



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/SM/BK/2026-27/32345-32349**

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

In respect of:

Noticee No.	Noticee Name	PAN
Noticee 1	Lypsa Gems & Jewellery Limited	AABCM0649K
Noticee 2	Dipan Babulal Patwa	ADSPP9952D
Noticee 3	Manish Jaysukhlal Janani	AACPJ9992L
Noticee 4	Jeeyan Dipan Patwa	ASGPP0154L
Noticee 5	Sonal Dipan Patwa	AFEPP2421H

In the matter of Lypsa Gems & Jewellery Limited

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as 'SEBI') had initiated Adjudication Proceedings under Section 15-I of the SEBI Act, 1992 in respect of Lypsa Gems & Jewellery Limited ('Noticee 1' / 'the company' / 'LGJL'), Dipan Babulal Patwa (Noticee 2), Manish Jaysukhlal Janani (Noticee 3), Jeeyan Dipan Patwa (Noticee 4), Sonal Dipan Patwa (Noticee 5) (all the said five Noticees collectively referred to as 'Noticees' / 'You') for the alleged violation of following regulatory provisions:



Noticee 1	Notices 2, 3, 4 and 5:
<ol style="list-style-type: none">1. Regulation 4(1)(a), (b), 4(2)(e)(i), 33(3)(d), 34(2)(c) and 48 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter also referred to as “SEBI LODR Regulations, 2015/ LODR Regulations, 2015”).2. Regulation 4(2)(f), (k)&(r) read with 2(1)(b) &(c) of SEBI (prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market Regulations, 2003 (hereinafter also referred to as “PFUTP Regulations, 2003”) and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.3. Regulations 4(1)(a), (b), 4(2)(e)(i), 34(2)(b) and 48 of SEBI (LODR) Regulations, 2015.4. Regulation 4(2)(f), (k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.5. Regulation 4(1)(a),(c)(d),(e),(g),(h),(i),(j), 4(2)(e)(i) and 34(3) of SEBI (LODR) Regulations, 20156. Regulation 4(1)(a), (b), 4(2)(e)(i), 33(1)(a), 33(1)(c) and 48 of the SEBI (LODR) Regulations, 2015.7. Regulation 4(2)(f),(k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.	<ol style="list-style-type: none">1. Regulations 4(1)(a),(b), 4(2)(e), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (7), 4(2)(f)(iii)(1),(3),(6),(7),(12), 33(1)(a), 33(1)(c), 33(3)(d), 34(2)(b), (c), 34(3), and 48 of SEBI (LODR) Regulations, 2015, read with Section 27 of SEBI Act, 1992.2. Regulation 4(2)(f),(k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015, read with Section 27 of SEBI Act, 1992.



2. The said Adjudication Proceedings were initiated pursuant to an investigation in the matter of Lypsa Gems & Jewellery Limited wherein SEBI observed alleged violations of provisions of **PFUTP Regulations, 2003** and “**LODR Regulations, 2015**”.

The investigation period was taken from FY 2017-18 to FY 2022-23 (hereinafter referred to as “Investigation period” or “IP”). However, whenever deemed necessary, references were made to the events/ timeframes outside this period.

B. APPOINTMENT OF ADJUDICATING OFFICER

3. In view of the above, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violation by the Noticees, as stated above and therefore, in exercise of the powers conferred under Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 19 of the SEBI Act, 1992, the Competent Authority appointed Shri Amar Navlani, General Manager, SEBI as Adjudicating Officer (erstwhile AO) vide communique dated April 17, 2025 to inquire into and adjudge under Section 15HA and 15HB of the SEBI Act, 1992 for the alleged violation by the Noticees. Subsequent to transfer of the erstwhile AO, vide communique dated September 12, 2025, the undersigned has been appointed as Adjudicating Officer.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice No. SEBI/EAD-5/AN/RG/15924/1/2025 dated June 13, 2025 (hereinafter referred to as “**SCN**”) was issued to the Noticee Nos. 1 to 5 by the erstwhile AO in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating



Officer) Rules, 1995 to show cause as to why an inquiry should not be held and penalty not be imposed in terms of Section 15HA and 15HB of the SEBI Act, 1992 for the aforesaid violations.

5. The allegations in respect of the Noticees inter alia brought out in the SCNs are as under:

“ ...

I. Violations by the company:

4.15.1. LGJL didn't provide cash flow statements in the financial statement in annual result ending on March 31, 2020 and in the financial statements in annual reports for FY 2020-21, FY 2021-22 and FY 2023-24. By not providing the cash flow statements in the financial statements of the company, LGJL did not disclose material information to the shareholders and other stakeholders of the company, thereby resulting into grave misrepresentation of the financial statements of the company in the annual result and annual reports and violating the provisions of IND AS 1 and IND AS 7. Hence, LGJL violated the provisions of Regulations 4(1)(a), (b), 4(2)(e)(i), 33(3)(d), 34(2)(c) and 48 of SEBI (LODR) Regulations, 2015. Further, this also resulted in concealment of material information, misrepresentation of financial statements and other disclosures in the company's published financial statements thereby resulting in violation of Regulation 4(2)(f), (k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.

4.15.2. LGJL did not include consolidated financial statements in the annual reports for FY 2019-20, FY 2020-21 and FY 2021-22. Further, notes to the consolidated balance sheets in the financial statement in the annual report for FY 2023-24 were providing the misleading information. Therefore, financial statements in annual reports for FY 2019-20, FY 2020-21, FY 2021-22 and FY 2023-24 didn't reflect the true and fair, and complete performance of the company. LGJL deprived its stake holder from the material financial information related to the operations of its subsidiary companies for FY 2019-20, FY 2020-21, FY 2021-22 and FY 2023-24. Such acts resulted into gross and grave misrepresentation of the financial statements of the company. Hence, LGJL failed to comply with the provisions of IND AS 1 and IND AS 110 and violated the provisions of Regulations 4(1)(a), (b), 4(2)(e)(i), 34(2)(b) and 48 of SEBI (LODR) Regulations, 2015. Further, LGJL concealed material information and misrepresented financial statements and other disclosures in the company's published financial statements thereby resulting in violation of Regulation 4(2)(f),(k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.



- 4.15.3. LGJL didn't provide auditor's report in the annual report for FY 2019-20. By doing so, company has created doubt on the financial statements for the user of such annual report. Regulation 34 of LODR requires annual report to contain audited financial statements. Therefore, for the period from FY 2019-20, LGJL is in violation of Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) of SEBI (LODR) Regulations, 2015.
- 4.15.4. LGJL didn't provide AOC-1 in its financial statements and didn't provide the key financial figures of its subsidiary for the period from FY 2017-18 to FY 2023-24. Thus, LGJL did not provide complete financial statements for the company and did not reflect the true and fair view of the financial performance and position of the company. Therefore, LGJL violated Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) of SEBI (LODR) Regulations, 2015.
- 4.15.5. LGJL did not obtain the Certificate of Non-Disqualification of Directors from a company secretary in practice. Thus, LGJL failed to comply by the Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI LODR, Regulations, 2015. Therefore, for the period from FY 2017-18 to FY 2022-23, LGJL is in violation of Regulation 4(1)(a),(c)(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) read with Schedule V Para C clause (10)(i) of SEBI (LODR) Regulations, 2015.
- 4.15.6. With respect to the long outstanding debtors, LGJL didn't recognize the provision/ lifetime expected credit loss and misrepresented /misstated the company's financial statements to the amount of Rs. 52.29 crores for FY 2022-23 and FY 2023-24, and to the amount of Rs.8.68 crores for FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24. Hence, LGJL did not comply with the applicable provisions of IND-AS 109, resulted in violation of Regulation 4(1)(a), (b), 4(2)(e)(i), 33(1)(a), 33(1)(c) and 48 of the SEBI (LODR) Regulations, 2015. Further, such act of non-provisioning or non-recognition of lifetime expected credit loss for long outstanding foreign and domestic debtors, resulted in material misstatement and misrepresentation of financial statements of LGJL for FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24, thereby resulting in violation of Regulation 4(2)(f),(k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.
- 4.15.7. During September, 2020, LGJL purchased diamonds worth Rs. 3.42 crores from Anjani Goods Pvt. Ltd. and same diamonds were sold for Rs. 3.44 crores to Anjani Enterprise, wherein Anjani Goods Pvt. Ltd. and Anjani Enterprise being owned and controlled by same person/ family and bear same address. Therefore, by reporting sales of diamonds to Anjani Enterprise, LGJL inflated its revenue from operations by Rs. 3.44 crores, inflating revenue by 69.21%. Further, by reporting purchase of diamonds from Anjani Goods Pvt. Ltd., LGJL inflated its purchase of stock in trade by Rs. 3.42 crores, inflating purchase of stock in trade by 56.25%. Hence, LGJL did not comply with the applicable provisions of IND-AS 1, resulting in violation of Regulation 4(1)(a), (b), 4(2)(e)(i),



33(1)(a), 33(1)(c) and 48 of the SEBI (LODR) Regulations, 2015. Further, such act of inflating revenue and inflating purchase of stock in trade resulted in material misstatement and misrepresentation of financial statements of LGJL for FY 2020-21, thereby resulting in violation of Regulations 4(2)(f), 4(2)(k) & 4(2)(r) read with 2(1)(b)&(c) of SEBI (PFUTP) Regulations, 2003, and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations.

J. Role of Promoters, Directors and CFO of the company:

4.16. A company acts through its board of directors. The directors are responsible for all the acts of omission and commission by the company. It is the duty and responsibility of the directors to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. The directors of the listed companies have greater responsibility as they have access to inside information such as the financial position of the company, annual accounts, etc., and they take major decisions on behalf of the company, which affects the investors. Therefore, they are expected to exercise the powers in bona fide manner and in the interest of all stakeholders of the company.

4.17. As LGJL published misrepresented/manipulated financial results, role of the company's MD, Directors and CFO was therefore, examined.

4.18. Board of Directors meetings:

The details of the Board meetings attended by following persons during FY 2017-18 to FY 2022-23 are placed in the table below:

Name of the Director	Designation	Particulars of Attendance of Board Meeting					
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Mr. Manish Jaysukhlal Janani	Managing Director	8	5	4	5	6	4
Mr. Dipankumar Babulal Patwa	Chairman & Jt. Managing Director	14	5	4	5	6	4
Mr. Jeeyan Dipankumar Patwa	Executive director & CFO	14	5	4	5	6	4
Mrs. Sonal Dipen Patwa	Executive director	14	5	4	5	6	4

(Source: Annual Reports)

4.19. Mr. Manish Jaysukhlal Janani, Promoter & MD, Mr. Dipankumar Babulal Patwa, Promoter, Chairman & joint. MD, Mr. Jeeyan Dipankumar Patwa, Executive director & CFO, Mrs. Sonal Dipen Patwa, Executive director:



4.19.1. *Mr. Manish Jaysukhlal Janani and Mr. Dipankumar Babulal Patwa are the founder of LGJL and heading LGJL since 2010. Vide statement dated February 24, 2025, Mr. Jeeyan Dipankumar Patwa stated that Mr. Dipankumar Babulal Patwa and Mrs. Sonal Dipen Patwa are husband and wife. Further, Mr. Manish Jaysukhlal Janani and Mr. Dipankumar Babulal Patwa are close friends for more than 30 years. Also, Mr. Jeeyan Dipankumar Patwa is son of Mr. Dipankumar Babulal Patwa and Mrs. Sonal Dipen Patwa. Thus, the board of LGJL comprised of closely held family. Mr. Manish Jaysukhlal Janani and Mr. Dipankumar Babulal Patwa are suffering from Hyper diabetes and knee issues, respectively. Mr. Jeeyan Dipankumar Patwa stated that he looks after the majority of the transactions done by LGJL. In view of the above, roles of Mr. Jeeyan Dipankumar Patwa in the above explained violation of LGJL will be applicable to all other directors of LGJL, viz. Mr. Manish Jaysukhlal Janani, Mr. Dipankumar Babulal Patwa and Mrs. Sonal Dipen Patwa.*

4.19.2. *As Chairman, Managing Directors, Executive Directors and CFO of the company, Mr. Manish Jaysukhlal Janani, Mr. Dipankumar Babulal Patwa, Mr. Jeeyan Dipankumar Patwa and Mrs. Sonal Dipen Patwa acted as a guiding force of LGJL and did critical decision making of LGJL.*

4.19.3. *With respect to the irregularities in the financial statements of annual reports and annual results pertaining to non-inclusion of following:*

- *Cash flow statements;*
- *AOC-1;*
- *Certificate of Non-disqualification of directors;*
- *Consolidated financial statements;*
- *Auditor's report*

Mr. Jeeyan Dipankumar Patwa stated that all these irregularities are due to poor compliance advise given by compliance professional and due to the gross negligence of the management of LGJL. By not exercising the adequate due-diligence, board of LGJL deprived its stake holder from the material financial information and resulted into gross and grave misrepresentation of the financial statements of the company.

