrelated vendor accounts; and (c) by making fictitious prepaid expenses which were later written off. The details of the amounts diverted under these heads, as alleged in the SCN, are given in the Table below:

HEADING	AMOUNT OF DIVERSION IDENTIFIED (IN RS. CRORE)
RELATED PARTIES' DEBIT BALANCES TRANSFERRED IN CAPITAL WORK-IN-PROGRESS	313.23

Transfer of Related party receivable balance to vendor's account	148.88
Fictitious Prepaid expenses written off	10.00
Total	**472.11**

Related parties' debit balances transferred in Capital Work-in-Progress ("CWIP")

42. The Annual Report of LEEL for the year 2017-18, stated that the proceeds from the sale of the CD business had been utilized by the Company towards deleveraging the balance sheet, by repaying the long-term and short-term borrowing, and for making capital investments. It was noted that the CWIP increased from Rs. 10.13 Crore as of March 31, 2017, to Rs. 313.23 Crore as of March 31, 2018.

43. However, it was noted during the investigation that the increase in the CWIP was primarily due to the transfer of balances receivable from certain related/associated entities (CWIP entities) to the ledger *"2000000130- Capital Work in Progress"*, the details of which are given below:

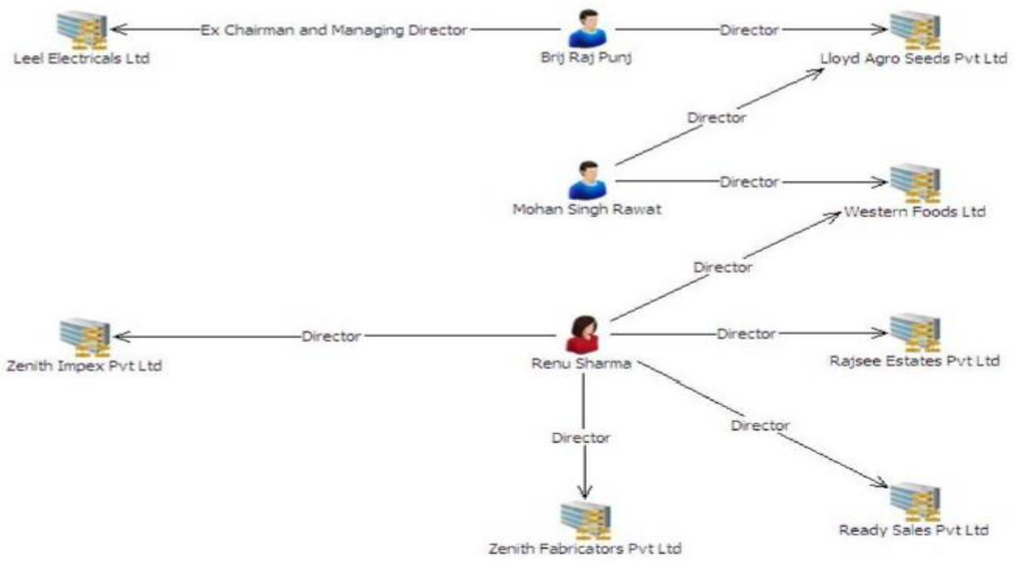
Table No. 3 **Details of CWIP as on March 31, 2018**

S. No.	Particulars	Association	Amount (Rs. in Crore)
1	Himalayan Mineral Waters Pvt. Ltd. **(HMWPL)**	Related*	120.03
2	Perfect Radiators and Oil Coolers Pvt. Ltd. **(PROC)**	Related*	62.19
3	Fedders IT Technology Pvt. Ltd. **(FITPL)**	Related*	59.13
4	Zenith Impex Pvt. Ltd. **(ZIPL)**	Associated #	36.00
5	Fedders Aircool Pvt. Ltd. **(FAPL)**	Related *	16.00
6	Rajsee Estates Pvt. Ltd. **(REPL)**	Associated #	11.29
7	Fedders Electric and Engineering Ltd. **(FEEL)**	Related *	8.62
	Total		**313.23**

* Enterprises owned or significantly influenced by key management personnel or their relatives

associated with the Company by way of common directors.

44. The association between the entities mentioned in the Table above and the Company is graphically presented below:



45. It is noted from the records that LEEL, which had recorded a receivable balance of Rs. 240.36 Crore from PROC in its books (ledger no. *"3A00-C-PFT-HO-Tauru"*) as on April 01, 2017, by passing a journal entry on March 31, 2018, transferred Rs. 221.53 Crore out of this amount to the receivable balance shown against HMWPL, FITPL, ZIPL, FAPL, and REPL. Subsequently, on the same day, the receivable balances in the ledger accounts of 7 CWIP entities, which included the balances transferred to aforesaid five entities, were transferred to *"2000000130- Capital Work in Progress"* by passing a journal entry. The details of the said transfers are given in the Table below

S. NO.	PARTICULARS	OPENING BALANCE AS ON APRIL 01, 2017	AMOUNT TRANSFERRED FROM PROC LEDGER	TOTAL	BALANCE TRANSFERRED TO CWIP	CLOSING BALANCE AS ON MARCH 31, 2018
1	HMWPL	9.31	110.72	120.03	**120.03**	-
2	PROC	**240.36**	(154.13)*		**62.19**	-
3	FITPL	7.85	51.28	59.13	**59.13**	-
4	ZIPL	2.50	36	38.50	**36.00**	2.50
5	FAPL	3.73	12.27	16	**16.00**	-
6	REPL	8.70	11.26	19.96	**11.26**	8.70
7	FEEL	649.14	-	649.14	**8.62**	100.27
					313.23	

46. The Forensic Auditor, on examination of the Register of Contracts for Related Party Transactions maintained by LEEL, observed that the entries in the Register were made only on March 20, 2018, even though the payments associated with

the above-mentioned CWIP transactions were made much earlier. Further, as per the FAR, there was a difference in the amounts recorded in the register and the amount recorded in the ledgers in respect of these transactions. It was also noted that these entries were not backed up by any contract/agreement with any of these entities. The details of the aforesaid transactions as reflected in the register of contracts with related parties are given in the Table below:

DETAILS AS PER THE REGISTER OF CONTRACTS (RELATED PARTIES) (RS. IN CRORE)

S. NO.	NAME OF COMPANY	DETAILS MENTIONED IN THE REGISTER	TRANSACTION AMOUNT MENTIONED IN THE REGISTER	CWIP AS PER BOOKS
1	**HMWPL**	ADVANCE FOR PROPERTIES AT UTTARAKHAND, SALEMPUR, MEHDOOD AND SIDCUL	98.95	120.03
2	**PROC**	ADVANCE FOR LAND & BUILDING AT TAURU	61.96	62.19
3	**FITPL**	ADVANCE FOR PURCHASE OF LAND AT BHIWADI	59.13	59.13
4	**FAPL**	ADVANCE TOWARDS THE PURCHASE OF LAND AND BUILDING AT A-146 (D), RIICO INDUSTRIAL AREA, TAURU, BHIWADI, RAJASTHAN	16.00	16.00
5	**FEEL**	PRE-ENGINEERING BUILDING FOR FACTORY AT BHARUCH	8.62	8.62
			244.66	**265.97**

47. The value of *'Land and Buildings'* reflected in the financial statements of the 7 CWIP entities is given in the table below:

DETAILS OF FINANCIALS OF 7 CWIP ENTITIES (RS. IN CRORE)

ENTITY NAME	NATURE OF BUSINESS	LAND AND BUILDING AS ON MARCH 31, 2017	AMOUNT OF CWIP AS PER LEEL BOOKS	TOTAL REVENUE			NET WORTH		
				2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
HMWPL	MANUFACTURE OF BEVERAGES	13.54	120.03	0.22	3.09	0.11	2.40	5.45	5.55
PROC	MANUFACTURE OF PARTS AND ACCESSORIES OF MOTOR VEHICLES	11.52	62.19	1.61	NA	NA	4.12	NA	NA
FITPL	COMPUTER RELATED SERVICES	30.09	59.13	-	-	-	-0.14	-0.23	-0.23
ZIPL	LEGAL, ACCOUNTING, BOOK-KEEPING, AND AUDITING ACTIVITIES, TAX CONSULTANCY, MARKET RESEARCH, MANAGEMENT CONSULTANCY	-	36	6.01	NA	NA	56.47	NA	NA
FAPL	MANUFACTURE OF GENERAL-PURPOSE MACHINERY	0.41	16	-	0.05	-	2.04	2.07	2.07
REPL	REAL ESTATE ACTIVITIES WITH OWN OR LEASED PROPERTY	-	11.26	0.01	NA	NA	1.82	NA	NA
FEEL	MANUFACTURE OF SPECIAL PURPOSE MACHINERY	132.72	8.62	1,367.60	1,240.29	NA	456.09	-43.71	NA
TOTAL		**187.91**	**313.23**						

48. It can be noted from the Table above that except in the case of FEEL, there is a significant difference between the value of Land and Buildings recorded in the

financial statements of the CWIP entities and CWIP recorded against these entities in the books of LEEL. It was, therefore, noted that most of the CWIP entities did not have sufficient land and building assets to transfer to LEEL against the CWIP payments. Further, none of the CWIP entities (except FEEL) had any revenue from operations or other sources through which the funds could be repaid.