4.19.4. *With respect to the long outstanding domestic and international debtors, Mr. Jeeyan Dipankumar Patwa stated that LGJL should have created provision or lifetime expected credit loss for such long outstanding debts. By not recognizing the provision/ lifetime expected credit loss, board of LGJL misrepresented /misstated the company's financial statements to the amount of Rs. 52.29 crores for FY 2022-23 and FY 2023-24, and to*



the amount of Rs.8.68 crores for FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24.

- 4.19.5. *During September, 2020, LGJL purchased diamonds worth Rs. 3.42 crores from Anjani Goods Pvt. Ltd. and same diamonds were sold for Rs. 3.44 crores to Anjani Enterprise. From the invoices submitted by LGJL and signed by Mr. Jeeyan Dipankumar Patwa, it is observed that board of LGJL was aware that Anjani Goods Pvt. Ltd. and Anjani Enterprise were owned and controlled by same person/ family and bear same address. Therefore, by reporting sales of diamonds to Anjani Enterprise, board of LGJL inflated its revenue from operations by Rs. 3.44 crores, inflating revenue by 69.21%. Further, by reporting purchase of diamonds from Anjani Goods Pvt. Ltd., board of LGJL inflated its purchase of stock in trade by Rs. 3.42 crores, inflating purchase of stock in trade by 56.25%.*
- 4.19.6. *The designation of Chairman, Managing Director, Executive director and CFO held in LGJL, minutes of the Board meetings of LGJL, signatures of board member in the financial statements of company and statement given by CFO of LGJL provide that Board of LGJL was well aware about all the transactions as explained and discussed in this investigation report. Such acts of Board of LGJL clearly show that Board devised a scheme to knowingly misrepresent and misstate the financial statement of LGJL.*
- 4.19.7. *The hierarchy in the corporate structure is designed in such a way that adequate checks and balances are available to prevent misuse of company resources. Managing Director, Executive director and CFO of the company are key person in such hierarchy to work properly in the interest of the company and its shareholders. Further, it is the duty and responsibility of the Managing Director, Executive director and CFO to ensure that proper systems and controls are in place for financial reporting and to monitor the efficacy of such systems and controls. Managing Director, Executive director and CFO have access to information such as the financial position of the company, annual accounts, etc., and take major decisions on behalf of the company which affect the investors. Therefore, Managing Director, Executive director and CFO are expected to exercise the powers in bona fide manner and in the interest of all stakeholders of the company.*
- 4.19.8. *Such acts of Mr. Manish Jaysukhlal Janani, Mr. Dipankumar Babulal Patwa, Mr. Jeeyan Dipankumar Patwa and Mrs. Sonal Dipen Patwa, being Managing Director, Executive director and CFO of LGJL clearly show that:*
- *Board did not act in a manner to meet the operational transparency to stakeholders.*
 - *By signing the misrepresented financial statements, board did not ensure the integrity of the listed entity's accounting and financial reporting systems.*



- *Board did not act in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.*
- *Board did not maintain high ethical standards and did not take into account the interests of stakeholders. Thus, Board did not commit itself effectively to his responsibilities.*

4.19.9. *Mr. Manish Jaysukhlal Janani, Mr. Dipankumar Babulal Patwa, Mr. Jeeyan Dipankumar Patwa and Mrs. Sonal Dipen Patwa, being Managing Director, Executive director and CFO of LJGL orchestrated a deliberate scheme and engaged in fraudulent practices to inflate its revenue and purchase of stock in trade. This deceptive practice of materially misstating and misrepresenting the financial statement through inflating the items of profit and loss statement created the illusion of better operating activities by LGJL. Thus, board of LGJL knowingly manipulated and misrepresented the financial statements for FY 2020-21 to paint a rosy picture of the financial statements to the public. Board of LGJL also failed to recognize the provision/ lifetime expected credit loss pertaining to long outstanding debtors and misrepresented /misstated the company's financial statements to the amount of Rs. 52.29 crores for FY 2022-23 and FY 2023-24, and to the amount of Rs.8.68 crores for FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24. Thereby, board of LGJL concealed correct picture of its financials from its stakeholders and didn't reflect true and fair view of the financial performance and position of the company.*

4.19.10. *Hence, Mr. Manish Jaysukhlal Janani, Mr. Dipankumar Babulal Patwa, Mr. Jeeyan Dipankumar Patwa and Mrs. Sonal Dipen Patwa, being Managing Director, Executive director and CFO of LJGL, are held responsible for violation of Regulations 4(1)(a),(b),(c),(d),(e),(g),(h),(i),(j), 4(2)(e), 4(2)(f)(i)(2), 4(2)(f)(ii)(2),(7), 4(2)(f)(iii)(1),(3),(6),(7), (12), 33(1)(a), 33(1)(c), 33(3)(d), 34(2)(b), (c), 34(3), and 48 of SEBI (LODR) Regulations, 2015, and for violation of Regulations 4(2)(f), 4(2)(k) & 4(2)(r) read with 2(1)(b)&(c) of SEBI (PFUTP) Regulations, 2003, 1992, read with Section 27 of SEBI Act, 1992.*

...”

6. The said SCN was delivered to all the Noticees through email dated June 27, 2025 though the SCN sent by post returned undelivered to Noticee No. 1 and 3. Thereafter, vide Notice of Hearing dated June 27, 2025, Noticees were granted an opportunity of personal hearing by the erstwhile AO on July 11, 2025. Pursuant to the same, Noticees vide letter dated June 30, 2025, sought inspection of documents and copies relied upon by SEBI and requested for an adjournment of personal hearing scheduled on July 11, 2025. In this regard, vide email dated July



09, 2025, the Noticees were provided with an opportunity of Inspection of documents on July 15, 2025. However, vide email dated July 14, 2025, the Noticees requested to reschedule the scheduled date of inspection viz. July 15, 2025. Vide email dated July 16, 2025, the Noticees were informed that they may avail the opportunity of inspection of documents on July 22, 2025. Vide email dated July 18, 2025, the Noticees again made a request to reschedule the date of inspection to July 23, 2025 which was accepted on the same day. Accordingly, the Noticees inspected the documents on July 23, 2025.

7. Vide email dated November 11, 2025 and through SPAD, the Noticees were granted an opportunity of hearing on November 24, 2025 and were advised to file a reply to the SCN prior to the scheduled date of hearing. Vide letter dated November 15, 2025, the Noticees collectively requested to grant additional 10 days' time to file a reply to the SCN and also postpone the hearing at a later date. The request was considered and accordingly the Noticees were granted time till November 25, 2025 to file their reply and the hearing was rescheduled to December 03, 2025
8. I note that Noticees had made common submissions in their reply to the SCN vide common letter /email dated November 25, 2025. Key submissions of the Noticees as reply to the SCN are as under:

“ ...

Our Response to the allegations as alleged against us in the said SCN is as under: -

1. Submission on allegation of Irregularities in the Financial Results and Annual Reports of Lypsa:
 - I. *At the outset, it is humbly submitted that the Financial Results and Annual Reports are the responsibility of the professionals that are appointed by the Company to look after the Reporting of the Company. The alleged Irregularities in the Financial Results and Annual Reports of Lypsa were mainly due to:*
 - (i) *Inadequate compliance guidance from the former professionals,*
 - (ii) *Lack of internal control mechanisms,*
 - (iii) *Transition challenges under Ind-AS regime.*
 - II. No Cash Flow statement in annual reports and annual financial results:



The observation states that Standalone and/or consolidated cash flow statements (“CFS”) were not presented in the financial statement in Annual Reports of Financial Year (“FY”) 2019 – 2020, 2020 – 2021, 2021 – 2022 and 2023 – 2024. In this regard we submit as under:

- (i) The Annual Financial Results for the FY 2019 – 2020 were declared on 31.03.2020 and the Annual Report for the FY 2019 – 2020 was published on 31.12.2020. Further, the Annual Report for the FY 2020 – 2021 was published on 08.09.2021.
- (ii) On perusal of the aforesaid timelines, it is humbly submitted that the said period is COVID - 19 period. Pertinently, our director Mr. Jeeyan Dipan Patwa, suffered from COVID – 19 in December 2020 and therefore there were certain compliance related deficiencies during the said period because of the said issue.
- (iii) Additionally, because of the COVID – 19 pandemic and the restrictions imposed because of the said pandemic, majority of our staff was working from home including the people/persons aware about the compliance requirements of the Company.
- (iv) Therefore, at the relevant times due to the factor of Covid – 19 restriction, staff aware of the compliance working from home and inadvertent error the CFS inadvertently got missed to be attached to the Annual Report/Annual Financial Results of the Company.
- (v) Further, we humbly submit that the said query was also asked from us by the NSE and SEBI and we have also provided them with the requisite data. The details of the same are mentioned herein under:

Financial Year	NSE Query	Our Response to NSE	Supporting Documents
2020 – 2021	27.03.2023	13.04.2023	Letter dated 13.04.2023 a/w Cash Flow Statement for the FY 2020 – 2021 and 2021 - 2022 (Attachment A1 thereto) is enclosed hereto marked as <u>Annexure – “2”</u> . In fact, in our letter dated 17.01.2025 to SEBI, we have clarified the same and inter alia stated that we have submitted the standalone cash flow statement for FY 2020 – 2021 to NSE by Letter dated 13.04.2023. A copy of the Letter dated 17.01.2025 to SEBI is enclosed hereto marked as <u>Annexure – “3”</u> .
2021 – 2022			



(vi) In respect to the observation that the Consolidated CFS is not presented in the financial statement in the Annual Report for the FY 2023 – 2024, we humbly submit as under:

- (a) As per the directions received from SEBI, we had filed revised Annual Reports for the FY 2023 – 2024 on 10.04.2025.
- (b) In the revised Annual Report filed for the FY 2023 – 2024, we humbly submit that the Consolidated Audited Statement of Cash Flows for the year ended 31.03.2024 is attached thereto. (Page No. 90 of the Annual Report). A copy of the relevant pages of the revised Annual Report filed for the FY 2023 – 2024 w.r.t. CFS as downloaded from the BSE Website is enclosed hereto marked as **Annexure – “4”**.

(vii) In fact, it is humbly submitted that the CFS were already prepared for formed a part of the accounts. However, due to the aforesaid reasons and inadvertent errors the same was not uploaded in the Annual Report. To evidence the same, we attach herewith the Minutes of the Audit Committee Meetings as under:

- (a) Minutes of the audit committee meeting held on 31.07.2020 (**Annexure – “5”**) – Refer Point No. 8 of the said Minutes which states that the Annual Financial statements including the CFS for the year ended 31.03.2020 was placed before the meeting and the same to be recommended to the Board of Directors.
- (b) Minutes of the audit committee meeting held on 30.06.2021 (**Annexure – “6”**) – Refer Point No. 8 of the said Minutes which states that the Annual Financial statements including the CFS for the year ended 31.03.2021 was placed before the meeting and the same to be recommended to the Board of Directors.
- (c) Minutes of the audit committee meeting held on 30.05.2022 (**Annexure – “7”**) – Refer Point No. 8 of the said Minutes which states that the Annual Financial statements including the CFS for the year ended 31.03.2022 was placed before the meeting and the same to be recommended to the Board of Directors.

In fact, the said minutes were also provided to SEBI and forms a part of our reply/Email dated 02.07.2024 to SEBI.

(viii) Further, it is humbly submitted that the Consolidated CFS for the FY 2019 – 2020, 2020 - 2021 and 2021 – 2022 are attached with the consolidated Financial Statement as referred, mentioned and attached herein below.

(ix) Further, the standalone CFS of the FY 2019 – 2020 is already attached in the Annual Report as uploaded on the Exchange’s website. A copy of the standalone CFS of the FY 2019 – 2020 as downloaded from the Exchange website is enclosed hereto marked as **Annexure – “7A”**



(x) *In view of the aforesaid, we humbly submit that we have taken all the corrective step w.r.t. the Cash Flow statements. Further, it can be clearly seen that we did not have any mala fide intent and the said ought to be considered as merely a technical error.*

(xi) *Further, all the CFS, whether standalone or consolidated as referred to in the SCN, have been duly attached herein.*

...”

9. On the scheduled date of hearing i.e. December 03, 2025, the Noticees availed the opportunity of hearing through their Authorized Representatives (ARs) viz., Dr. Keyur Shah, Advocates and CA Kushal Shah. During the hearing, the ARs relied upon and reiterated the submissions made vide reply dated November 25, 2025 and also submitted some additional evidences and judgments on record to substantiate their submissions. The ARs requested time of 10 days’ to submit additional reply/submissions.

10. The Noticees had vide email dated December 15, 2025 submitted their additional written submissions. Key submissions of the Noticees as additional submissions are as under:

“ ...

7. **. W.r.t. allegation of Irregularities in the Financial Results and Annual Reports of Lypsa, it is summarized that:**

(i) No Cash Flow statement (“CFS”) in annual reports and annual financial results:

(a) *The declaration of Annual Financial Results for the FY 2019 – 2020 and FY 2020 – 2021 was during the COVID - 19 period amidst which in December 2020 our director Mr. Jeeyan, suffered from COVID – 19 and therefore there were certain compliance related deficiencies during the period.*

(b) *Additionally, because of the COVID – 19 pandemic and the restrictions imposed because of the said pandemic, majority of our staff was working from home including the people/persons aware about the compliance requirements of the Company. Therefore, due to inadvertent errors the CFS in some FYs inadvertently got missed to be attached to the Annual Report/ Annual Financial Results of the Company.*

(c) The Point wise clarification for the CFS is mentioned under:



➤ Standalone CFS

- *The standalone CFS of the FY 2019 – 2020 is already attached in the Annual Report as uploaded on the Exchange’s website. (Ref. Annexure No. 7A on Page No. 71 to 74 of the Written Submissions dated 25.11.2025 (“WS”))*
- *The standalone CFS for FYs 2020 – 2021 and 2021 – 2022 are attached in the WS dated 25.11.2025 and also/or in previous response to SEBI/NSE. NSE had sent us a query dated 27.03.2023 to which we had provided our response on 13.04.2023 (Ref. Annexure No. 2 and 3 on Page No. 48 to 56 of the WS)*

➤ Consolidated CFS

- *The Consolidated CFS for the FY 2019 – 2020, 2020 -2021 and 2021 – 2022 are attached with the consolidated Financial Statement as attached in the reply dated 25.11.2025. (Ref. Annexure No. 9 on Page No. 76 to 171 of the WS)*
- *For FY 2023 – 2024, as per the directions received from SEBI, we had filed revised Annual Reports and attached the Consolidated CFS. (Ref. Annexure No. 4 on Page No. 57 to 60 of the WS)*

(d) *The CFS were already prepared formed a part of the accounts, however, due to above-mentioned reasons and inadvertent errors the same was not uploaded in the Annual Report. The same is also evident from the Minutes of the Audit Committee Meetings. (Ref. Annexure No. 5 to 7 on Page No. 61 to 70 of the WS) (The said minutes were also provided to SEBI and forms a part of our reply/Email dated 02.07.2024 to SEBI)*

(ii) Non-Inclusion of Consolidated Financial Statement in Annual Reports:

- (a) *Due to compliance lapses, the consolidated financial statements were not included in the annual reports i.e. for FY 2019– 2020, 2020– 2021, and 2021– 2022.*
- (b) *Without prejudice, we submit that the alleged omission of consolidated financial statements for the FYs 2019 – 2020, 2020 – 2021, and 2021– 2022, and alleged discrepancy in Notes for FY 2023–24, as alleged, did not result in any material misstatement or suppression of significant financial data since the wholly owned subsidiary of the Company, Lypsa Gems & Jewellery DMCC (based in Dubai), did not engage in any substantive business activity during the relevant financial years. The subsidiary remained dormant and did not generate any revenue, incur any substantial expenditure, or create any financial impact that would require consolidation or materially alter the financial position of the parent Company.*
- (c) *Due to the prolonged inactivity and the subsidiary's redundancy in the corporate structure, we filed a formal liquidation application with the Dubai Multi Commodities*



- Centre (“DMCC”) Authority on 28.03.2024 and the said subsidiary was formally dissolved with effect from 29.03.2024. (Ref. Annexure No. 8 on Page No. 75 of the WS)
- (d) The said query was also raised by NSE and by Letter dated 13.04.2023 to NSE provided Consolidated Financial Statements for the FY 2019 – 2020, 2020 – 2021 and 2021 – 2022. (Ref. Annexure No. 9 on Page No. 76 to 171 of the WS)
- (e) Further, in respect of the discrepancy in the note of Consolidated Financial Statement w.r.t. Other Expenses, it is submitted that as per the updated financial statement as uploaded on the BSE’s website as per the SEBI’s directions the said changes have been made, and the other expenses and the other expenses showcase the amount of Rs 3,280.42 Lakhs as also shown in the Consolidated Profit and Loss for the year ended 31.03.2024 (Ref. Annexure No. 10 on Page No. 172 to 183 of the WS).

...”

D. CONSIDERATION OF ISSUES AND FINDINGS

4 The issues that arise for consideration in the instant matter are as following:

Issue No. I: Whether the Noticees have violated the provisions of the SEBI LODR Regulations, 2015, SEBI (PFUTP) Regulations, 2003, as alleged?

Issue No. II: If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15 HA and 15 HB of SEBI Act, 1992?

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

5 Before dealing with the issues involved and the replies of the Noticees, it would be appropriate to refer to the provisions of law alleged to have been violated by the Noticees and the relevant extracts thereof are reproduced hereunder:

SEBI LODR Regulations, 2015

“ ...

Principles governing disclosures and obligations.



4.(1) *The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:*

(a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.

(b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

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

(d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.

(e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

(f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.

(g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.

(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

(2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.



(e) Disclosure and transparency: The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

(i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.

...

Financial results.

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

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

...

(c) The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India:

Provided that in addition to the above, the listed entity may also submit the financial results, as per the International Financial Reporting Standards notified by the International Accounting Standards Board.

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

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

[Provided that a listed entity in respect of which a resolution plan under section 31 of the Insolvency Code has been approved during the last quarter of a financial year, shall disclose its annual audited financial results within 120 days from the end of such financial year:]

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

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



Annual Report.

34(1)...

(2) *The annual report shall contain the following:*

...

(b) *consolidated financial statements audited by its statutory auditors;*

(c) *cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable;*

Accounting Standards.

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

...”

SEBI PFUTP Regulations, 2003

“ ...

Definitions

2. (1) *In these regulations, unless the context otherwise requires,—*

...

(b) *["dealing in securities" includes:*

(i) *an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act, either by themselves or through mule accounts];*

(ii) *such acts which may be knowingly designed to influence the decision of investors in securities; and*

(iii) *any act of providing assistance to carry out the aforementioned acts.]*



(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, and shall also include—

- (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
- (3) an active concealment of a fact by a person having knowledge or belief of the fact;
- (4) a promise made without any intention of performing it;
- (5) a representation made in a reckless and careless manner whether it be true or false;
- (6) any such act or omission as any other law specifically declares to be fraudulent,
- (7) deceptive behaviour by a person depriving another of informed consent or full participation,
- (8) a false statement made without reasonable ground for believing it to be true.
- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And “fraudulent” shall be construed accordingly;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

- (a) the economic policy of the government
- (b) the economic situation of the country
- (c) trends in the securities market or
- (d) any other matter of a like nature

whether such comments are made in public or in private;

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

(2) Dealing in securities shall be deemed to be a ⁹[manipulative] fraudulent or an unfair trade practice if it involves [any of the following]:—



(f) [knowingly] publishing or causing to publish or reporting or causing to report by a person dealing in securities any information [relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals,] which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

...

[(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;]

...

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

...”

6. Issue No. Whether the Noticees have violated the provisions of the SEBI LODR Regulations, 2015, SEBI (PFUTP) Regulations, 2003, as alleged?

Role of Noticee 1/LGJL

6.1 No Cash Flow Statement in annual reports and annual financial result

6.1.1. In this regard, it was inter alia observed by SEBI that there were irregularities in the Financial Results and Annual Reports of LGJL. It is alleged that LGJL failed to include cash flow statement in its financial results and annual reports for various financial years. Specifically, it was observed that:

6.1.1.1. Standalone and consolidated cash flow statements are not presented in the financial statement in annual financial result ending on March 31, 2020.

6.1.1.2. Consolidated cash flow statement is not presented in the financial statement in annual report for FY 2019-20.



6.1.1.3. Standalone and consolidated cash flow statements are not presented in the financial statement in annual report for FY 2020-21.

6.1.1.4. Standalone and consolidated cash flow statements are not presented in the financial statement in annual report for FY 2021-22.

6.1.1.5. Consolidated cash flow statement is not presented in the financial statement in annual report for FY 2023-24.

6.1.2. Accordingly, it was inter alia alleged that Noticee has violated Regulations 4(1)(a), (b), 4(2)(e)(i), 33(3)(d), 34(2)(c) and 48 of SEBI (LODR) Regulations, 2015. Further, this also resulted in concealment of material information, misrepresentation of financial statements and other disclosures in the company's published financial statements thereby resulting in violation of Regulation 4(2)(f), (k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.

6.1.3. I now proceed with, in respect of the alleged violations, as abovementioned, against the Noticee having regard to SCN dated June 13, 2025 as here under:

Violations of the provisions of LODR Regulations and Non-Compliance with Accounting Standards:

6.1.4 In this regard, Noticees in their reply to the SCN inter alia submitted to SEBI that the alleged irregularities were mainly due to inadequate compliance guidance from former professionals, lack of internal control mechanisms, transition challenges under Indian Accounting Standards (Ind-AS) regime. It was further contended that "because of the COVID-19 pandemic and the restrictions imposed because of the said pandemic, majority of our staff was working from home including the



people/persons aware about the compliance requirements of the company.” The Noticees further contended that upon receiving a query in this regard from National Stock Exchange (NSE), cash flow statement for the Financial Year (FY) 2020-2021 and 2021-2022 was submitted to NSE and subsequently to SEBI also vide letter dated January 01, 2025.

6.1.5 In this regard, I note that the explanation put forth by the Noticees, attributing the non-presentation of cash flow statements to operational difficulties or internal oversights, cannot absolve a listed entity from complying with statutory disclosure requirements, particularly when the omission spans multiple financial years. I further note that no year-specific justification has been furnished explaining the continued non-presentation of cash flow statements for the relevant financial years in which such omission occurred, including periods when no COVID-19 related restrictions were prevailing.

6.1.6 Further, from the submissions made by the Noticees as reply to the SCN that “...CFS were already prepared for formed a part of the accounts. However, due to the aforesaid reasons and inadvertent errors the same was not uploaded in the Annual Report. To evidence the same, we attach herewith the Minutes of the Audit Committee Meetings...”, I note that the fact that the cash flow statements were internally prepared, discussed in Audit Committee meetings, or subsequently furnished to SEBI/NSE does not amount to compliance with the disclosure requirements under SEBI (LODR) Regulations. The requirement is not merely preparation but timely and complete dissemination of financial information to investors. Post-facto submissions or revised filings do not cure the original violation or mitigate the impact of dissemination of incomplete financial statements. The repeated omission across multiple years reflects a continuing failure to comply with mandatory disclosure requirements



rather than an isolated or inadvertent lapse. Therefore, Noticee's submission in this regard are not acceptable.

6.1.7 The LODR Regulations cast obligations on the listed entity to prepare and disclose information in the manner specified therein. I note that as per Regulation 4(1) of LODR Regulations, a listed entity which has listed securities is required to make disclosures and abide by the obligations cast under these regulations, in accordance with the stated principles, which inter alia include that under Regulation 4(1) (a) of LODR Regulations, as per which an obligation is cast on a listed entity to prepare information and disclose the same in accordance with applicable standards of accounting and financial disclosures. Besides, in terms of Regulation 4(1)(b) of LODR Regulations, a listed entity is inter alia required to implement the prescribed accounting standards in letter and spirit in the preparation of financial statements. Regulation 4(2)(e)(i) mandates a listed entity to prepare information with the prescribed standards of accounting, financial and non-financial disclosure. Further, Regulation 33(3)(d) of LODR Regulations mandates listed entities to submit annual] audited standalone financial results for the financial year, within sixty days from the end of the financial year along with the audit report and [Statement on Impact of Audit Qualifications (applicable only] for audit report with modified opinion. Regulation 34(2)(c) states that the annual report shall contain cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable. Regulation 48 mandates that a listed entity shall comply with all the applicable and notified Accounting Standards from time to time while preparing its financial statements.



6.1.8 In this regard, it is pertinent to highlight that the Noticee company/LGJL, being a listed entity did not implement the prescribed accounting standard viz., IndAS 1 and IndAs 7 in letter and spirit. IndAS1 inter alia prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Further Ind AS 7 inter alia requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

6.1.9 In the present matter, it is observed that the financial statements disseminated by the company on the stock exchange platform were incomplete and did not include cash flow statements for the relevant financial years. I note that by failing to include cash flow statements in the financial results for FY 2019-20 and in the annual reports for FY 2020-21, FY 2021-22 and FY 2023-24, the Noticee failed to present a complete set of financial statements and thereby violated the requirements of Ind AS 1 and Ind AS 7.

6.1.10 In view thereof, I hold that the Noticees have violated the provisions of Regulations 4(1)(a), (b), 4(2)(e)(i), 33(3)(d), 34(2)(c) and 48 of SEBI (LODR) Regulations, 2015.

Violation of the provisions of PFUTP Regulations

6.1.11 It is alleged in the SCN that the aforesaid alleged violations had resulted in concealment of material information, misrepresentation of financial statements and other disclosures in the company's published financial statements thereby resulting in violation of Regulation 4(2)(f), (k)&(r)



read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.