49. Further, GGC vide letter dated June 15, 2021, submitted that Rs. 313.23 Crore was camouflaged in the books of LEEL under various entries such as sundry creditors, etc. and then transferred to CWIP in 2017-18 and there was no change in CWIP till its resignation in December 2019. Also, based on accounting records provided by the Company to the forensic auditors, for FY 2018-19 it is observed that there was no change in CWIP, which indicates that no land was transferred in the name of LEEL even in 2018-19. GGC submitted six valuation reports (two for HWMPL, one each for PROC, REPL, ZIPL and FITPL) on the basis of which CWIP was verified by them during the statutory audit. No valuation report was made available for the advances paid to FAPL and FEEL.

Details of Value of Land as per Valuation Report (Rs. in Crore)

Entity Name	Date of Valuation Report	Valuation of land parcel as per Valuation report	Amount of CWIP as per books of account LEEL as on 31.03.2018	Transaction Amount (Rs. in Crore) mentioned in the Register	Purpose of Valuation (mentioned in the report)
HMWPL	19.03.2018	55.90	120.03	98.95	Acquisition
PROC	13.03.2018	58.68	62.19	61.96	General-purpose
FITPL	13.03.2018	58.12	59.13	59.13	General-purpose
ZIPL	16.03.2018	34.90	36.00	Not applicable	Not mentioned
FAPL	NA	NA	16.00	16.00	NA
REPL	13.03.2018	11.69	11.29	Not applicable	General-purpose
FEEL	NA	NA	8.62	8.62	NA
Total		**219.29**	**313.23**	**244.66**	

50. It is noted that the cumulative valuation of the land as per the aforesaid reports was around Rs. 219.29 Crore as compared to the total value of CWIP for

HWMPL, PROC, REPL, ZIPL and FITPL of Rs. 288.64 Crore.

51. From the minutes of AC meetings, held during the period April 01, 2017, to September 30, 2018, gathered from the Company, it is observed that there is no mention/no approval for the transfer of receivable balance from PROC (a related party) to 5 other entities and subsequent transfer to CWIP. It is noted from the deposition of the Company Secretary and members of the AC before SEBI that the AC were never held in LEEL and these meetings existed only on paper.

52. Sushil Kabra (Noticee 6), the Group CFO, in his deposition, stated that *"in the books of the Company, extensive receivables from group companies were there which accumulated over a period of in excess of 9 to 10 years. So, the MD (Mr. Bharat Punj) of the Company suggested that the assets of the respective companies should be transferred to LEEL to square off part of receivables and to enable banks to support the Company, by having sufficient collateral and liquidity in the books of LEEL, on his express commitment that appropriate legal formalities will be completed to effect the transfer."*

53. Summons for production of information was sent to 7 CWIP entities, however, the response of only three entities (FEEL, FAPL and FITPL) was received. From the responses received, it is noted that there was no agreement between FAPL, FTIPL and LEEL for any transfer of land and building. Further, they were not aware of the transfer entry of receivable balance of PROC to FITPL and FAPL**.**

54. In the TAR, concerning CWIP, M/s Kansal Singla & Associates ("**KSA**" / "**Transaction Auditor**"), has concluded that this has led to the *"siphoning of borrowed funds to its Related parties and then transferred the Debit Balance of related parties recoverable to Capital Work in Progress Account without any basis and justification resulting in reduced Amount recoverable of Related parties as on CIRP Date. This has been done with a clear intent to defraud the financial creditors and thus is covered as per the provisions of Section 66 of the IBC, 2016.[1]"*

55. In view of the above, I hold that LEEL diverted funds to related parties and subsequently camouflaged the receivable balances from these parties by transferring the balance of Rs. 313.23 Crore to CWIP without any rationale and

[1] Pg. 113 of Transaction Audit Report

supporting documents, under the pretext of receiving assets in the form of land parcels from these companies.

Transfer of Related party receivable balance to vendor's account:

56. It is noted from the records that by a journal entry dated recorded on March 31, 2018, in the Vendor Ledger (Ledger No. 0011000110), Rs. 148.88 Crore from the receivable balance from FEEL (related party of LEEL) was transferred to Mettube, one of the vendors of LEEL for the purchase of Copper tubes (HSN code 74110000), located in Malaysia. No narration or supporting documentation was available for transferring the receivable balance from the Company's related party to Mettube.

57. I note from the information furnished by Mettube, vide email dated April 12, 2021, that it has not purchased any material from FEEL during the FY 2015-16 and had no payable/receivable outstanding from FEEL as on March 31, 2016. This transaction, it is noted, is also not part of the related party disclosures made in the annual report of LEEL for the FY 2016-17. Also in the TAR, concerning CWIP, KSA highlighted this transfer entry made from the receivable balance from FEEL. KSA has concluded that by adopting this mechanism the CD (Corporate Debtor i.e. LEEL) siphoned off borrowed funds to its Related party with a clear intent to defraud the financial creditors.

58. Given all the above, I note that LEEL adopted the mechanism of making payments to a related party and then by passing a mere book entry on March 31, 2016, reduced the actual receivable balance by Rs. 148.88 Crore and adjusted the same against another vendor account without justification and approval. This has led to the diversion of the funds to the tune of Rs. 148.88 Crore from the Company. The same has also led to misrepresentation of the financials of the Company for the year 2016-17. Also, the said transaction is not disclosed in the annual report for the year 2016-17 under the related party transactions.

Fictitious Prepaid Expenses Written off

59. As observed in the FAR, the balance from asset ledger *"2030513000-Prepaid Expenses"* amounting to Rs. 14.66 Crore was transferred on 28th February 2018, as a cost to the sale of CD business. However, a break-up of the said prepaid

expenses was not provided by the Company.

60. Further, the Forensic auditor, on analysing the ledger of prepaid expenses, observed one transaction on March 31, 2014, wherein Rs.10 Crore *"prepaid expenses"* were booked with a simultaneous reduction in the receivable balance of FEEL. As per the ledger extract provided by the Company, no narration was available for the said transaction.

61. GGC in its letter dated June 15, 2021, submitted that these expenses were predominantly, related to prepaid advertisement and the same were not taken over by Havells, hence were written off. However, from the submissions of Havells, there is no mention of these prepaid expenses not being taken over. No supporting documentation and explanation was provided by the LEEL officials in their reply to the summons issued by SEBI in this regard.

62. Given the above, I hold that the receivable balance of FEEL, a related party, was reduced by Rs. 10 Crore by creating a fictitious prepaid expense entry. This led to the diversion of funds to the tune of Rs. 10 Crore related party of the Company.

MISREPRESENTATION OF FINANCIAL STATEMENTS

63. I am now proceeding to consider the charges in the SCN related to misrepresentations in the financial statements and the calculation of the profits from the sale of the CD business. The extent of the misrepresentations alleged in the SCN is provided in the Table below:

REF NO.	HEADING	TOTAL AMOUNT OF MISREPRESENTATION (FY 2013-14 TO FY 2018-19)	DURING IP (FY 2017-18 TO FY 2018-19)
PART I: MISREPRESENTATION OBSERVATIONS ARISING FROM FINANCIAL STATEMENT ANALYSIS			
9.1	FICTITIOUS ENTRIES IN A VENDOR LEDGER FOR INFLATION OF PROFIT	868.81	363.25
9.2	STOCK-IN TRANSIT	110.30	110.30
9.3	FICTITIOUS PURCHASES AND SALES	450.08	450.08
PART II: MISREPRESENTATION OBSERVATIONS IN THE CALCULATION OF PROFIT ON SALE OF CD BUSINESS			

9.4	Fictitious Entries pertaining to Cost Of Goods Sold	320.60	320.60
9.5	Incorrect Write off of receivable balance and retention money receivable from Havells	140.88	140.88
9.6	Consultancy Charges set off against CD profits	5.06	5.06
9.7	Unusual Branch Account Adjustment	183.29	183.29
9.8	Fictitious Prepaid Expenses Written off	10.00	10.00
9.9	Incentive Paid to Ms. Anita Kakar Sharma	4.00	4.00

Fictitious Entries in a Vendor Ledger for Inflation of Profit:

64. LEEL maintained three ledgers (ledger no. 0011000110, 0010000264 and 0011000055) in its books of accounts for the transactions with Mettube. The balance reflected in these three ledgers as on the closing date of the respective financial years for the period April 01, 2013, to March 31, 2019, is given in the table below:

Date	Balance of Ledger No. 0011000110	Balance of Ledger No. 0010000264	Balance of Ledger No. 0011000055	Total Receivable/(payable) balance
31-Mar-13	(15.41)	-	9.60	(5.81)
31-Mar-14	152.73	(38.00)	(5.47)	109.26
31-Mar-15	280.15	(38.00)	4.26	246.41
31-Mar-16	510.08	(38.00)	13.32	485.40
31-Mar-17	**509.32**	(38.00)	(19.02)	452.30
31-Mar-18	(11.74)	(38.00)	(42.29)	(92.03)

65. It can be noted from the Table above that LEEL, which had a payable balance of INR 5.81 Crore to Mettube as on March 31, 2013, started reporting significant receivable balance during the period FY 2014 to FY 2017. It was, however, noted that as per the information provided by Mettube, as on April 01, 2017, Rs. 35.56 Crore was payable by LEEL to Mettube whereas books of LEEL reflected that Rs. 452.30 Crore were receivable from Mettube as on the said date.

66. The details of the information submitted by Mettube are given in the Table below:

DETAILS OF BALANCES OF METTUBE LEDGER AS PER METTUBE SUBMISSION AND LEEL RECORDS

YEAR	BALANCE AS PER BOOKS OF ACCOUNT OF LEEL[2] (RS. IN CRORE)	BALANCE AS PER METTUBE EMAIL (IN USD)	CONVERSION RATE	BALANCE IN RS. IN CRORE (AS PER METTUBE)
2015-16	485.40	(3,905,079.38)	66.3329	(25.90)
2016-17	452.30	(5,483,829.91)	64.8386	(35.56)
2017-18	(92.03)	(6,024,626.02)	65.0441	(39.19)
2018-19	(58.36)	(1,163,026.22)	69.5509	(8.09)

67. It can therefore be noted that there was a significant divergence in the data submitted by Mettube and the balance recorded in the books of LEEL. It is also noted that Mettube submitted that their total export of the product with HSN code 74110000 to India during the FY 2017-18 was approx. Rs. 335.213 Crore (USD 5,15,37,157), which in itself is less than the total purchases of Rs. 451.94 Crore recorded by LEEL.

68. Further, data published by the GoI in respect of the imports from Malaysia showed that aggregate import for FY 2017-18 for the aforementioned HSN code (74110000), was Rs. 500.39 Crore out of which material worth Rs. 197.60 Crore was imported during the quarter ended March 31, 2018. However, as per the books of LEEL, the Company had imported material worth Rs. 451.94 Crore in FY 2017-18, representing 90.32% of the total imports for the said material from Malaysia into India during the period. It was also noted that Rs. 320.61 Crore worth of purchases was recorded by LEEL on 28 February 2018 and Rs. 55 Crore was booked on March 31, 2018, aggregating to Rs. 375.60 Crore for the quarter as compared to the total imports amounting to Rs. 197.60 as per the GoI data. I also note that as per the information furnished by Mettube, no inventory was supplied by it to LEEL corresponding to the entry dated February 28, 2018, for Rs. 320.61 Crore.

69. The above observations indicate that the accounting entry of Rs. 320.60 Crore booked as inventory purchase was a mere book entry and no actual inventory

[2] Source: FAR

[3] Conversion Rate of Rs. 65.0441 of as on March 31, 2018 is taken from RBI Press Release

was purchased of the said amount from Mettube and thus led to inflation of the inventory to the said extent.

70. Analysis of the Vendor Ledger (Ledger No. 0011000110) of Mettube in the books of LEEL from FY 2009-10 to 2016-17, by the Forensic Auditor, revealed that the following has led to the opening receivable balance of Rs. 509.32 Crore as on 1 April 2017 in the said ledger i.e. (Ledger No. 0011000110):

PARTICULARS	**AMOUNT (RS. IN CRORE)**
OTHER MATERIAL CONSUMED	**356.68**
RECEIVABLE BALANCE FROM FEDDERS ELECTRIC & ENGINEERING LTD (RELATED PARTY OF LEEL) TRANSFERRED TO METTUBE INTERNATIONAL SDN BHD	148.88
BRANCH ADJUSTMENTS	100.72
NET PAYMENTS	34.36
OTHERS	0.01
BANK CHARGES	(0.30)
BALANCE OF OTHER SUNDRY CREDITORS SET OFF	(0.38)
VENDOR UPLOAD ACCOUNT	(1.83)
STOCK IN TRANSIT	(4.44)
EXCHANGE FLUCTUATION LOSS	(9.13)
PURCHASES BOOKED	(115.25)
TOTAL	**509.32**

71. It was noted that at the end of each financial year during the period 2013-14 to 2015-16, an accounting entry was passed by LEEL by debiting *"0011000110 - Mettube International SDN BHD"* and crediting ledger *"4000000060 - Consumed-Others"*. No supporting documents were available in the records of LEEL for the said entries.

YEAR-END ACCOUNTING ENTRIES IDENTIFIED IN LEDGER OF METTUBE

Profit Centre	Document No	Doc. Date	Posting Date	Amount (Rs. in Crore).	Year/ month	SAP ID
2C01	400026745	31.03.2014	31.03.2014	100.00	2013/12	2B0004
2C01	400026745	31.03.2014	31.03.2014	84.75	2013/12	2B0004
2C01	400037619	31.03.2015	31.03.2015	100.00	2014/12	2B0004
2C01	400037619	31.03.2015	31.03.2015	20.00	2014/12	2B0004
2C01	400041891	31.03.2016	31.03.2016	73.00	2015/12	2B0004
	Total			**356.68**		
2C01	400049537	28.02.2018	28.02.2018	(320.60)	2017/11	100006

(Source: Mettube Ledger received from RP)

72. Further, from the information gathered from the Company, it was observed that the profit centre *"2C01"* through which these accounting entries were passed belonged to *"Steel Trading Division"* with address shown as *"Jabalpur".* However, the Transaction Auditor, from the Stock Register of the Steel Trading Division, has observed that no receipt or issue of stock was made by this centre during the period April 2013 to March 2018. In view of the same, it is noted that the above accounting entries were fictitious.

73. It is also noted that by passing aforesaid accounting entries in its books of account, LEEL has overstated its profit for the respective financial years by Rs. 356.68 Crore in aggregate. Further, it can be noted from the Table below that had LEEL not recorded the above accounting entries, it would have shown a loss in F.Y. 2013-14, 2014-15 and 2015-16.

THE POSTING DATE-WISE SUMMARY WITH IMPACT ON FINANCIALS (RS. IN CRORE)

	Accounting entry debit to Mettube Amount (A)	Profit After Tax as per audited financial statements in respective financial years (B)	Potential Loss[4] in respective financial years (B) – (A)
31-03-2014	184.75	76.09	108.66
31-03-2015	120.00	81.64	38.36
31-03-2016	73.00	56.06	16.94
Others*	(21.07)	NA	NA
Total	**356.68**		**163.96**

(Source: FAR)

** This amount has been spread across 63 transactions in the said ledgers on various dates during the period March 2015 to March 2017. These transactions appear to be reversals by debiting "4000000060 - Other Material Consumed" and crediting "0011000110 - Mettube International SDN BHD".*

74. It was also alleged in the SCN based on the finding in the FAR that a transaction dated March 31, 2018, amounting to Rs. 42.65 Crore was noted where the receivable balance from Mettube was written off by adjusting it as a cost to the sale of the CD segment. This allegation will be dealt with in the section of this Order dealing with misrepresentations in the calculation of profit from the CD business.

75. Given all observations and findings made above, I note that the ledger of Mettube was used as an accounting pass-through ledger to pass adjustment accounting entries for inflating the profits of the company over many years. In view of the same, I have no hesitation in holding that the aforesaid adjustment entries have led to misrepresentation of the financial statements of the Company.

[4] This column represents the potential loss to the Company in respective financial years had the cost towards "Other Material Consumed" not been reduced by creating receivable balance in the vendor account of Mettube International SDN BHD.

Inflated Stock-in Transit:

76. The financial statement of LEEL for the year 2017-18 recorded Rs. 110.30 Crore under the *head "Goods in Transit – Raw material"*. It is noted from the FAR that the said amount was created by crediting payables in *"1050001003 – Sundry Creditors- Branch Control"* on March 31, 2018. The FAR further states that the narrations for said transactions were not sufficient to ascertain the vendor from whom the said stock was purchased. The Company, it is noted, failed to provide any documents to substantiate these entries.

77. GGC vide letter dated June 15, 2021, submitted that the said amount represents the goods lying at the bonded warehouse of LEEL. The details submitted by the auditor in respect of the goods-in-transit for the year ended March 2018 are provided in the Table below:

PARTICULARS	FACTORY	AMOUNT IN RS.
PROFIT CENTRE 2A04	PANT NAGAR	40,22,88,107
PROFIT CENTRE 2A04	PANT NAGAR	69,88,67,149
PROFIT CENTRE 2B04	BHIWADI	18,45,438
		110,30,00,694

78. It is, however, noted from the records that the list provided by the auditor, for goods shown as stock-in transit as of March 31, 2018, contained materials whose purchase bill has been raised by LEEL during the period April 2017 to December 2017. It is also noted that the auditor had provided a single journal voucher as the supporting document verified by them for the above entries. However, on analysing the voucher it was noted that none of the invoices mentioned in the voucher are part of the list of Stock-in-Transit.

79. Given the above, it is observed that the respective creditor account has been understated to the extent of the stock-in transit and that the Stock-in Transit is inflated to the extent of Rs. 110.30 Crore and the financials for the year 2017-18 are misrepresented/manipulated to that extent

Fictitious Purchases and Sales

80. As stated in the preceding part of this Order, SEBI had received a letter from the Office of Commissioner of Central Goods and Service Tax, Ministry of Finance, wherein it was stated that LEEL availed GST Input Tax Credit of INR 40.53 Crore against a fictitious purchase of goods to the tune of INR 225.19 Crore during the period from July 2017 to March 2018. It was also stated in the letter that the Company had reported such fictitious sales to show an inflated annual turnover in the financials.