6.1.12 Regulations 4(1)(c), 4(1)(d), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(i) and 4(1)(j) of the SEBI (LODR) Regulations, 2015 impose overarching obligations on listed entities to ensure that disclosures made to stock exchanges and investors are not misleading, are adequate, accurate and timely, comply with applicable laws and accounting standards, and contain relevant and sufficient information to enable investors to assess the performance and current status of the listed entity. These provisions collectively mandate transparency, substantive compliance and protection of investor interests.

6.1.13 In the present matter, the Noticee disseminated financial statements and annual reports without including cash flow statements and other mandatory disclosures. The omission of such critical financial information rendered the financial statements incomplete and deprived investors of material information relating to the company's liquidity and financial position. Consequently, the disclosures made available to investors did not present a true and fair view and were capable of misleading investors in assessing the financial health of the company.

6.1.14 In this regard, it is pertinent to mention that Regulation 2(1)(b) (ii) and 2(i)(b)(iii) of SEBI PFUTP Regulations expands the scope of "dealing in securities" to include acts which are "*designed to influence the decision of investors in securities*". Thus, any act which is 'knowingly' **designed to** influence the investment decision of the investors and assistance to carry out such act would be part of the expression "dealing in securities" and in turn would fall within the scope of prohibitions under the PFUTP Regulations. Misleading financial



disclosures that present an inaccurate picture of a company's financial position are capable of influencing investor decision.

6.1.15 Having established that the conduct of the company relates to dealing in securities, it is necessary to examine the provisions contained in Regulation 4 of the PFUTP Regulations, which addresses fraudulent and unfair trade practices in the securities market. I note that dealing in securities shall be deemed to be manipulative, fraudulent or an unfair trade practice if it involves certain acts/omission prohibited under Regulation 4(2) of PFUTP Regulations. Regulation 4(2)(f) prohibits publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true; Regulation 4(2)(k) prohibits disseminating information or advice through any media which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities; and Regulation 4(2)(r) prohibits knowingly planting false or misleading news which may induce sale or purchase of securities.

6.1.16 In this context, the definition of "Fraud" under clause (c) of Regulation 2(1) of the PFUTP Regulations illustrates the breadth of the regulatory framework and includes acts of omission, concealment, or representations made in a reckless manner while dealing in securities. In this regard, the relevant extracts of definition of 'fraud' under Regulation 2 (1) (c)(5) of PFUTP Regulations is as under:

Definitions

2(1)..,

(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, and shall also include—

...

(5) a representation made in a reckless and careless manner whether it be true or false;

...”

The Noticees have attributed the omission of cash flow statements to poor compliance advice and negligence of the compliance adviser, thus implying a reckless and careless approach in dissemination of financial information. In the case of *SEBI V. Shri Kanhaiyalal Baldevbhai Patel*, Hon’ble Supreme Court gave a liberal interpretation to the definition of ‘fraud’ under Regulation 2(c) of PFUTP Regulations and observed that the definition of “fraud” expands beyond what can normally be understood to be a ‘fraudulent’ act. The emphasis is on act of inducement. It further held that for scrutinizing the cases under the PFUTP Regulations, mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required.

In this regard, it would also be relevant to reproduce Regulation 2(1) (c) (9) of the PFUTP Regulations which states that fraud also includes “*the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*” In my view, the investment decision of shareholders of Noticee No. 1/company would always depend upon true and fair disclosures about its transactions by the shareholders. The dissemination of incomplete financial statements by not providing sufficient information to enable investors to assess the current status of a listed entity therefore falls within the ambit of fraud as defined under the aforesaid PFUTP Regulations.



6.1.17 It is pertinent to mention that apart from falling within the definition of “fraud” under Regulation 2 of PFUTP Regulations, the conduct of the Noticees also amounts to an unfair trade practice within the meaning of regulation 4 of PFUTP Regulations. The PFUTP framework is intended to ensure fairness, transparency and integrity in the securities market. Any dissemination of financial information that is incomplete, misleading, or not presented in a manner enabling investors to make an informed assessment undermines these principles.

6.1.18 Prevention of market abuse and preservation of market integrity is the hallmark of securities law. Therefore, from the combined reading of Regulations 4(1)(c), (d), (e), (g), (h), (i) and (j) of the SEBI (LODR) Regulations, 2015 and Regulations 2(1)(b), 2(1)(c) read with Regulations 4(2)(f), 4(2)(k) and 4(2)(r) of the SEBI (PFUTP) Regulations, 2003, I find that the company disseminated incomplete and misleading financial statements, concealed material information and failed to ensure true and fair disclosure, thereby violating the provisions of LODR Regulations and PFUTP Regulations. .

6.2 Non-inclusion of Consolidated Financial Statement in Annual Reports

6.2.1 It was inter alia alleged that the company had not included consolidated financial statements in the annual reports for FY 2019-20, FY 2020-21 and FY 2021-22. Further, it was observed from the annual report for FY 2023-24 that consolidated financial statement did not include the cash flow statements. It was also observed that notes to the standalone balance sheet were pasted in the notes to the consolidated balance sheet.



- 6.2.2 The Noticees have contended that the non inclusion was an administrative lapse, and not an intentional concealment. It has been further stated that the management was unaware that certain notes were repeated under standalone and consolidated sections and that the error has since been rectified, with assurances that correct and segregated disclosures will be ensured going forward.
- 6.2.3 The Noticees have also submitted that the omission did not result in any material misstatement or suppression of significant financial data. According to them, the wholly owned subsidiary, Lypsa Gems & Jewellery DMCC (Dubai), did not engage in any substantive business activity during the relevant financial years and remained dormant without generating revenue or incurring substantial expenditure. Consequently, it is contended that there was no change in the consolidated financial position of the parent company and no information that could have influenced the economic decisions of investors or stakeholders.
- 6.2.4 It has further been submitted that due to prolonged inactivity and redundancy in the corporate structure, an application for liquidation of the subsidiary was filed with the Dubai Multi Commodities Centre Authority on March 28, 2024, and the subsidiary was formally dissolved with effect from March 29, 2024. The Noticees assert that the dormant status of the subsidiary rendered its financials non-material for the purposes of consolidation.
- 6.2.5 The Noticees have also stated that the consolidated financial statements for the relevant years were subsequently provided to the stock exchange in response to queries raised by NSE, and copies were furnished along with their letter dated April 13, 2023. With respect to discrepancies in the notes to the consolidated financial statements for FY 2023–24, the Noticees have submitted that the



updated financial statements were uploaded pursuant to SEBI's directions and that the figures disclosed therein are consistent with the consolidated profit and loss account.

6.3 Non-inclusion of Statutory Auditor's Report

6.3.1 In this regard, from the material available on record, I note that briefly stated, it had inter alia been alleged that Noticee No. 1/ company, in the annual report for FY 2019-20, submitted the financial statement without auditor's report. Further, the subsequent submission by the company of the annual report for FY 2019-20 with auditor's report didn't include the Unique Documentation Identification Number (UDIN) of the Chartered Accountant.

6.3.2 In this regard, Noticees in their reply to the SCN inter alia submitted to SEBI that the "*due to an inadvertent clerical oversight, the said Auditor's reports were not attached with the version of the Annual Report uploaded on the Stock Exchange portal at the time of the original filing.*" They have further contended that the report was subsequently submitted upon query from the stock exchange and that valid UDINs had duly been generated and incorporated in the final signed reports.

6.3.3 It is pertinent to mention that Regulation 34(3) of LODR Regulations requires that the annual report shall include disclosures specified under the Companies Act, 2013. In terms of Section 134(2) of the Companies Act, 2013, the auditor's report is required to be attached to every financial statement. Accordingly, audited financial statements, by their very nature, include the statutory auditor's report and cannot be regarded as complete in its absence.

6.3.4 I note that the requirement to disseminate complete audited financial statements is integral to the disclosure framework under the LODR



Regulations, which seeks to ensure transparency, reliability of financial information and informed decision-making by investors. The auditor's report provides independent assurance on the true and fair view of the financial statements and constitutes a critical component of financial disclosures made to the market. Further, I note that subsequent generation of UDIN in the report submitted belatedly does not substitute the requirement to include the auditor's report in the annual report. The subsequent correspondence with the exchange does not cure the deficiency in disclosures already made available to the market. I note that the admitted omission of the auditor's report from the annual report rendered the financial disclosures incomplete and deprived investors of independent assurance regarding the financial statements.

6.3.5 In this context, it becomes relevant to also highlight Regulation 4 of LODR Regulations covering principles that guide compliance, disclosure, and governance for all listed entities. Regulation 4(1)(a) of the LODR Regulations requires a listed entity to prepare and disclose information in accordance with applicable standards of accounting and financial disclosure. Besides Regulations 4(1)(c), 4(1)(d), 4(1)(e), 4(1)(g), 4(1)(h), 4(1)(i) and 4(1)(j) of the SEBI (LODR) Regulations, 2015 impose obligations on listed entities to ensure that disclosures made to stock exchanges and investors are not misleading, are adequate, accurate and timely, comply with applicable laws and accounting standards, and contain relevant and sufficient information to enable investors to assess the performance and current status of the listed entity. Further Regulation 4(2)(e)(i) mandates a listed entity to prepare information with the prescribed standards of accounting, financial and non-financial disclosure.

6.3.6 An auditor's report is a very important document which provides assurance that a company's financial statements are free from



material misstatements, whether due to fraud or error. This increases the credibility of the financial information presented by the company. By not including the auditor's report in the annual report, company has created doubt on the financial statements for the user of such annual report. Therefore, for the period from FY 2019-20, I note that the company is in violation of Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) of SEBI (LODR) Regulations, 2015.

6.4 Non- disclosure of AOC-1 in the financial statements

6.4.1 It had been alleged that the company for the period from FY 2017-18 to FY 2023-24 didn't include AOC-1 in its financial statements and didn't provide the key financial figures of its wholly owned foreign subsidiary viz. LYPSA GEMS & JEWELLERY DMCC (LGJD). Thus, it was alleged that Noticee No. 1/company was in non-compliance of sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 which also resulted in violation of the proper disclosure requirements, contravening provisions as per Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) of SEBI (LODR) Regulations, 2015.

6.4.2 The Noticees have submitted it to have happened due to oversight and have contended that the lapse was procedural, unintentional and without any element of mala fide intent or investor prejudice. Further, the omission did not result in concealment of material information because the wholly owned subsidiary was dormant and had no revenue, assets or liabilities, or financial transactions that could affect the financial position of the company. It was also submitted that a revised annual report for the financial year 2023-24 including Form AOC-1, was filed with the Stock Exchange on April 10, 2025 and necessary internal control mechanisms have been instituted to



ensure compliance with the provisions of the Companies Act and SEBI (LODR) Regulations, 2015.

6.4.3 In this regard, I note that the first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 envisage that financial statement shall contain AOC – 1, which provides the salient features of the financial statement of subsidiaries or associate companies or Joint ventures. Further Regulation 34(3) requires that the annual report shall include disclosures specified under the Companies Act, 2013 along with other requirements as specified in Schedule V of LODR Regulations. These provisions collectively ensure that investors receive a complete picture of the financial position of the listed entity, including the financial impact, if any, of its subsidiaries.

6.4.4 In my view dissemination of financial statements which do not present true and fair view of the Noticee's state of affairs would qualify into the bucket of false and /or misleading information and accordingly likely to influence the decision of investors including inducing sale or purchase of securities of the company. Further, subsequent filing of a revised annual report does not cure the non-compliance for the earlier years, as post-facto filings cannot substitute timely disclosures mandated under law. The Noticees' own admission that internal controls have now been instituted confirms that earlier systems were deficient.

6.4.5 I note that AOC-1 was not included in the annual reports of the company for significantly longer period of time i.e., for 6 financial years. According to me, such acts of irregularities pose threat to the integrity and /or orderly functioning of the securities market. Therefore, for the period from FY 2017-18 to FY 2023-24, LGJL is in



violation of Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) of SEBI (LODR) Regulations, 2015.

6.5 No Certification of Non-Disqualification of Directors

6.5.1 It is alleged that Noticee No. 1/company didn't provide Certificate of Non-Disqualification of Directors financial statements and annual reports for the period from FY 2017-18 to FY 2022-23. During the said period, the company had 2 Managing directors and 2 non-Independent Executive directors, viz. Mr. Manish Jaysukhlal Janani, Mr. Dipankumar Babulal Patwa, Mr. Jeeyan Dipankumar Patwa and Mrs. Sonal Dipen Patwa, all belonging to the same family. It was alleged that by not providing the Certificate of Non-disqualification of directors, the company failed to provide the validity of these entities to act as directors, thereby violating Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) read with Schedule V Para C clause (10)(i) of SEBI (LODR) Regulations, 2015.