81. It is noted from the FAR that the transactions mentioned in the letter referred to above related to the purchase of CR Sheets/coils and Iron sheets during the period July 2017 to March 2018, the details of which are given in the Table below:

P**URCHASES AND SALES OF CR SHEET/COILS" AND "IRON SHEETS" FROM JULY 2017 TO MARCH 2018 (RS. IN CRORE)**

NAME OF THE PARTY	**PURCHASES AMOUNT**	**SALES AMOUNT**
(A) RELATED PARTIES		
PUNJ TECHNOLOGY PVT LTD JAIPUR ("**PTPL**")	46.87	141.54
PSL ENGINEERING PVT. LTD	28.16	14.28
AIRSERCO PVT. LTD.	13.27	6.61
SUB-TOTAL (A)	**88.3**	**162.43**
(B) ASSOCIATED PARTIES		
ZENITH FABRICATORS PVT LTD JAIPUR	108.93	25.06
RADICAL ENGINEERING SOLUTIONS PVT ("**RADICAL**")	12.06	15.11
ABIDE ELECTRONICS PVT LTD ("**ABIDE**")	14.31	21.47
SUB-TOTAL (B)	**135.3**	**61.64**
(C) OTHER THIRD PARTIES		
SEVERAL PARTIES	1.61	0.8
SUB TOTAL (C)	**1.61**	**0.8**
TOTAL (A+B+C)	**225.21**	**224.87**

(Source: FAR)

82. It can be noted that the overwhelming majority of such purchases and sales were undertaken with related/associated entities. It is noted from the records that the connection between Radical and LEEL was noted on the basis that Soban Singh Bhandari, who worked as an accountant in LEEL was also a director of Radical. It is noted from the records that he was also arrested along with Noticee 5 by CGST Authorities for his role in the GST fraud. Further, as per the FAR, Abide and Radical were also noted to be connected entities. Further, the witness to the Memorandum of Association ('MOA') of Radical Mr. Sanjay Chugh is also the

secretarial auditor of LEEL.

83. It is further noted that the subscribers to the MOA of PTPL (Late Brij Raj Punj and Bharat Punj) were also its shareholders till 31.03.2015. Further, Kamla Butola, who is a director of PPTL, was noted to be connected to LEEL by common address. Kamla Butola was also a director in the promoter group Company *"Himalayan Mineral Water Pvt. Ltd."* However, from the annual report of 2014-15 of LEEL, PPTL does not appear in the list of related parties.

84. The Forensic Auditor has observed differences in sales disclosed in GST returns vis-à-vis as disclosed in the quarterly.

Differences in Sales as per GST returns and Quarterly results (Rs. in Crore)

Quarter Ended	Turnover as per GST Return	Turnover as per quarterly results	Difference
30th September 2017	304.35	322.51	(18.16)
31st December 2017	357.34	297.36	59.98
31st March 2018	476.08	399.08	77.00
Total	**1,137.77**	**1,018.95**	**118.82**

(Source: FAR)

85. From the related party disclosures in the annual report for FY 2017-18[5], it is noted that PSL Engineering Ltd. and Airserco Private Ltd. are disclosed as related parties of LEEL whereas PTPL is not disclosed as a related party. Further, no transactions have been disclosed from Airserco Pvt. Ltd. in related party disclosures for the year 2017-18. As regards the transactions with PSL Engineering Ltd., it is noted that only purchases of goods amounting to Rs. 0.44 Crore have been disclosed by the Company.

86. It is further noted from the FAR that the value of purchases as per the purchase register was higher than the number reported in its profit and loss statements for FY 2017-18, by Rs. 317.11 Crore. It was also noted that the purchases from Related/Associated parties formed approx. 25.20% i.e. Rs. 428.94 Crore out of Rs. 1,701.87 Crore total purchases recorded in the books during FY 2017-18. Similarly, it was noted that the value of sales as per the sales register was higher

[5] Page No.102 of the Annual Report of LEEL for FY 2017-18

than the sales figures reported in LEEL's profit and loss statements for FY 2017-18, by Rs. 268.39 Crore. The sales made to Related/Associated parties formed 6.37% i.e. Rs. 363.84 Crore out of net sales of Rs. 2,222.06 Crore reported during this period.

87. The above indicates that the purchases and sales booked by the Company were not consistent with the amounts disclosed in the financial statements, leading to misrepresentation of the financials. Given the same, I note the purchases and sales reported by the Company have resulted in inflating the sales and purchases at least to the extent of Rs. 224.87 Crore and Rs. 225.21 Crore respectively in the FY 2017-18, thereby resulting in misrepresentation of the Financial Statements. Further, the related party disclosures made by the Company for purchases and sales to the above-mentioned related parties are incomplete, inadequate and misleading.

Part II: Misrepresentation observations in the calculation of Profit on Sale of CD Business:

88. As stated in preceding sections of this Order, a Business Transfer Agreement (BTA) was executed on April 19, 2017, whereby Havells India Ltd ("Havells") agreed to acquire and purchase LEEL for a consideration of Rs. 1550 Crore. It is however noted that only Rs. 1457.76 Crore was received from Havells in the Escrow Account of LEEL (Account No. 36854698959) maintained with the State Bank of India. It is further noted that Rs. 946.43 Crore was declared by the Company as the profits from the sale of CD business in the quarterly results for September 2017 which was subsequently revised downward to Rs. 662.80 Crore in the financial statement for FY 2017-18. The breakdown of the calculation of profits disclosed in the financial statement is given in the Table below:

CALCULATION OF PROFIT ON SALE OF CD BUSINESS (RS. IN CRORE)

PARTICULARS	AMOUNT	AMOUNT
SALE CONSIDERATION		1550.00
LESS: EXPENSES ADJUSTED -		**(478.07)**
COST OF GOODS SOLD TRANSFERRED	(308.70)	
STORES & SPARES CONSUMED	(11.91)	
PREPAID EXPENSES ADJUSTED	(14.66)	
CONSULTANCY CHARGES – MINDAGE SOLUTIONS PVT. LTD.	(5.06)	
INCENTIVE PAID TO ANITA KAKAR	(1.93)	
OTHER EXPENSES (INCLUDING LEGAL FEES PAID TO EY, PROVISION FOR E-WASTE, ETC.)	(135.81)	

Less: Branch Account Adjustment (2C01-LEEL Electricals)		(183.29)
Less: Set off of Receivables Balance from Havells India Ltd. (001009366)		(90.88)
Less: Set off of receivable balance from "0010018817 – Havells India Ltd"		(92.24)
Less: Set off of receivable balance from "0010018837 – Havells India Ltd"		(0.07)
Less: Balance of Mettube International SDN BHD		(42.62)
Profit as per Annual Report of FY 2017-18		**662.80**

89. Given the significant adjustments made while calculating profits, the individual items were examined during the investigation.

Entries pertaining to Cost of Goods Sold

90. It can be noted from the Table above that the following amount of Inventory consumption has been deducted by LEEL from the sale proceeds of the CD business to arrive at the profit figure:

Particulars	**Rs. in Crore**
Cost of Goods Sold transferred	308.70
Stores & Spares Consumed	11.91
Total Rs.	320.61

91. The FAR records that the accounting entry for writing off the balance in ledgers *"4020000005-Cost of Goods Sold"* and *"4000000040-Stores & Spares Consumed"* against the CD deal consideration was made on March 31, 2018. The Forensic Auditor, however, notes that the Company failed to provide any supporting documents for undertaking these transactions. It further noted that as per the Stock Audit report dated September 19, 2017, prepared by K.N. Gututia & Co. Chartered Accountants, who did a stock audit of the inventory position as on June 30, 2017, there was no mention of any obsolete inventory worth Rs. 320.60 Crore.

92. Further, it is pertinent to note that LEEL has created inventory in the ledger of Mettube on the same day (March 31, 2018) for the same amount of Rs. 320.60 Crore, which has already been held in this Order to be a fictitious entry created for reducing fake receivable balance recorded earlier in the ledger of Mettube.

93. Given the above observations, I hold that the adjustment entry of Rs. 320.60 Crore was a mere book entry passed for concealment of the earlier misstated balance of vendor Mettube.

Incorrect write-off of Receivable balances and Retention money receivable from Havells:

94. The FAR records that three ledgers of Havells (0010018817-HAVELLS INDIA LTD, 0010019366-Havells India Ltd and 0010018837-Havells India Ltd) were maintained in the books of LEEL. It was observed that the balance sales consideration of Rs. 92.24 Crore (Rs. 1,550 Crore – Rs. 1457.76 Crore) was adjusted against the profit on the sale of CD business by passing an accounting entry on 31st March 2018.

95. In addition to the above, it was noted that there was a receivable balance in the ledger "0010019366-Havells India" of Rs. 90.88 Crore as on March 31, 2018, which was due to the business done over the normal course between LEEL and Havells. It was, however, noted that this amount was also adjusted against the profit on the sale of CD business by passing an accounting entry on March 31, 2018, in the books of LEEL.