6.5.2 The Noticees have inter alia submitted that the lapse was procedural and technical in nature, arising out of an unintentional oversight. And not indicative of any non-compliance with the substantive provisions of law. Further, the Noticees submitted that due to lack of adequate professional guidance during the relevant period, they inadvertently failed to obtain and attach the certificate of non-disqualification from a practicing professional as mandated under law. The Noticees have further submitted that the DIN status of all directors, including independent directors, remained active and in good standing and that none of the directors were disqualified at any time under the applicable legal framework. They have also stated that they have since adopted proper compliance mechanisms to ensure that the certificate is obtained and annexed in all future annual reports, starting from FY 2023–24 onwards. In view of these facts, the



Noticees have requested that the lapse be viewed as an inadvertent omission without mala fide intent.

6.5.3 Regulation 34(3) of LODR Regulations requires that the annual report shall include disclosures specified under the Companies Act, 2013 along with other requirements as specified in Schedule V of LODR Regulations. Schedule V, Part C, Clause 10(i) requires a certificate from a practicing company secretary confirming that none of the directors on the board have been debarred or disqualified from being appointed or continuing as directors by SEBI, the Ministry of Corporate Affairs, or any statutory authority. Further, in light of the overarching disclosure obligations under Regulation 4 of the LODR Regulations, as discussed earlier in the order, the listed entity is required to ensure that disclosures made to stock exchanges and investors are complete, accurate, and not misleading.

6.5.4 I have considered the submission of the Noticees. I am of the view that while the absence of mala fide intent and the subsequent corrective measures are noted, the obligation under Regulation 34(3) read with Schedule V of LODR Regulations is a mandatory disclosure requirement forming part of the corporate governance framework for listed entities. The requirement is not conditional upon the existence of disqualification; rather, it is intended to provide independent certification to investors regarding the eligibility and integrity of the board of the company. The contention that all directors were in good standing does not substitute the requirement of disclosure. Investors rely on the annual report as the primary source of verified governance information. The absence of the prescribed certificate deprives investors of an independent confirmation mandated by the regulatory framework.



6.5.5 Further, the plea that the omission arose due to lack of professional guidance cannot absolve a listed entity of its statutory disclosure obligations. Listed entities are expected to maintain adequate compliance systems commensurate with their regulatory responsibilities. Failure to do so cannot be treated as a mere technical lapse when it results in incomplete corporate governance disclosures. While the subsequent adoption of compliance mechanisms is a positive step, such post-facto corrective action does not cure the non-compliance for the period under examination, as regulatory compliance must exist at the time of dissemination of the annual report. Therefore, I am of the view that the Noticees are in violation of Regulation 4(1)(a),(c),(d),(e),(g),(h),(i),(j),4(2)(e)(i) and 34(3) read with Schedule V Para C clause (10)(i) of SEBI (LODR) Regulations, 2015.

6.6 Long outstanding International and Domestic debtors:

Non-provisioning of long outstanding debtors:

6.6.1 It was observed from the below revenue details of the company that since FY 2020-21, operational revenue was same at standalone and consolidated basis. Thus, no revenue was generated by the subsidiary of the company LGJL.

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	Standalone					
Revenue from operations	104.15	58.95	20.70	8.41	14.02	13.19
Trade Receivables	155.97	144.62	85.61	94.04	80.33	70.70
Receivable Days	547	896	1,510	4,081	2,091	1,964
	Consolidated					



Revenue from operations	320.07	199.92	38.29	8.41	14.02	13.19
Trade Receivables	263.51	355.43	303.22	280.34	273.46	115.19
Receivable Days	301	649	2,891	12,166	7,118	3,187

6.6.2 It was observed from the financial statement of the company that significant trade receivables had remained outstanding for prolonged periods without adequate provisioning in the books of accounts of the company. From the financial statements for FY 2021-22 and FY 2022-23, it was further observed that on consolidated basis, trade receivables had reduced significantly from Rs. 273.46 crores to Rs. 115.19 crores. In particular, the company had outstanding international receivables amounting to Rs. 52.29 crore, which were outstanding since FY 2016-17. In this regard, the company provided a write-up stating that the Company had significant export operations in earlier years and that the export turnover of the company upto FY 2016-17 reflected substantial engagement with overseas customers. The international operational turnover on standalone basis over the years was stated to be as under:

Rs. in Crores

S.no	Financial year	Export turnover
1.	2010-11	170.60
2.	2011-12	238.13
3.	2012-13	200.74
4.	2013-14	251.99
5.	2014-15	252.39
6.	2015-16	140.58
7.	2016-17	9.88
Total		1264.36



6.6.3 It was further observed that despite the long ageing of these receivables and the uncertainty regarding their recoverability, the company did not create any provision for expected credit losses in its financial statements. Further certain domestic receivables (details provided in the table below) pertaining to entities such as Shreeji Multitrade Pvt. Ltd., Jain Diamonds Pvt. Ltd. (JDPL) and Niva Commercial Pvt. Ltd had also remained outstanding for extended periods without provisioning.

Name	Amount	Debt Pending since
Shreeji multitrade Pvt. Ltd.	8.68	FY 2017-18
Jain diamonds Pvt. Ltd.	5.22	FY 2019-20
Niva commercial Pvt. Ltd.	1.46	FY 2016-17

6.6.4 It is noted that the company itself vide letter dated June 08, 2022 had made an application to the Reserve bank of India through its Authorised Dealer Bank seeking permission to write-off of export receivables. In the said communication addressed to the RBI, the company had stated that *“on account of financial imbalance in our balance sheet of almost 6 years we are not able to avail any banking facilities from any banking and financial institutions and it will be in the right interest if we are given an opportunity to clear our books of accounts.....”*

6.6.5 The failure to recognise impairment or provision for doubtful debts in respect of such long outstanding receivables was alleged to be contrary to the requirements of IND AS 109 relating to expected credit loss provisioning. Consequently, the financial statements of the company were alleged to have been misstated to the extent of such receivables. Accordingly, it was alleged that the company had failed to prepare its financial statements in accordance with the applicable



accounting standards resulting in violation of SEBI (LODR) Regulations, 2015. Further, it was alleged that such act of non-provisioning or non-recognition of lifetime expected credit loss for long outstanding foreign and domestic debtors, resulted in material misstatement and misrepresentation of financial statements of LGJL for FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24, thereby resulting in violation of Regulation 4(2)(f),(k)&(r) read with 2(1)(b) &(c) of SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i)&(j) of SEBI (LODR) Regulations, 2015.

6.6.6 In this regard, the company's Executive Director & CFO vide statement dated February 24, 2025 submitted that with respect to international debtors, pertaining to the subsidiary viz. Lypsa Gems and Jewellery DMCC, shown in the consolidated books of the accounts, all such long pending debtors have been written off by LGJL during FY 2022-23 and FY 2023-24. It was further stated that due to challenges posed by global market conditions, reduced demand in key export markets, increased competition and severe fall in diamond prices, certain export receivables remained unrealised and Rs. 52.29 crores remained pending since FY 2016-17. The Noticees vide their common submission have also contended that the write off of the export receivables required approval of the Authorised dealer Bank under the RBI framework governing export dues. In this regard, the Noticees have submitted that as per RBI Circular dated December 04, 2020 reference No. RBI/2020-21/77 A.P. (DIR Series), "*Indian exporters are permitted to write off unrealized export bills subject to certain conditions and with the approval of the Authorized Dealer ("AD") Bank.*", and therefore the company could not unilaterally write off or create provisioning for such receivables without such approval. According to the Noticees, the delay in provisioning was therefore not due to any intention to



mislead stakeholders, but was directly linked to the regulatory approvals required for write off of export receivables.

6.6.7 With respect to domestic debtors, the Noticees submitted that the observations pertain to three entities, namely: Shreeji Multitrade Private Limited, Jain Diamonds Private Limited(JDPL), Niva Commercial Private Limited.

Shreeji Multitrade Private Limited

6.6.8 The Noticees have submitted that the owner of Shreeji viz. Ashok Kumar Bothra passed away in COVID – 19 during 2020 – 2021, which affected the recovery of dues. It was further submitted that the company had made substantial recoveries against the outstanding balance. Further, during the period from 01.04.2020 to 31.03.2022, out of the total balance of Rs 13.74 crores (Approx.), the Company recovered a total sum of Rs 3,73,16,938/- by way of purchase transactions from Shreeji, of which a significant portion was recovered after the demise of Mr. Ashok Kumar Bothra, indicating continuing business engagement and intent to repay. Further, during FY 2021– 2022, the company recovered a total of Rs 29,45,000/- through RTGS bank transfer, and during FY 2022-23, a further sum of Rs 1,03,74,051/- was recovered by way of purchase transactions through Mumbai Gems & Diamonds Private Limited, a group company associated with Shreeji.

The Noticees also submitted that the balance sheet of Shreeji obtained from the MCA portal reflected Lypsa as one of the major creditors, and that the debtor company possessed significant current assets, indicating that it retained the financial capacity to honour its obligations. On the basis of the above, the Noticees stated that their statutory auditors and management considered the receivables to be “good and recoverable”, and accordingly no provision for doubtful



debts was made under Ind AS 109. The Noticees further stated that the company had initiated recovery proceedings and had also sent a legal notice dated February 06, 2025 under Sections 406 and 420 of the IPC to Shreeji. It was also stated that filing of proceedings before the National company Law Tribunal (NCLT) was being considered as an additional recovery mechanism.

However, the Noticees submitted that in compliance with accounting principles and prudence, the company has now recognised the pending receivable amount as Bad Debts.

Jain Diamonds Private Limited (JDPL)

With respect to JDPL, the Noticees submitted that the company recovered Rs. 26.45 lakhs in March 2025 and remains hopeful of recovering the remaining amount. It was further stated that in accordance with accounting policy and prudence, the company has recognised the remaining amount as Bad Debts in FY 2024-25. The Noticees also submitted that they had received gold and diamond-studded jewellery worth approximately Rs. 1.10 crores from JDPL towards settlement of outstanding dues, and negotiations were ongoing regarding the purchase price and final settlement.

Niva Commercial Private Limited

With respect to Niva Commercial Pvt. Ltd., the Noticees submitted that they remain hopeful of recovery of the outstanding amount. However, in compliance with the accounting policy and prudence principle, the company has recognised the receivable from Niva as Bad Debts in FY 2024-25.



Violations of the provisions of LODR Regulations and Non-Compliance with Accounting Standards:

6.6.9 I have considered the allegations in the SCN, the written submissions of the Noticees, the material available on record, and the applicable regulatory framework. The principal issue for determination is whether the Noticees were required to recognise impairment provisions in respect of long outstanding receivables in accordance with the applicable accounting standards and whether the failure to do so resulted in dissemination of misleading financial information to investors.

6.6.10 IND AS 109 (Financial Instruments) requires entities to recognise impairment on financial assets based on the Expected Credit Loss (ECL) model, which requires assessment of the recoverability of receivables considering reasonable and supportable information including ageing of receivables and credit risk of the debtor. Where receivables remain outstanding for prolonged periods and there are indicators of deterioration in credit quality, appropriate impairment provisions are required to be recognised so that the financial statements present a true and fair view of the financial position of the entity.

6.6.11 In the present matter, it is an admitted position that international receivables amounting to ₹52.29 crores remained outstanding since FY 2016-17. The prolonged ageing of these receivables itself constitutes a significant indicator of credit risk and impairment. It is further noted that the company had itself approached the Reserve Bank of India through its Authorised Dealer Bank seeking permission for write-off of export receivables, implying that the recoverability of such receivables had become doubtful.



6.6.12 The Noticees have contended that provisioning could not be recognised in the absence of approval from the Authorised Dealer Bank under the RBI framework governing export dues and that unilateral provisioning could amount to non-compliance with FEMA and RBI guidelines. I note that the RBI framework relied upon by the Noticees regulates the write-off of export receivables from the perspective of foreign exchange management, whereas the recognition of impairment in financial statements is governed by applicable accounting standards. The requirement to recognise expected credit losses under IND AS 109 operates independently of regulatory approvals required for write-off of export dues.

6.6.13 With respect to domestic receivables, the Noticees have submitted explanations in relation to Shreeji Multitrade Pvt. Ltd., Jain Diamonds Pvt. Ltd. (JDPL) and Niva Commercial Pvt. Ltd. In the case of Shreeji Multitrade Pvt. Ltd., the Noticees have relied on partial recoveries and the financial position of the debtor entity. However, it is observed that an amount of approximately ₹8.68 crores had remained outstanding for several years, which itself constitutes a significant indicator of credit risk. I note that the prolonged ageing of the receivable warranted appropriate assessment of impairment in accordance with the requirements of IND AS 109.

6.6.14 Similarly, in respect of JDPL and Niva Commercial Pvt. Ltd., although the Noticees have submitted that recoveries were expected and that negotiations or settlement transactions were ongoing, the fact remains that the receivables had remained outstanding for extended periods without provisioning in the financial statements.

6.6.15 The Noticees have further submitted that the company has subsequently recognised the outstanding amounts relating to certain domestic debtors as Bad Debts in FY 2024-25. In my view, while



such subsequent recognition may reflect a corrective step taken by the company, the same does not cure the deficiency in the financial statements for the relevant financial periods. I am of the view that such post-facto compliance may be considered as a mitigating factor while determining the quantum of penalty, but it does not negate the requirement to recognise impairment provisions in the financial statements of the relevant period when the credit risk had already materialised.