96. Hence, a total of Rs. 183.12 Crore (Rs.92.24 Crore + Rs.90.88 Crore) receivable from Havells was set off against the income from the sale of CD business, reducing the profit on the sale of CD business by the said amount.

97. The Business Transfer Agreement (BTA) executed on April 19, 2017, had a clause on *"Retained Amount Arrangement"* which provided that Havells shall retain an aggregate amount of Rs. 50 Crore from the purchase consideration for purposes such as *"post-closing adjustments", "to cover for the write-off of Inventory which is older than 365 days Inventory",* etc. From the FAR and the submissions of Havells, it was observed that the Company received Rs. 31.35 Crore on August 17, 2018, from Havells after applicable deductions were made from the retained amount. The break-up of the consideration paid to LEEL as per the information provided by Havells is given in the Table below:

(Rs. in Crore)

Particulars	Amount
Enterprise value for CD business	1,550.00
Adjustment for Debt and debt-like items	(4.38)

ADJUSTMENT FOR WORKING CAPITAL SHORTAGE	(48.24)
NET PURCHASE CONSIDERATION PAYABLE	**1,497.38**
RETENTION AGAINST E-WASTE OBLIGATION	(12.00)
OTHER PAYABLE/ (RECEIVABLE)	3.73
NET AMOUNT PAID	**1,489.11**
PAYMENT DETAILS:	
08/05/2017	1,457.76
17/08/2018	31.35
TOTAL PAYMENTS	**1,489.11**

98. It was noted that a working capital deficit of Rs. 38.70 Crore and net debt (Employee Benefits payable) of Rs. 3.60 Crore, was estimated at the time of the acquisition. The said amount along with the retention money was adjusted from the Net Consideration and Rs. 1457.76 Crore was paid. It was also submitted by Havells that at the time of the final assessment while making payment of retention money in August 2018, the deficit on working capital was assessed at Rs. 48.24 Crore and the difference of Rs. 9.54 Crore (Rs. 48.24 Crore –Rs. 38.70 Crore) was deducted from the retention money.

99. Given the above, it is noted that only Rs. 42.3 Crore (Rs. 38.70 Crore+ Rs. 3.60 Crore) was not receivable by LEEL as on March 31, 2018. Further, the retention money held by Havells was still receivable in terms of BTA as on this date. The same is also corroborated by the fact that LEEL has received Rs. 31.35 Crore from Havells after March 31, 2018. Hence, the write-off of the entire Rs. 50 Crore was not justified in the financial statement of FY 2017-18.

100. Further, in respect of the write-off of Rs. 90.88 Crore, it is noted from the submissions of Havells that it did not have any business transactions with LEEL before FY 2017-18. No supporting document for the correspondence with Havells was submitted by LEEL officials. Further, Havells submitted that there has been no communication with LEEL regarding any write-off. Given the same, it is noted that the balance of Rs. 90.88 Crore which was written off by LEEL against profit on the sale of CD business does not pertain to CD business and the adjustment resulted in the understatement of the profit on sales of CD business to that extent.

101. In view of the above, it is noted that the unrelated write-off of Rs. 90.88 Crore

from ledger ‘0010019366-Havells India’ and Rs. 50 Crore of retention amount was not justified and resulted in an understatement of profit on the sale of CD business and profit for the year 2017-18.

Unrelated consultancy charges set off against CD profits

102. From the analysis of ledger *“9000/4100000001 Exception Items”* by the Forensic Auditor, it was noted that on March 31, 2018, a liability of Rs. 5.06 Crore was created in ledger *“1050001003-Sundry Creditors - Branch Control”* with narration *“CONSULTANCY CHGS TRF CPD DIV TWDS MINDAGE”* which pertained to consultancy charges paid to Mindage Solutions Pvt. Ltd. (“**MSPL**”), wherein Noticee 4 was a director from April 25, 2008 onwards.

103. It is noted that Noticee 4, in his deposition before SEBI, stated that MSPL had been providing consultancy, advisory and marketing services to several companies and the Late Brij Raj Punj availed the services of the firm for developing a business plan for LEEL. It was stated that the aforesaid payment was in consideration for the reports developed by MSPL on the instructions of the Late Brij Raj Punj. It is, however, noted that neither the Company nor Noticee 4 was able to provide a copy of any such agreement entrusting consultancy work to MSPL. Further, the payments in question were made after the sale of the CD business.

104. In view of the above, I hold that the consultancy charges paid to MSPL by LEEL did not pertain to CD business and hence, the adjustment of the same against the profit on Sale of CD Business by LEEL was not justified and led to an understatement of the profit on the sale of CD to the extent of Rs. 5.06 Crore.

Branch Account Adjustments

105. From the calculation of the profit on the sale of CD business, it is noted that Rs. 183.29 Crore was set off as Branch Account Adjustments. As per FAR, it was done by way of an accounting entry passed by the Company by crediting the ledger *“2C01 – Steel Trading –LEEL – Sales-Jblpr”* and increasing the payable balance in this account.

106. The profit centre *“2C01”* through which these accounting entries are passed belongs to the *"Steel Trading Division"*. It is noted that GGC vide letter dated

June 15, 2021, submitted the said amount pertains to the debit balance of *'Sundry Creditors-Import'* which was not taken over by Havells and written off. It is, however, noted that Havells has submitted there was no correspondence with LEEL in respect of the aforesaid write-off. It was also noted that the Board Meeting held on November 14, 2017, wherein the financial results for the quarter ended September 30, 2017, were considered, there is no mention of the said write-off of the branch account adjustment of Rs. 183.29 Crore.

107. Given the above, I hold that the accounting entry in question was fictitious and bypassing the same, LEEL has written off the earlier accumulated debit balance of some *'Sundry Creditors – Import'* without justification and supporting documents. This led to an understatement of the profit on the sale of CD business and profit of the Company by 183.29 Crore.

<u>Incentive paid to Ms. Anita Kakar Sharma</u>

108. It is noted from the FAR that a liability of Rs. 1.93 Crore was created in ledger *"1050001003-Sundry Creditors - Branch Control"* with the narration *"INCENTIVE PD TO ANITA KAKAR FY 2017-18".* Payments amounting to Rs. 1.26 Crore were made to Ms. Anita between 23rd March 2018 and 28th March 2018. These transactions were recorded in the ledger of Anita Sharma viz. *"0000101639-Anita Kakar" Advance".* Anita Sharma in her deposition before SEBI submitted that this amount was paid as an incentive for her exemplary efforts in ensuring the successful execution of the CD business sale and on her request, the same was transferred by LEEL directly to her home loan account in May 2017. She further submitted that in March 2018, she had repaid the amount to LEEL for the deduction of Tax liability and the same amount was repaid by LEEL to her after deducting tax amounting to Rs. 1.26 Crore.

109. Mukat Sharma submitted a copy of the e-mail dated May 19, 2017, exchanged between Lt. Brij Raj Punj and Anita Sharma, wherein the following is stated:

"In respect of my deal payment incentive of Rs. 4 Crore approved by you for approval of BOD and shareholders would be required for any payment in my name being CS and Key managerial person which I think we should avoid and

also I have to pay huge tax of Rs. 1.24 Crore on this amount. …… the following is proposed:

1) *Approx. 2 cr to be paid by Company directly in favour of the banks for foreclosure of my home loans……. Later on this amount can be adjusted against dead creditors reflecting in the books.*
2) *50Lakh in form of consultancy in parent's name*
3) *1.5 cr through MK Steel ……."*

110. Based on the above, it was alleged in the SCN that the actual incentive paid to Anita Sharma was Rs. 4 Crore and not Rs. 1.93 Crore as adjusted from the profit from the sale of the CD business. In this regard, it is noted that Anita Sharma in her deposition before SEBI has admitted that the incentive paid to her was Rs. 4 Crore. She has submitted bank statements showing proof of receiving Rs. 1.93 Crore (Rs. 1.26 Crore net of tax) in her name, Rs. 47 Lakh (Rs. 39.6 net of tax) in the name of her relatives from FEEL for the aforementioned incentive. Also in the bank statement, there were entries of receipt of funds from LM Enterprises and MK Steel amounting to Rs. 38 Lakh.

111. Further, by routing these accounting entries through *"Salaries-Staff Welfare Expenses / Amenities"* and *"Velocity Maintenance Advance",* the Company has misstated the financial statements for the year 2017-18. Further, by making payment of consultancy in her parents' name through MK Steel to avoid the approval of the Board and Shareholders, the Company has deliberately structured these transactions in a manner to avoid the regulatory prescriptions applicable to payments made to Key Management Personnel.

112. It was further noted that even though the incentive was paid on May 30, 2017, there is no mention of the same in the minutes of the AC. Also, no approval of the Board has been taken for the said incentive as seen from the Board Meeting minutes immediately before the payment held on February 09, 2017, February 18, 2017 and May 30, 2017.

113. Given all the above observations, it is noted that incentive was paid to Anita Sharma, who was a key management personnel of the company, without the approval of the Board and AC. The same has not been correctly reflected in the financial statements of LEEL for the year ended March 31, 2018.

Related Party Transactions and Disclosure Violation

114. In terms of Regulations 23(2) of LODR Regulations, all related party transactions require the approval of the AC. However, as stated earlier, the members of the AC and also the Company Secretary of LEEL, in their deposition before SEBI, have stated that, except for a couple of times, meetings of the AC were never held. Only the minutes of the meeting were circulated and approval was taken. Given the same, it is noted that prior approval of the AC was never obtained for any of the related party transactions undertaken by the Company.

115. Further, as per the policy on Material Related Transactions of LEEL, duly approved by the Board in its meeting held on 12.02.2016, Material Related-Party Transaction was defined as any transaction/ transactions which exceed ten per cent of the annual consolidated turnover of the Company as per the last audited financial statement. Given the same, it is noted that any transaction above Rs. 33.66 Crore and Rs. 33.73 Crore would require the approval of shareholders in FY 2016-17 and FY 2017-18, respectively.

116. It is noted that no records were available regarding the approval obtained from the Board or the AC for the material related party transaction relating to the transfer of receivable balance of FEEL of Rs. 148.88 Crore.

Failure of Corporate Governance

117. Given the above findings, I note that LEEL contravened the provisions of Regulation 4(1) of the PFUTP Regulations. Further, the major corporate governance lapses that were observed leads me to the finding that the measures specified under the LODR Regulations were either not complied with or in certain cases like conducting AC meetings, complied with only on paper. However, in view of the fact that LEEL is presently undergoing liquidation, I am, without necessarily commenting on whether imposition of penalty or issuance of any directions against the company at this stage is viable, not proposing to issue any directions against the Company in this Order.

118. In view of the same, I am moving on to consider the liability of the individual Noticees for these contraventions. It is trite to say that a company, being an artificial entity, acts through its directors and key management personnel. Therefore, when contraventions of the nature that have been established in this Order are observed, it is important to consider the acts of commission/omission

by the key management personnel during the period the contraventions were observed.

119. It is noted that pursuant to the Order of the National Company Law Tribunal, Allahabad Bench, dated December 06, 2021, Noticee 1 is currently undergoing liquidation. In view of the same, I am not inclined to pass any directions or impose penalty on Noticee 1.

120. In respect of the other Noticees, it is noted that from the SCN that Noticees 2 to 6 and 9 have been charged for their involvement in diverting Rs. 472.11 Crore from LEEL to related parties and for misrepresenting the financial statement of the Company to the detriment of investors trading in the scrip. Noticee 7 and 8, who were respectively Chairman and Member of the AC of LEEL, have been charged for their failure to discharge their statutory responsibility as members of the AC in protecting the interest of the ordinary shareholders of the Company. It is noted that Noticee 3, who was earlier part of the AC, Noticee 5, who was a member of the AC during the investigation period, and Noticee 9 who was the Company Secretary have also been charged for their failure to discharge regulatory obligations. Given the same, I am proceeding to examine the charges levelled against the individual Noticees on the basis of the material brought out in the SCN.

121. It is noted from the records that Noticees 2 to 5 were Whole-Time Directors of the company, Noticee 6 was the Group CFO, Noticee 7 and 8 were independent directors and Noticee 9 was the compliance officer of the Company. It is also noted that other than Noticee 6 (Sushil Kabra), the other Noticees were associated with the Company for a long period. The association of the Noticees with the Company and the designations held by them are given in the Table below:

Noticee	Association with the Company
Bharat Raj Punj	▪ Promoter Director. Son of Late Brij Raj Punj, who was earlier the CMD of LEEL ▪ WTD from August 2012 to March 2019 ▪ Appointed as DMD on August 13, 2015 ▪ Took over as MD on May 30, 2018

Achin Kumar Roy	▪ Joined the company in 1996. Was a member of the AC between 2007 and 2014 ▪ WTD from September 2007 to January 2019 ▪ Signed CEO/CFO statement for FY 18.
Nipun Singhal	▪ WTD during the period May 2013 to May 2017. ▪ Was in charge of the CD business of the company
Mukat Behari Sharma	▪ WTD and CFO ▪ Joined Fedders Lloyd in 1983 ▪ Disclosed as DGM – Comm & Finance in 2003-04, as Finance Head of LEEL in 2005-06 and as CFO from 2006-07 onwards ▪ WTD from January 2010 to April 2019 ▪ Was a member of the AC from 2014
Sushil Kabra	Group CFO between October 2016 and April 2019
Surjit Krishan Sharma	Independent Director between January 2005 to July 2019
Geeta Tekchand	Independent Director between September 2010 and January 2019
Anita Kakkar Sharma	Compliance Officer between April 2006 and December 2018. Appointed as Vice President Finance during FY 2017

Noticee 2 – Bharat Raj Punj

122. It is noted from the table above that Bharat Raj Punj, son of Late Brij Raj Punj, was a whole time director of LEEL from 2012 to 2019. It is noted that Noticee 2 acted in an executive capacity for almost half this period: first as DMD, from August 2015 to May 2018, and thereafter as MD till his resignation from the Board. It is noted from the reply filed by the Noticee that his primary defence is that he was not in charge of the day-to-day affairs of the company. It was contended that his late father, Brij Raj Punj, was, till his death, in charge of the

affairs of the company and after his demise, it was looked after by the professional managers which included Noticees 3 to 6 and Noticee 9.

123. Even if for the sake of argument it is assumed that Late Brij Raj Punj was in charge of the affairs of the company till his death in December 2017, and the diversion of funds to related parties happened under his watch, it would still remain that the cover up, the transfer of receivable balance to CWIP, happened when the Noticee was the MD of the Company. As already noted earlier in this Order, the transfer of the outstanding receivable balance of related parties to the *ledger CWIP* occurred in FY 2018 and Bharat Punj was the signatory to the financial statements for this financial year. It must be noted that Sushil Kabra, in his statement before SEBI, has deposed that it was Noticee 2 who had directed that the outstanding balances receivable from related parties be transferred to CWIP.

124. I also note that the misstatement related to write-offs from the sales proceeds of the CD business also happened when Noticee 2 was the MD of the Company. Given the same, even if for the sake of argument it is assumed that the diversion of funds pertained to the period when Late Brij Raj Punj was CMD of LEEL, the Noticee cannot escape the liability for the cover-up that was orchestrated in FY 2018 which resulted in significant misstatements in the financials of the company. Further, the adjustment entries made related to the transactions with Mettube, fictitious purchases and sales etc. which happened in FY 2018 when the Noticee was the MD.

125. It is noted from the statements of the other board members that he used to attend the meetings of the board through video conferencing during the period when he was not in India. This has been corroborated by the statements of Anita Sharma, Achin Roy, and Nipun Singhal. Therefore, the Noticee's contention that he being a US green card holder, only looked after the overseas business of the company and had no role to play in the day-to-day affairs of the company cannot be accepted.

Noticee 3- Achin Kumar Roy

126. As stated in the table above, Noticee 3 was an executive director of the Company from 2007 onwards. He was present in the Board Meeting dated November 14, 2017, and May 30, 2018, wherein the financials for the quarter ended September

30, 2017, and the year ended March 31, 2018, were approved by the Board. These were, respectively, the meetings where the reduction in the profit on the sale of CD business and the increase in CWIP, was approved. The Noticee also signed CEO/CFO certification for the FY 2017 and FY 2018.

127. Noticee in his reply has submitted that it was wrongly stated in the Annual Report that he was CEO for the last 10 years. Further, it was also submitted that he was forced to sign the CEO/CFO certification due to the absence of Bharat Punj and Brij Raj Punj.

128. Having considered the charges against the Noticee and the reply filed by him, I note that even if the Noticee's contention that it was wrongly stated in the annual report that he was the CEO of the company for the last 10 years, is accepted, the fact remains that he was an Executive Director for the entire period when the diversion of funds to related parties occurred. Further, he was also a member of the AC during the period 2011 to 2014 when a substantial number of the RPTs flagged in this Order were undertaken. It is noted that he signed the CEO/CFO certification for FY 2017 and FY 2018 when the transfers to CWIP were noted. Given the above, I am of the view that there is sufficient material available on record to arrive at the finding that the Noticee was complicit in the diversion of funds and misrepresentation in the financial statements that have been established in the earlier part of this Order.

Noticee 4 - Nipun Singhal

129. Noticee 4 was a WTD of LEEL from 2013 to 2018. It is noted that he was in charge of the CD business and after its sale to Havells, he quit LEEL and joined Havells. It is noted that Rs. 5.06 Crore was paid by LEEL to MSPL, a company in which Nipun Singhal was a Director, for providing consultancy services. This payment was made out of the sale proceeds received from Havells. The Noticee has not been able to provide any supporting documents to substantiate the claim that MSPL was engaged by LEEL to provide consultancy services.

130. It is noted that the main defence raised by the Noticee is that even though he was the Whole Time Director of the company, he was not involved in the day-to-day management and he was only looking after CD Business. It was also contended that the financial statements, accounts etc. were prepared and duly

audited by the statutory auditors, verified by the ACs and reviewed by the Managing Director and that, in the company, the role of each Director was confined to his field of operation and there was no justification for holding a director to be in over-all charge and control of the affairs of the company. Further, it was also pointed out that the auditors were well versed in accounts and finance, therefore, there was no reason for the directors who had no expertise or knowledge of the intricacies of the accounts and finance to suspect them or sit in judgment over their decisions.