6.6.16 I note that securities market is based on free and open access to information, and that protection of the interest of investors is the prime objective of SEBI. Bringing out true and fair picture of the financials is essential, whereas misrepresentation of financials in respect of the vital information of any company defeats the purpose of dissemination of information to the investors and acts as a detriment to the interest of investors, thereby hampering their ability to take suitable informed investment decisions. In terms of IND AS 109 (Financial Instruments), an entity is required to recognise impairment on financial assets based on Expected Credit Loss (ECL). The standard provides that trade receivables are subject to lifetime expected credit loss assessment and that, after considering current conditions and forecasts of future economic conditions, an entity is required to reduce the carrying amount of a financial asset when there is no reasonable expectation of recovery. Thus, where receivables remain outstanding for prolonged periods and indicators exist regarding deterioration in credit quality or recoverability, appropriate impairment provisions are required to be recognised in the financial statements. The failure by the company to do so is inconsistent with the principles of transparency, accuracy and completeness of financial disclosures required under the SEBI (LODR) Regulations, 2015.



6.6.17 In view of the findings above where the receivables remained outstanding for several years, I am inclined to conclude that the company is in violation of the applicable provisions of IND-AS 109 thereby violating Regulation 4(1)(a), (b), 4(2)(e)(i), 33(1)(a), 33(1)(c) and 48 of the SEBI (LODR) Regulations, 2015 which inter alia require companies to comply with extant accounting standards.

Violation of the provisions of PFUTP Regulations

6.6.18 I note that as already dealt in the foregoing, the failure to recognise impairment provisions for long outstanding receivables in accordance with IND AS 109 resulted in the continued reflection of such receivables as recoverable in the financial statements of the company. This failure consequently led to material misstatement of the financial statements of the company for the relevant financial years. Such misstatement in the financial disclosures disseminated to the stock exchanges and investors was alleged to amount to concealment of material information and misrepresentation of the true financial position of the company.

6.6.19 Before examining the applicability of the prohibitions under Regulation 4 of the PFUTP Regulations, it is necessary to consider the scope of “dealing in securities” and “fraud” as defined under the PFUTP Regulations.

6.6.20 Regulation 2(1)(b) of the PFUTP Regulations defines the expression “dealing in securities” to include acts which are designed to influence the decision of investors in securities. Dissemination of financial statements by a listed company through stock exchanges and public disclosures constitutes material information which investors rely upon while making investment decisions. Therefore, dissemination of financial information by a listed entity clearly falls within the scope of



acts connected with dealing in securities under the PFUTP Regulations.

6.6.21 Further, Regulation 2(1)(c) defines “fraud” in an expansive manner and includes any act, expression, omission or concealment committed in connection with dealing in securities in order to induce another person to deal in securities. In this regard, the relevant extracts of definition of ‘fraud’ under Regulation 2 (1) (c)(5) of PFUTP Regulations is as under:

Definitions

2(1)..,

(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, and shall also include—

...

(5) a representation made in a reckless and careless manner whether it be true or false;

6.6.22 As noted above, the definition specifically includes representations made in a *reckless or careless manner* whether they are true or false, as well as concealment of material facts. The importance of this provision lies in the fact that the PFUTP framework does not require proof of deliberate deceit or wrongful gain; even reckless or careless dissemination of misleading information capable of influencing investors falls within the ambit of fraud.

6.6.23 In the present case, the receivables in question had remained outstanding for a prolonged period and were exposed to significant credit risk. In such circumstances, the requirements of IND AS 109 obligated the company to assess impairment and recognise expected credit loss in its financial statements. However, the company continued to reflect such receivables as recoverable in its financial statements without recognising appropriate impairment.



Consequently, the financial statements disseminated by the company reflected overstated trade receivables and an inaccurate financial position.

6.6.24 In my view, such non-recognition of impairment cannot be regarded as a mere technical or casual accounting lapse. Financial statements constitute a critical source of information for investors in evaluating the financial health, credit exposure and recoverability of assets of a listed entity. Dissemination of financial statements containing overstated assets due to non-recognition of impairment therefore amounts to misrepresentation and concealment of material financial information, which is capable of misleading investors regarding the financial condition of the company.

6.6.25 In light of the above, dissemination of such inaccurate financial information falls within the scope of acts contemplated under Regulation 4(2)(f) which prohibits publishing information that is not true, Regulation 4(2)(k) which prohibits dissemination of false or misleading information likely to influence investment decisions, and Regulation 4(2)(r) which prohibits dissemination of misleading information that may induce the purchase or sale of securities.

6.6.26 Accordingly, I find that the conduct of the Noticees in disseminating financial statements without recognising impairment on long outstanding receivables resulted in material misstatement and misrepresentation of financial information to investors, thereby attracting the provisions of Regulations 4(2)(f), 4(2)(k) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c) of the SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c), (d),(e), (g), (h), (i), (j) of SEBI (LODR) Regulations, 2015.



6.7 Sales and purchase of diamond transactions:

6.7.1 It has been alleged that the Noticee company has indulged in misrepresentation and misstatement of its financial statements for FY 2020-21 by undertaking non-genuine sales and purchase transactions in diamonds. During the course of investigation, quarter wise stock ledgers, sales ledgers and purchase ledgers for the period from FY 2017-18 to FY 2022-23 were examined. From the details of parties involved in such transactions, it was observed that certain entities with whom the Noticee had undertaken transactions were connected to each other. In this regard, three inter-connected groups were identified and the transactions undertaken by the Noticee company with such entities were analysed to ascertain whether the same were actual business transactions or merely book entries.

6.7.2 With respect to the sales and purchase transactions, Invoices, GST returns and banking transactions were examined. In order to verify the genuineness of such transactions, it was necessary to establish the movement of goods from seller to buyer. However, considering the nature of the transactions in the diamond trade, it was noted that no e-way bills were required and the Noticee company even failed to provide the same. It was necessary to examine whether goods had been transported from seller to buyer or were mere fictitious transactions. In this regard, Mr. Jeeyan Patwa, Chief Financial Officer of the Noticee company, informed that diamonds are delivered from seller to buyer through trusted and internal persons and that such system of delivery is followed in the diamond industry. Therefore, in order to ensure the genuineness of such sales and purchase transactions, it was considered necessary to examine whether the same goods had



been purchased from and sold to the same entity or same group of entities.

6.7.3 Further analysis was undertaken in respect of transactions between the Noticee company and entities forming part of Group III, namely Anjani Enterprise (AE) and Anjani Goods Pvt. Ltd. (AGPL). It was observed that AE and AGPL are connected entities, inter alia, on account of having a common address at Shop No. 54, Ganesh Krupa, Vijay Nagar, Bhavnagar, Gujarat. It was further observed from the directorship and ownership details of AGPL that it is owned and controlled by Hitesh Vallabhbai Patel, Archit Tulshibhai Patel and Jivarajbhai Patel Dharamshi. Further, as per KYC details of AE obtained from the bank, it was observed that AE is also owned and controlled by Hitesh Vallabhbai Patel, Tulshibhai Patel and Jivarajbhai Patel. It was also noted that Archit Tulshibhai Patel is the son of Tulshibhai Patel. Accordingly, it was observed that both AE and AGPL are owned and controlled by the same set of persons and belong to the same family.

6.7.4 Further, vide email dated February 24, 2025, the Noticee company provided copies of invoices of AGPL and AE. It was observed that invoices of AGPL were signed by Archit Tulshibhai Patel, son of Tulshibhai Patel, and invoices of AE were signed by Tulshibhai Patel and Jivarajbhai Patel. It was further observed that invoices of both AGPL and AE bore the same address, i.e., Plot No. 54, Ganesh Krupa, Vijaynagar, Bhavnagar – 364003. Thus, although Mr. Jeeyan Patwa had stated that the Noticee company did not know that AE and AGPL were owned by the same group of common entities, from the details of invoices, it was observed that the Noticee company was aware that both AE



and AGPL are owned and controlled by the same set of family members.

- 6.7.5 On examination of the purchase ledger, sales ledger and stock ledger for FY 2020–21, it was observed that during September 2020, the Noticee company purchased 1747.97 weight of rough diamonds and 930.23 weight of cut and polished diamonds from Anjani Goods Pvt. Ltd. Further, during the same period, the Noticee company sold 1747.97 weight of rough diamonds and 930.18 weight of cut and polished diamonds to Anjani Enterprise.
- 6.7.6 Further, from the stock register and purchase ledger of the Noticee company for FY 2020–21, for the second quarter i.e., July 2020 to September 2020, it was observed that the units/weights of rough diamonds and cut and polished diamonds which were sold to Anjani Enterprise were not available in the opening stock of diamonds for the said quarter. It was further observed that such diamonds, prior to the date of sale to Anjani Enterprise, were purchased only from Anjani Goods Pvt. Ltd. Accordingly, it was observed that the diamonds which were purchased from Anjani Goods Pvt. Ltd. were sold to Anjani Enterprise.
- 6.7.7 The details of purchase of diamonds by the Noticee company from Anjani Goods Pvt. Ltd. during September 2020 are provided in Table No. 1 and the details of sale of diamonds by the Noticee to Anjani Enterprise during September 2020 are provided in Table No. 2 below.



Purchase of diamonds by LGJL from Anjani Goods Pvt. Ltd. during
September 2020:

Table no.:1

Date	Name of the Party	Type of Material / item	Number/Quantity of item	Average Rate per item	Total Amount (Amount in Rs.)
22/09/2020	ANJANI GOODS PVT LTD	ROUGH DIAMOND	1,747.97	4,510.00	79,03,053.06
24/09/2020	ANJANI GOODS PVT LTD	CUT & POLISHED DIAMONDS	310.21	22,532.91	70,07,409.84
25/09/2020	ANJANI GOODS PVT LTD	CUT & POLISHED DIAMONDS	492.50	25,113.59	1,23,99,366.11
26/09/2020	ANJANI GOODS PVT LTD	CUT & POLISHED DIAMONDS	127.52	54,160.76	69,23,846.45
Total					3,42,33,675.46

Sales of diamonds by LGJL to Anjani Enterprise during September 2020:

Table no.:2

Date	Party Name	Type of Material /item	Number/Quantity of item	Average Rate per item	Total Amount (Amount in Rs.)
25/09/2020	ANJANI ENTERPRISE	ROUGH DIAMONDS	1,747.97	4,538.86	79,53,632.61
26/09/2020	ANJANI ENTERPRISE	CUT & POLISHED DIAMONDS	245.8	22,647.42	55,80,652.76
26/09/2020	ANJANI ENTERPRISE	CUT & POLISHED DIAMONDS	192.45	24,351.73	46,98,202.14
28/09/2020	ANJANI ENTERPRISE	CUT & POLISHED DIAMONDS	395.53	27,519.40	1,09,11,959.51
28/09/2020	ANJANI ENTERPRISE	CUT & POLISHED DIAMONDS	96.4	54,431.56	52,60,320.39
Total					3,44,04,767.41



6.7.8 From the aforesaid tables, it was observed that during September 2020, the Noticee purchased diamonds worth Rs. 3.42 crores from Anjani Goods Pvt. Ltd. and sold diamonds worth Rs. 3.44 crores to Anjani Enterprise, wherein Anjani Goods Pvt. Ltd. and Anjani Enterprise are owned and controlled by the same persons/family and bear the same address. It was further observed that no parties involved in such sales and purchase transactions derived any economic benefit. In view of the above, it was observed that it is not pragmatic for a trading business to purchase and sell the same goods to entities belonging to the same group and, therefore, such sales and purchase transactions in a circular fashion are merely book entries undertaken to inflate the revenue and purchase value of the Noticee.

6.7.9 Based on the above findings, it has been alleged that by reporting such transactions, the Noticee inflated its revenue from operations by Rs. 3.44 crores, i.e., by 69.21%, and inflated its purchase of stock in trade by Rs. 3.42 crores, i.e., by 56.25% for FY 2020–21. It has further been alleged that such reporting resulted in material misstatement and misrepresentation of the financial statements of the Noticee for FY 2020–21, which is in contravention of the provisions of IND AS 1, which require that financial statements shall present a true and fair view of the financial position, financial performance and cash flows of the company. Accordingly, it has been alleged that the Noticee has violated Regulations 4(1)(a) and 4(1)(b), Regulation 4(2)(e)(i), Regulations 33(1)(a) and 33(1)(c) read with Regulation 48 of the SEBI (LODR) Regulations, 2015. Further, it has been alleged that such act of inflating revenue and purchases and misrepresenting financial statements amounts to fraudulent and unfair trade practices, thereby violating Regulations 4(2)(f), 4(2)(k) and 4(2)(r)



read with Regulations 2(1)(b) and 2(1)(c) of the SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c),(d),(e),(g),(h),(i) & (j) of SEBI (LODR) Regulations, 2015.