131. Having considered the above, I am of the view that given the long association of the Noticee as an Executive Director of the company coupled with the fact that a payment of Rs. 5.06 Crore was made to the Noticee in a surreptitious manner by routing it to a company in which he was Director, the needle of suspicion gets pointed in the direction of the Noticee. I note that the Noticee has not been able to provide any material to support his contention that the payments were made in lieu of the consultancy work done by him. His statement that he did not retain copies of business reports appears to be an afterthought. Given the same, I note on that on the basis of preponderance of probabilities, the Noticee facilitated the diversion of funds to MSPL and fraudulent misstatements made by the Company.

Noticee 5 – Mukat Behari Sharma

132. It can be noted from the table above that Noticee 5 has been associated with the Lloyd group from 1983 onwards. In respect of his association with LEEL, it is noted that he was shown as the *'Finance Head'* of LEEL in the Annual Report of 2005-06. Further, from 2006-07 onwards he was designated as the 'CFO' of LEEL. Mukat Sharma, it is noted, has signed the financials as well as the CEO/CFO Certification for LEEL from the year 2010. He was appointed as a WTD of LEEL w.e.f. January 28, 2010. He was also appointed as a member of the AC w.e.f. 29-05-2014.

133. It is noted that the Noticee in his reply has claimed that he had no say in the financial decisions of LEEL and that he was not responsible for the misrepresentations in the financial statements. Noticee contended that his appointment as the CFO was largely ceremonial and he was tasked with looking after the CSR activities of the Company.

134. Having considered the above, I find no merit in the arguments advanced by the Noticee. The contention that the Noticee had no background in finance and therefore was depended on advice of the professionals while signing the financials and CFO certifications is preposterous to say the least. The Noticee is seeking to make a mockery of the regulations and investor protections measures put in place. The Noticee has failed to take any responsibility for certifying the financial statements of the Company for close to a decade – a period during which Crores of rupees have been diverted from the company to the detriment of the public shareholders. Given the same, I note that the Noticee cannot evade liability by simply blaming others and claiming that he held a ceremonial role. Actions have consequences and the Noticee has to face the repercussions for fund diversion and financial misstatements that occurred when he was the CFO of the company.

Noticee 6 - Sushil Kabra

135. It is noted from the records that among the individual Noticees arraigned in these proceedings, Noticee 6 had the shortest tenure. The Noticee was employed by LEEL between October 2016 and September 2018. His services were terminated pursuant to an email sent by him to all the members of the Board of LEEL highlighting the contraventions and lapses which are covered in these proceedings. Sushil Kabra, in his reply before me, has contended that his appointment as Group CFO was never formalised through Board approval or was filed on the stock exchange / ROC. He further added that he was neither empowered nor had exercised the powers of the CFO of the group.

136. I note from the records that the management removed him from the position of Group CFO after receipt of a fraud report that he had emailed to the Managing Director and Board of the Company. It is also noted that that he was not disclosed as KMP or Group CFO in the annual reports for the financial years FY 2017 and 2018. Given the same, and considering the short tenure of the Noticee with the Company, I am inclined to grant the benefit of the doubt to the Noticee.

Noticee 9 - Anita Kakkar Sharma

137. It is noted from the records that the Noticee was appointed as the Company Secretary of LEEL in April 2006. She was disclosed as KMP in the Annual

Reports from FY 2014-15 and as Vice President Finance of the Company from FY 2016-17. Anita Sharma, it is noted, also acted as secretary to the AC. It was alleged in the SCN that the Noticee received a monetary incentive of Rs. 4 Crore which was paid out from the proceeds from the sale of the CD business. It was alleged in the SCN that the Noticee was handling the treasury functions of the Company and was well aware of the payments made to related parties.

138. It is noted from the records that the Noticee has been signing and filing the quarterly compliance certificate of LEEL with the Stock Exchanges in terms of Regulation 27 of SEBI (LODR) Regulations, 2015, wherein she has been affirming every quarter, compliance to prior approval of AC for related party transactions, compliance to composition and meetings of the AC and other sub-committees. It is, however, noted that Noticee and also the other members of the AC have deposed before SEBI that AC meetings have never taken place in LEEL.

139. The Noticee in her reply has contended that the role of the compliance officer in conducting AC meetings was secretarial in nature. The compliance officer, it was contended, neither had the power to set the agenda for such meetings nor the power to investigate related party transactions and place them before the AC. Such a role would only be exercised by the CFO and his team. Having considered the arguments made on behalf of the Noticee, I am of the considered view that they are liable to be rejected. Even if it is accepted that it is not within the remit of the compliance officer to set the agenda of the AC meetings, we are in the present matter dealing with a situation where the meetings of the AC have not been held for close to a decade. In such circumstances, the Noticee, a qualified Company Secretary, instead of raising the issue with the Board or regulatory authorities, was instrumental in a massive cover-up by preparing minutes and getting them signed by AC members for meetings that were never held.

140. It is further noted from the deposition of Mukut Sharma that the Noticee was in charge of treasury functions at LEEL and was reporting directly to Late Brij Raj Punj when he was at the helm of the Company. This is further corroborated by the emails, circulars and other material available on record. Given the same, I have no hesitation in holding that the Noticee was complicit in the diversion of funds to related parties as the said transfers happened during the time when she

was in charge of the treasury functions of LEEL.

141. It is noted that during the investigation, an email sent by the Noticee to Late Brij Raj Punj dated May 19, 2017 was noted wherein it was stated that the incentive payable was Rs. Four Crore. Further, in the said email, the Noticee is observed to be suggesting the manner in which the payments could be structured to avoid regulatory scrutiny. It is noted from records that the Noticee in her statements before SEBI has not disputed the authenticity of the aforesaid email. However, in her reply, it has been stated that the above mail at best amounts to an attempt to evade the law and in no way can be taken as proof of any actual wrong doing. It is noted from the bank records of the Noticee that she benefited at least to the tune of Rs. 2.78 Crore, out of which Rs. 1.93 Crore was directly transferred to her, Rs. 47 Lakh routed through another company and Rs. 38 Lakh paid through her parents.

142. Noticee has also been signing and filing the quarterly compliance certificate of LEEL with the Stock Exchanges in terms of Regulation 27 of SEBI (LODR) Regulations, 2015, wherein she has been affirming compliance with respect to prior approval of AC for related party transactions, compliance with respect to composition and meetings of the AC and other sub-committees. Further, in the annual affirmations filed with Stock Exchange FY 2017-18, she has affirmed the compliance with Regulation 16(1)(b) & 25(6), 17(5) , 18 (1) , 23(4) , 23(2)(3), etc.

143. In view of the above, I am of the view that Anita Sharma by her involvement in the transactions of fraudulent misrepresentation of financials and diversion of funds and deliberately hiding the non-compliance of corporate governance requirements of SEBI has failed in her duties as a KMP of LEEL and her actions have been detrimental to the interest of the minority shareholders of LEEL. Without her involvement, these transactions could not have been executed. The Noticee took advantage of her proximity to the promoters of the Company and was granted an incentive for her role in covering up the manipulative transactions that have been detailed in this Order. She in a manipulative and fraudulent manner was instrumental in diverting funds from LEEL to the tune of Rs. 472.11 Crore for the benefit of the other promoter group entities and also misrepresented the financials of the Company misleading the investors trading in the said security. Also, from the documentary evidence available, it is concluded that she

has benefitted to the extent of Rs. 2.78 Crore for facilitating these transactions.

144. The responsibility of a director for the actions of a company stems from the fundamental premise that it is the human stewards at the helm who ultimately make decisions shaping the entity's course. Directors, as individuals entrusted with the fiduciary duty to act in the best interests of the company and its stakeholders, are ultimately responsible for the contraventions that have been established against the company. It is the acts of commission or omission by the directors and KMPs that ultimately guide the company. Consequently, such individuals need to face the repercussions for the company's situation.

145. Finally, it was the shareholders of the company that were the biggest losers. Blame game amongst promoters and KMPs led the company to liquidation. Promoters ran their company in absentia from the US and some KMPs were busy rewarding themselves in the most tax efficient manner. It was a free-for-all with loose management controls and weak oversight.

146. As held in the earlier part of this Order, commencing around the year 2010, a troubling narrative unfolded within the Company, marked by a clandestine practice of diverting funds to related parties. The financial misconduct was further exacerbated by the subsequent attempt to camouflage these transactions through deliberate obfuscation in the company's financial statements, which resulted in the wilful misstatement in the financials of the company. Equally alarming is the revelation that the purported safeguard against such malfeasance, the AC, existed merely as a nominal entity on paper, devoid of substantive oversight or regulatory efficacy. This gross dereliction of duty by the AC allowed the fraudulent activities to continue unchecked. In the end, the repercussions of this protracted subterfuge was borne by the public shareholders and financial creditors of the company as the Company ended up in liquidation.