6.7.10 The Noticee company has submitted that the transactions with Anjani Enterprise and Anjani Goods Pvt. Ltd. were genuine business transactions and not mere book entries. According to the Noticee, both entities are separate and controlled by different persons and there was no knowledge of any connection between them. It is also explained that dealings with the two entities were carried out through different individuals and that “Anjani” and “Patel” are common names in the diamond industry, and therefore no inference of connection should be drawn. On the commercial aspect, it is submitted that FY 2020–21 was affected by the COVID-19 pandemic, particularly in the first two quarters, resulting in limited counterparties and disrupted business conditions. In such circumstances, trading activity was carried out with available parties, including Anjani Goods and Anjani Enterprise.

6.7.11 It is further submitted that the transactions resulted in a net economic benefit of approximately Rs. 1.71 lakhs and therefore cannot be considered artificial. It was also pointed out that transactions were undertaken with other unrelated parties during the same period, and hence the activity was part of normal trading operations.

6.7.12 As regards the mismatch in quantities and descriptions in Table Nos. 1 and 2, the explanation given by the Noticee company is that such differences arise due to assortment and re-assortment processes in the diamond industry, where goods are sorted, graded and reassembled before resale. It is also claimed that



value addition has taken place due to the assortment process. It is also submitted that the transactions were not isolated and that several transactions were undertaken with these entities. Further, once possible interconnection came to light, no further transactions were undertaken. It is also stated that goods were received and delivered through internal office personnel and supporting documents such as confirmation of accounts of Anjani Goods and Anjani Enterprise in the books of account of Noticee company, details and packing list of goods, and delivery confirmations have been provided.

Violations of the provisions of LODR Regulations and Non-Compliance with Accounting Standards:

6.7.13 I have considered the defence taken and the material available on record. The central question is whether the transactions as aforesaid were genuine trading transactions undertaken in the ordinary course of business or whether they lacked commercial substance and were recorded only to inflate the revenue and purchase figures of the Noticee company. From the material on record, it is observed that both Anjani Goods Pvt. Ltd. and Anjani Enterprise share the same address and are owned and controlled by members of the same family. The invoices of both entities bear the same address and are signed by related individuals. In such circumstances, the explanation regarding lack of knowledge of connection is not convincing.

6.7.14 Further, the transaction pattern shows that during September 2020, diamonds purchased from Anjani Goods Pvt. Ltd. were sold to Anjani Enterprise in substantially identical quantities within a short span of time. It is also observed that such goods were not available in the opening stock and were purchased immediately



prior to their sale. This indicates that the goods were routed from one connected entity to another through the Noticee. The explanation regarding assortment and value addition is not supported by any evidence. No material has been provided to show actual processing or value addition. Similarly, the explanation of delivery through internal personnel does not establish actual movement of goods in a verifiable manner, particularly for transactions of such magnitude. The contention that the transactions resulted in a marginal profit or that other third-party transactions were undertaken does not change the nature of these transactions.

6.7.15 In view of the above, I find that the transactions with Anjani Goods Pvt. Ltd. and Anjani Enterprise lack commercial substance and were not genuine business transactions. I note that the fictitious transactions were not genuine and appear to have been executed with the sole intention of inflating the revenue and expenditure leading to mis-statement of books of accounts and consequently the financial statements of the Noticee company. By recording such transactions, the Noticee company has failed to present a true and fair view of its financial position and performance. This is in contravention of the requirements of IND AS 1 which inter alia provides that financial statements shall present a true and fair view of the financial position, financial performance and cash flows of an entity. Further, Para 17 of IND AS 1 also states that true and fair view also requires an entity to “*to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.*”

6.7.16 While neither the Companies Act, 2013, nor the LODR Regulations specifically define ‘true and fair view’, the Hon’ble Supreme Court in *J. K. Industries Ltd. and Anr vs Union of India*



and Ors[(2007) 13 SCC 673] explained 'true and fair view' in the following manner:-

“The annual financial statements should convey an overall fair view and should not give any misleading information or impression. All the relevant information should be disclosed in the balance-sheet and the P&L a/c in such a manner that the financial position and the working results are shown as they are. There should be neither an overstatement nor an understatement. Further, the information to be disclosed should be in consonance with the fundamental accounting assumptions and commonly accepted accounting policies.”.

I note that in the present case, such misleading information by the Noticee company cannot be regarded as reliable, as it reflects transactions which lack commercial substance and do not depict the actual state of affairs of the company. Financial statements based on such non-genuine transactions, therefore, fail to provide reliable and faithful representation of the financial position and performance of the Noticee company.

6.7.17 I am of the view that the objective of LODR Regulations, regarding presentation of true and fair view of state of affairs of a company through its financials, and the importance of information conveyed by financial statements for investor decisions to buy and sell shares, cannot be ignored. In view thereof, I hold that the Noticees have violated the provisions of Regulations 4(1)(a), (b), 4(2)(e)(i), 33(1)(a), 33(1)(c) and 48 of SEBI (LODR) Regulations, 2015.



Violation of the provisions of PFUTP Regulations

6.7.18 From the analysis set out above, it emerges that the transactions undertaken by LGJL with Anjani Goods Pvt. Ltd. and Anjani Enterprise were not supported by underlying commercial substance. The routing of diamonds from one entity to another within a closely connected group, coupled with the absence of corresponding stock availability and independent business rationale, implies that such transactions were structured in a manner that does not reflect genuine trading activity. These transactions, however, were accounted for as normal sales and purchases and were incorporated in the financial statements of LGJL for FY 2020-21. As a consequence, the financial statements reflected inflated purchases as well as inflated level of revenue from operations, thereby distorting the financial performance and position of the company.

6.7.19 I am of the view that the impact of such conduct does not remain confined to accounting records. The financial statements of a listed entity form a primary source of information for investors and are disseminated through stock exchanges. Such disclosures constitute material information on the basis of which investors assess the financial strength, scale of operations and prospects of the company. Therefore, any distortion in such disclosures directly affects the integrity of information available in the securities market.

6.7.20 In this context, Regulation 2(1)(b) of the PFUTP Regulations adopts a broad meaning of “*dealing in securities*” so as to include acts which have a bearing on investor decision-making. Dissemination of financial statements by a listed entity is



intrinsically linked to such decision-making and therefore falls within the scope of activities connected with dealing in securities.

6.7.21 Further, as already analysed earlier in the order, Regulation 2(1)(c) of PFUTP Regulations defines “fraud” in wide terms to include *a representation made in a reckless and careless manner whether it be true or false* in connection with dealing in securities. The definition does not require proof of intent in a strict sense and extends to situations where information is presented in a manner that is inaccurate, careless or not reflective of the true state of affairs, if such information is capable of influencing investors.

6.7.22 Applying the above framework to the present case, it is evident that the recognition of non-genuine transactions as revenue and purchases resulted in financial statements which did not reflect the actual economic activity of the company. The figures disclosed were therefore not merely inaccurate but were inherently misleading in portraying the scale and nature of operations. Further, the reporting of such inflated revenue and purchases, in the absence of any reasonable basis to treat the underlying transactions as genuine, also amounts to a *false statement made without reasonable grounds for believing it to be true* within the meaning of 2 (1)(c)(8) of the PFUTP Regulations. Additionally, having regard to the facts that the counter parties were connected entities sharing common control and address, and that the transactions were structured in a manner resulting in artificial inflation of financial figures, the conduct also reflects a *knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment which is also covered under Regulation 2(1)(c)(1) of the PFUTP Regulations.*



6.7.23 In view of the above, the conduct of LGJL in reporting inflated revenue and purchases on the basis of non-genuine transactions amounts to dissemination of information which is not true and which presents a misleading picture to investors. Accordingly, the aforesaid conduct attracts the provisions of Regulation 4(2)(f), which deals with reporting of untrue information, Regulation 4(2)(k), which addresses misleading information capable of influencing investment decisions, and Regulation 4(2)(r), which relates to dissemination of misleading information capable of inducing trading in securities.

6.7.24 Accordingly, I find that the aforesaid acts of LGJL are in the nature of fraudulent and unfair trade practices, in violation of Regulations 4(2)(f), 4(2)(k) and 4(2)(r) read with Regulations 2(1)(b) and 2(1)(c) of the SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(c), (d),(e), (g), (h), (i), (j) of SEBI (LODR) Regulations, 2015.

Role of Noticee 2-5

7. The violations alleged against Noticees 2 to 5 are, inter alia, connected to the violations alleged against the Company, which have already been dealt above. I note that most of the contentions raised by Noticees No. 2 to 5 are the same as raised by Noticee No.1 which have already been discussed. Therefore, those contentions of Noticees nos. 2 to 5 are not being dealt again separately. However, the specific contentions raised by the Noticees No. 2-5 in respect of the allegations levelled against them are being addressed in the following paras.

8. The details of Noticeees No. 2 to 5 in the Company are as follows:

8.1 Mr. Manish Jaysukhlal Janani (Noticee 2) is Managing Director on the company's Board of Directors.



8.2 Mr. Dipankumar Babulal Patwa (Noticee 3) is the Chairman & Jt. Managing Director (CMD) on the company's Board of Directors.

8.3 Mr. Jeeyan Dipankumar Patwa (Noticee 4) is the Executive Director & Chief Financial Officer (CFO) in the company's Board of Directors.

8.4 Mrs. Sonal Dipen Patwa (Noticee 5) is the Executive Director in the company's Board of Directors.

9. I note from the material available on record, including statement of Noticee No. 4, that the Board of Directors of the Company was not independent in its composition. It is observed that Noticees No. 2 to 5 were closely connected, both personally and professionally. In this regard, it is noted that Noticee No. 2 and Noticee No. 3 are the founders of the Company and have been associated with its management since year 2010. It is also noted that Noticee No. 2 and Noticee No. 3 share a long-standing personal association spanning several decades. Further, Noticee No. 4 has stated that Noticee No. 3 and Noticee No. 5 are husband and wife, and that Noticee No. 4 is their son. Thus, the Board of the Company comprised a closely held group with significant familial and personal linkages, and the key managerial and financial functions were concentrated within this group

10. Following is the Board meeting attendance of the Noticees during FY 2017-18 to FY 2022-23:

Name of the Director	Designation	Particulars of Attendance of Board Meeting					
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Mr. Manish Jaysukhlal Janani	Managing Director	8	5	4	5	6	4
Mr. Dipankumar Babulal Patwa	Chairman & Jt. Managing Director	14	5	4	5	6	4
Mr. Jeeyan Dipankumar Patwa	Executive director & CFO	14	5	4	5	6	4
Mrs. Sonal Dipen Patwa	Executive director	14	5	4	5	6	4



11. I note that Noticee 1 being a legal entity acted through the human mind represented by the Board of Directors, viz Noticee 2-5, who were responsible for all the acts of omission and commission by the Noticee 1. The directors are expected to take utmost care in dealing with the affairs of the company and to ensure all applicable laws are being complied with. It is the duty and responsibility of the directors to ensure that proper controls are in place for financial reporting and monitor the efficacy of such systems and controls.
12. It is alleged against the Noticees 2 to 5 that they failed to ensure compliance with applicable laws and accounting standards, as stated above, and thereby permitted dissemination of incomplete and misleading financial information to the investors.
13. In this regard, the Noticees have submitted that the disclosures made were on account of reliance placed on the compliance professional appointed by the company and that “*vicarious liability cannot be automatically attributed to Directors as the Company operates as a separate legal entity with perpetual succession, independent of its directors.*” To substantiate their submission, the Noticees have placed reliance on various order of different forums including but not limited to *State of Haryana v Brij Lal Mittal and Others, Municipal Corporation of Delhi v Ram Kishan Rohtagi and Others, Sayanti Sen v SEBI, P.G. Electroplast Ltd. & Others v SEBI and Orders passed by SEBI in the matter of Amazan Capital Limited, Shri Bakul Ramniklal Pareekh & Others, Credavenue Securities Private Limited, etc.*
14. In this regard, I find it appropriate to reproduce relevant provision of SEBI Act and LODR Regulations:
15. Regulation 4(2)(f)(i)(2) of LODR Regulations inter alia require the board of directors and senior management to conduct themselves in a manner so as to meet the expectations of operational transparency to stakeholders. Regulation 4(2)(f)(ii)(2),(7) inter alia state the key functions of the board of directors which includes monitoring the effectiveness of the listed entity’s governance practices and making changes as needed and ensuring the integrity of the listed entity’s accounting and financial reporting systems, including the independent audit, and



that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards. Further Regulation 4 (2)(f)(iii)(1), (3), (6), (7), (12) provide for responsibilities of the board inter alia including the following:

- a) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
- b) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
- c) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- d) The board of directors shall exercise objective independent judgement on corporate affairs.
- e) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.

16. I note that the precedents relied upon by the Noticees generally relate to situations where directors were either independent/non-executive directors or where no material was available to demonstrate their involvement in the affairs of the company. I further note that in the present matter, as seen from details in para 10 of this order, the Noticees No. 2 to 5 attended Board meetings regularly during FY 2017-18 to FY 2022-23 which shows they were regular participants in the affairs of the company. The consistent and substantial participation of all Noticees in the Board meetings over multiple financial years demonstrates that they were actively involved in the decision making process of the company, including approval of financial matters placed before the Board.



17. To ascertain the liability of the director, manager, secretary or other officer associated with the obligations cast on the listed entity, reference is drawn to Section 27 of the SEBI Act. Section 27 (1) of the SEBI Act states that where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. Further Section 27(2) of the SEBI Act states that where a contravention under the SEBI Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. In view of the above, the role and responsibility of each of the Noticees Nos. 2 to 5 is examined individually hereunder:

Role of Noticee No. 2 , 3, 4 & 5- Mr. Manish Jaysukhlal Janani, Managing Director Mr. Dipankumar Babulal Patwa, Chairman & Managing Director. Mr. Jeeyan Dipankumar Patwa, Executive Director & Mrs Sonal Dipen Patwa, Executive Director:

18. I note from the material available on record that Mr. Manish Jaysukhlal Janani and Mr. Dipankumar Babulal Patwa are founders of the company and were heading the company since 2010. Further they were close friends for more than 30 years.

19. I note that Mr. Manish being a Managing Director was a Key Managerial Personnel (KMP) and an officer in default in the company as per Sections 2(51) and 2(60), respectively of the Companies Act, 2013. Managing Director, as defined in Section 2(54) of the Companies Act, 2013, means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its



general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

20. In so far as Noticee No. 3 is concerned, though the designation of Chairman is not per se included within the definition of KMP, it is observed that Noticee No. 3 was also serving as Joint Managing Director and was part of the core executive management of the company. I am of the view that by virtue of such position, Noticee No. 3 was entrusted with substantial powers of management and was actively involved in the affairs of the company.

21. Similarly, Noticee No 5 i.e. Mrs. Sonal Dipen Patwa was the Executive Director of the company during the relevant period who was also responsible for the conduct of the business of the company.

22. In the present case, while Noticee Nos. 2, 3 and 5 were part of the Board and the allegations against them, inter alia, include non-inclusion of cash flow statements, non-recognition of expected credit loss in respect of long outstanding receivables, non-disclosure of material information, deficiencies/misstatements in financial statements not presenting a true and fair view, etc., resulting in misleading financial disclosures to the stock exchange. I note that being part of the Board, they were required to exercise diligence and ensure compliance with applicable laws and requirements which they clearly violated by defeating the objectives of investor protection and ensuring market integrity, thereby attracting liability for violation of Regulations 4(1)(a),(b),(c),(d),(e),(g),(h),(i),(j), 4(2)(e), 4(2)(f)(i)(2), 4(2)(f)(ii)(2),(7), 4(2)(f)(iii)(1),(3),(6),(7), (12), 33(1)(a), 33(1)(c), 33(3)(d), 34(2)(b), (c), 34(3), and 48 of SEBI (LODR) Regulations, 2015.

23. I note that while certain violations committed by the company pertain solely to non-compliance with the provisions of LODR Regulations, a subset of the allegations-particularly those resulting in non-disclosure of cash flow statements, non-inclusion of consolidated financial statements, non-recognition of expected credit loss in respect of outstanding receivables, incorrect reporting of revenue and purchase of



stock in trade resulting in misleading financial statements require examination not only under the LODR Regulations but also under the provisions of the PFUTP Regulations. Accordingly, while the violations relating to procedural and disclosure lapses have been dealt under the LODR Regulations, the aforesaid allegations, which have a bearing on the truthfulness, completeness and reliability of financial information disseminated to investors, are being examined to determine whether they amount to fraudulent and unfair trade practices resulting in violation of Regulations 4(2)(f), 4(2)(k) & 4(2)(r) read with 2(1)(b)&(c) of SEBI (PFUTP) Regulations, 2003, 1992.

24. At the outset, I note that Regulation 2(1) (c) of PFUTP Regulations defines “fraud” in an expansive manner and includes any act, expression, omission or concealment committed in connection with dealing in securities in order to induce another person to deal in securities, whether or not there is any wrongful gain or avoidance of any loss. Regulation 2(1) (c) (9) of the PFUTP Regulations incorporates the fraud-on-the-market principle and the efficient market hypothesis in the very definition of “fraud”, to include – “ *the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*” Therefore, there is no doubt that the definition of “fraud” under the PFUTP Regulations was intended to include fraudulent misstatements to investors. It is also noted that for the purpose of Regulation 2(1)(c), it is not necessary to establish a specific intent to defraud, and it is sufficient if the conduct results in or is likely to result in misleading investors by way of misrepresentation or suppression of material facts.

25. Further Regulation 4(2) specifies certain acts which shall be deemed to be fraudulent or unfair trade practices, including inter alia, dissemination of false or misleading information, misrepresentation of facts, and suppression of material information. Regulation 4(2)(f) prohibits publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true; Regulation 4(2)(k) prohibits disseminating information or advice



through any media which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities; and Regulation 4(2)(r) prohibits knowingly planting false or misleading news which may induce sale or purchase of securities.

26. I am of the view that it was the responsibility of the directors to ensure that the company's financial statements present true and fair picture of the company's state of financial affairs. Such irregularities in the company's financial statements could not have taken place without concurrence or knowledge of the MD/Jt. MD/Executive Director, who headed the corporate hierarchy of the company. In view of the above, I find Noticees 2, 3 and 5 liable for violation of Regulations 4(2)(f), 4(2)(k) & 4(2)(r) read with 2(1)(b) & (c) of SEBI (PFUTP) Regulations, 2003, 1992, read with Section 27 of SEBI Act, 1992.

27. I note that Noticee No. 4 was the Chief Financial Officer (CFO) of the Company during the investigation period and was a KMP by virtue of his designation in the company. He is the son of Noticee No. 3 and 5 i.e. Mr. Dipankumar Patwa and Mrs. Sonal Dipen Patwa. Mr. Jeeyan had in his statement before SEBI Investigating Authority had stated that Mr. Dipankumar Patwa and Noticee No. 2 Mr. Manish Janani were suffering from hyper diabetes and knee issues, respectively. In view thereof, he was looking into majority of the transactions done by the Company. I note that Noticee No. 5, as CFO would have certified in the annual reports of the Company that the financial statements present a true and fair view of the company's affairs and in compliance with existing accounting standards, laws and regulations as required under the LODR Regulations. I note that a CFO is a person heading and discharging the finance function of the listed entity. Therefore, he was expected to exercise the powers in bona fide manner and in the interest of all stakeholders of the company. Considering the violations committed by the company as discussed in the former part of this Order, Mr. Jeeyan, being the CFO of the company and attending its board meetings, failed in his duty and was responsible for the violations committed by the company.



28. I also note from the statement dated February 24, 2025 of the Noticee no. 4 before the SEBI Investigating Authority that he admitted the irregularities, including non-submission of cash flow statement, consolidated financial statements and auditor's report, etc. Further, with respect to the violation of long outstanding debtors, he submitted that *"We should have created the provisions for the long outstanding debtors against shreeji multitrade pvt. Ltd., Jain diamonds pvt ltd. and Niva Commercial pvt. Ltd as shown in the standalone financial statement. However, it was not done. I ensure that henceforth LGJL will comply with all the necessary rules and regulations."* In this regard, I note that despite such knowledge and responsibility, the company failed to recognise expected credit loss and disseminated financial statements which did not present a true and fair view. In my view, non-inclusion of cash flow statements, non-recognition of expected credit loss, dissemination of financial statements which do not present a true and fair view of the financial position of the Company, failure to ensure compliance with applicable accounting standards and disclosure requirements, etc. cannot be regarded as a mere lapse and reflects a reckless disregard of accounting standards and disclosure obligations.

29. I note that Noticee no. 4 has himself admitted that Noticee nos. 2 and 3 were suffering from medical conditions and that he was looking into majority of the transactions of the company. In such circumstances, the responsibility for inter alia ensuring correctness of financial statement, compliance with applicable accounting standards, etc. squarely rested upon him. In respect of the aforesaid violations, I find Noticee No. 4 did not act in a manner to meet the operational transparency to stakeholders, signed misrepresented financial statements, did not act in good faith, with due diligence and did not maintain high ethical standards. Accordingly, I find that the violations by the company were committed with the knowledge and involvement of Noticee No. 4 and are attributable to him, and he therefore is liable for the acts of omission and commission of the company in this regard, in terms of Section 27 of the SEBI Act, 1992. In view of the aforesaid, I find Noticee No. 5, being to be in violation of Regulations 4(1)(a),(b),(c),(d),(e),(g),(h),(i),(j), 4(2)(e),



4(2)(f)(i)(2), 4(2)(f)(ii)(2),(7), 4(2)(f)(iii)(1),(3),(6),(7), (12), 33(1)(a), 33(1)(c), 33(3)(d), 34(2)(b), (c), 34(3), and 48 of SEBI (LODR) Regulations, 2015, and for violation of Regulations 4(2)(f), 4(2)(k) & 4(2)(r) read with 2(1)(b)&(c) of SEBI (PFUTP) Regulations, 2003, 1992, read with Section 27 of SEBI Act, 1992.

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under 15HA and 15 HB of SEBI Act, 1992?

30. I find that as in the present case, violations of the provisions of the PFUTP Regulations have been made out against the Noticees in the foregoing paras, therefore, penalty under Section 15HA of SEBI Act is attracted against the Noticees. Regarding the allegation of violation of Section 15HB of SEBI Act as alleged against the Noticees, I note that for the violation of the LODR Regulations, Noticees are liable for imposition of penalty under Section 15HB of the SEBI Act which provides for penalty for failure to comply with any provision of SEBI Act, the rules or the regulations made or directions issued by SEBI for which no separate penalty has been provided..

31. In this regard, it is noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

“ ... In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established ”

32. Therefore, for the established violation, as brought out in the foregoing paragraphs, I find that the Noticee is liable for monetary penalty under Section 15HA and 15 HB of the SEBI Act, which reads as under:



SEBI Act, 1992

“ ...

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty [which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

...”

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be [liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

...”

(Note: for detailed/ complete text of the provisions, relevant Acts etc., may please be referred.)

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

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

SEBI Act, 1992

“ ...

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.

...”

34. In the instant case, as mentioned in the above paras, it has been found that the Noticee company along with the other Noticees have misrepresented the company's financials. The allegations established against the Noticees are not



trivial in nature considering the degree of responsibility cast upon them by the applicable regulations. Considering the role and responsibilities of the Noticees in this regard and important obligations cast upon them, in my view, the default of Noticees need to be dealt with suitably. Such acts by a listed entity impair the operation of market forces of demand and supply of securities and encourage information asymmetry, thus adversely affecting the rights of the investors and causing harm to the securities market. Disclosures are the foundation of the securities market. The irreversibility of the damage caused due to misrepresentation and non-disclosures underscores the preventive role of compliance with the LODR Regulations regarding timely and adequate disclosure of company financials in a transparent manner. The integrity of the securities market is compromised when a listed company presents false financial information that is made available to the general public. In the light of the preceding elaboration of fraud-on-the-market, it may be difficult to quantify the loss caused to investors who acted on the basis of the misrepresentation of financial statements or amount of disproportionate gain made by the Noticees. With respect to the repetitive nature of the default, I find that there is nothing on record to indicate any past violations committed by the Noticees.

35. In view of the aforesaid findings of violation of the LODR Regulations and PFUTP Regulations, I find that it is a fit case to impose monetary penalty on the Noticees under section 15HA and under section 15HB of the SEBI Act. In consideration of the above, I shall now proceed with the imposition of monetary penalties.

E. ORDER

36. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticees and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, I hereby impose penalty as per the table given



below. In my view, the said penalty will be commensurate with the violation committed by the Noticees in this case.

Noticee No..	Noticee Name	Provisions under which penalty is imposed	Penalty Amount (Rs.)
1	Lypsa Gems & Jewellery Limited	Section 15HA of the SEBI Act, 1992	₹ 10,00,000/- (Rupees Ten Lakhs Only)
		Section 15HB of the SEBI Act, 1992	₹ 2,00,000/- (Rupees Two Lakhs Only)
2	Dipan Babulal Patwa	Section 15HA of the SEBI Act, 1992	₹ 5,00,000 (Rupees Five Lakhs Only) to be paid jointly and severally
3	Manish Jaysukhlal Janani		
4	Jeeyan Dipan Patwa		
5	Sonal Dipan Patwa	Section 15HB of the SEBI Act, 1992	₹ 1,00,000 (Rupees Lakhs Only) to be paid jointly and severally

37. The Noticees shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW

38. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.



39. In terms of the provisions of Rule 6 of the SEBI Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

PLACE: MUMBAI
DATE: April 16 , 2026

SUDEEP MISHRA
ADJUDICATING OFFICER