147. The submissions by the Noticees who were members of the AC that they were misled by the late Chairman and Managing Director, who portrayed their roles as largely ceremonial, paints a distressing state of affairs While I acknowledge the potential challenges posed by such deception, it cannot serve as a plausible excuse for the failure to fulfil their fiduciary duties. The solemn responsibility entrusted to AC members involves active and diligent oversight, irrespective of any misleading directives from higher management. This acknowledgment of

their purportedly limited role should not absolve them from facing the consequences of their inability to act decisively in the face of financial malfeasance.

148. When the role of the other Noticees are looked at, an equally troubling pattern emerges. The Whole-Time Directors, Chief Financial Officer ("**CFO**"), and compliance officer are seeking to evade responsibility by singularly attributing culpability to the late Chairman and Managing Director ("**CMD**"). This attempt to shift blame cannot be permitted, particularly given the extensive duration of their respective tenures within the company. The argument that they were merely passive observers or absolved of their responsibilities due to the actions of the late CMD, is not acceptable. Each of these individuals, having held crucial leadership positions in the company for an extended period, should be viewed as collectively accountable for the company's conduct and compliance.

149. I note that provisions of 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of the SEBI (Prohibition of fraudulent and Unfair Trade Practices) Regulations ("**PFUTP Regulations**"), 2003 and Section 12A(a),(b) and (c) of the SEBI Act, 1992 ("**SEBI Act**") have been invoked against Noticees 2 to 6 and Noticee 9.

150. The **PFUTP Regulations**, seek to prohibit both *'fraudulent'* and *'unfair trade practice'* in the securities market. The term 'fraud' has been defined in regulations while the term 'unfair trade practice' has been left undefined. Regulation 2(1)(c) defines 'fraud' as under,-

"(c) "fraud" includes any act, expression ,omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, …"

151. An explanation was inserted in regulations 4(1) in the year 2020 clarifying that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed shall be deemed to be a manipulative, fraudulent and an unfair trade practice under the regulations. It is noted that the explanation is only clarificatory in nature and clearly provides that acts of diversion and misstatements of financials would always be deemed to have been covered within the ambit of the PFUTP Regulations.

152. Given the same, I have no hesitation in holding that the contraventions established against Noticees 2 to 5 and Noticee 9 in this Order gets covered within the ambit of fraudulent and unfair trade practice as provided under Regulations of 3(b), 3(c), 3(d), 4(1) of the PFUTP Regulations and Section 12A(a),(b) and (c) of the SEBI Act. Such actions it is held, will also attract regulation 4(2)(e), which pertains to actions manipulating the price of a security, Regulations 4(2)(f), which deals with publishing of information related to a security including financial statements which is not true, of the PFUTP Regulations.

153. It is further noted that that it has been alleged that Noticee 2 to 6 have been alleged to have contravened the provisions of Regulations 4(1) (a), (b), (c), (e), (g), (h), (i), (j), 4(2)(f)(i)(2), 4(2)(f)(ii)(2),(6)(7), 4(2)(f)(iii)(7), 23(4) read with 23(1), and 33 (2) (a) of SEBI (LODR) Regulations, 2015 for FY 2015-16 to FY 2018-19 and Clause 41 (1)(a) of erstwhile Listing Agreement read with Section 21 of SCRA, 1956 FY 2013-14 and FY 2014-15.

154. In this regard, given the findings recorded in this Order against the aforesaid Noticees, I hold that Noticees 2 to 5 have violated regulations 4(1) (a), (b), (c), (e), (g), (h), (i), (j) pertain to the obligation of listed companies to make accurate and timely disclosures. 4(2)(f)(i)(2) deals with the obligations of the board of directors and senior management to conduct themselves in a manner which meets the expectations of the operational transparency of the stakeholders, 4(2)(f)(ii)(2) casts an obligation on the KMPs monitoring the effectiveness of the listed entity governance practices, 4(2)(f)(ii)(6) monitoring and managing potential conflicts of interest including abuse of related party transactions 4(2)(f)(ii)(7) ensuring integrity of the listed entity's accounting and financial statements and Regulations 23(1) and (4) which lays down the procedure for obtaining approvals for related party transactions.

155. Noticee 9, I hold, has not acted in compliance with the provisions of Regulations 6(2) (a), (b), (c) of the SEBI (LODR) Regulations, 2015.

156. It is further noted that Noticees 5, 7 and 8 were alleged to have contravened the provisions of Regulation 18(3) read with Para A of Part C of Schedule II of SEBI (LODR) Regulations, 2015, for the failure to adequately discharge their obligations as members of the AC of LEEL. Given the findings already recorded

against them in this regard, I am of the considered view that the aforesaid charges stand established against the Noticees 5, 7 and 8.

157. It is also noted that the violations committed by the by Noticees 2 to 5 and Noticees 7 to 9, as found above, are serious in nature and calls for imposition of monetary penalty apart from regulatory directions for debarment. I find that violations committed by Noticees 2 to 5 and Noticee 9 renders them liable for imposition of penalty under Section 15HA and 15HB of the SEBI Act, 1992. Noticees 7 and 8 are liable for imposition of monetary penalty under Section 15 HB of the SEBI Act, 1992.

158. I note that while imposing penalty under Section 15HA and 15HB of SEBI Act, 1992 the factors enumerated in Section 15J are to be taken into consideration. Section 15J of the SEBI Act, 1992 provides as under:

"Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation. —

For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

159. This is a case which has witnessed a complete breakdown of the governance structures within the company resulting in the siphoning off of significant amounts of money, over the course of many years, which resulted in the erosion of

shareholders wealth and ultimately resulted in the company ending up in liquidation. Even the proceeds from the sale of the CD Business, instead of being used to settle the financial liabilities of the company or being distributed to shareholders as dividends, was taken out of the company. None of the Noticees, who were invested with fiduciary duties to safeguard the interest of the shareholder, took any action to prevent the diversion of funds. To the contrary, the Noticees, as detailed in this Order, were complicit in the misappropriations and misstatements that were being carried on.

160. The scale and the brazen manner in which funds were diverted to related entities all the while mispresenting the financials to present a rosy picture attracting public investors to deal in the securities of the company, in my view, requires stringent action be taken against the Noticees. The penalties, in such cases, should be such that they will not be taken as cost of doing business and would instead serve as an effective deterrent. It is also noted that certain Noticees received monetary incentives for their role in the entire scheme. This factor will be taken into consideration while imposing monetary penalty. Further, a lenient view is being taken in respect of Noticees 7 and 8 for the reasons recorded in paragraph 147.

Directions

161. In view of the aforesaid findings and having regard to the facts and circumstances of the matter, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(1), 11(4), 11B read with Section 15I of the SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry And Imposing Penalties) Rules, 1995, hereby direct as under:

i. Noticees 2 to 5 and Noticee 9 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of five (5) years from the date of this order.

ii. Noticees 2 to 5 and Noticees 7 to 9 are further restrained from being associated with any listed company or a SEBI registered intermediary, in any capacity including as a director or a key managerial person, directly or indirectly, for a period of three (3) years from the date of this order.

iii. Noticees 2 to 5 and Noticees 7 to 9 shall be liable to pay a monetary penalty under Sections 15HA and 15HB of the SEBI Act, 1992, as indicated in the table below:

NOTICEE NO.	NOTICEE	PENALTY
2.	Bharat Raj Punj	Rs. 5,00,00,000
3.	Achin Kumar Roy	Rs. 2,00,00,000
4.	Mr. Nipun Singhal	Rs. 2,00,00,000
5.	Mukat Behari Sharma	Rs. 2,00,00,000
7.	Surjit Kishan Sharma	Rs. 10,00,000
8.	Geeta Tekchand	Rs. 10,00,000
9.	Anita Kakar Sharma	Rs. 3,00,00,000

iv. Noticees 2 to 5 and Noticees 7 to 9 shall pay the respective penalty imposed on them within a period of forty-five (45) days from the date of receipt of this order. In case of failure to do so, simple interest at the rate of 12% per annum shall be applicable from the expiry of the said 45 days till the date of actual payment.

v. Noticees 2 to 5 and Noticees 7 to 9 shall pay the monetary penalty by online payment through following path on the SEBI website: www.sebi.gov.in/ENFORCEMENT → Orders → Orders of Chairman / Members → Click on PAY NOW. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

vi. The Noticees 2 to 5 and Noticees 7 to 9 shall forward details of the online payment made in compliance with the directions contained in this Order to the Division Chief, Coordination Division, Corporation Finance Investigation Department , SEBI, SEBI Bhavan II, Plot no. C - 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e - mail id: - tad@sebi.gov.in in the format as given in table below::

1. CASE NAME:	
2. NAME OF THE PAYEE:	
3. DATE OF PAYMENT:	
4. AMOUNT PAID:	
5. TRANSACTION NO:	
6. BANK DETAILS IN WHICH PAYMENT IS MADE:	
7. PAYMENT IS MADE FOR:	PENALTY

vii. The proceedings against Noticee 6 is being concluded without issuance of any directions.

162. The obligation of the aforesaid debarred Noticees, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order only, in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees debarred in the present Order, in the F&O segment of the stock exchanges, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order

163. This Order comes into force with immediate effect.

164. This Order shall be served on all the Noticees, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

165. A copy of this Order shall be served upon the Enforcement Directorate, the Institute of Company Secretaries of India and the National Financial Reporting Authority.

Date: April 18, 2024
Place: Mumbai

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA