



[QJA/BS/IVD/ID19/32422/2026-27]

**SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER**

Under Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2) and 15I of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Sections 12A(1), 12A(2) and 23I of the Securities Contracts (Regulations) Act, 1956 read with Rule 5 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005.

In respect of:

NOTICEE	PAN
Rajendra Pathak	AQBPP0893P

In the matter of K-Lifestyle & Industries Limited

A. BACKGROUND

1. The present matter emanates from the order dated July 10, 2025 passed by the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in Appeal No. 158 of 2025 pursuant to which the matter has been remanded to Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") to re-decide the matter. The said appeal was preferred by Mr. Rajendra Pathak (hereinafter referred to as "**Noticee**") against the SEBI order dated December 21, 2021 (hereinafter referred to as "**Final order**") wherein a penalty of INR 6 Lakh was imposed on the Noticee.
2. A brief background of the matter is as follows:
 - i. SEBI had passed an interim order dated November 21, 2017 (hereinafter referred to as "**Interim order**") against the directors and promoters of K-Lifestyle & Industries Limited (hereinafter referred to as "**Company/KLIL**") and *inter-alia* directed the Stock Exchanges to appoint an independent forensic auditor to verify



misrepresentation of financials and/or business of KLIL and misuse of the funds/books of accounts of KLIL.

- ii. As directed in the interim order, a forensic auditor was appointed by BSE and the Forensic Audit Report (hereinafter referred to as “**FAR**”) of KLIL for the period April 01, 2015 till December 31, 2017 (hereinafter referred to as “Investigation period”) was forwarded to SEBI on June 3, 2019. The findings of the FAR were examined by SEBI and the investigation *prima-facie* revealed misrepresentation of financials and misuse of funds/books of account of KLIL.
 - iii. Accordingly, Show Cause Notices (**SCN**) dated August 18, 2020 was issued against the Company, its directors, and the Noticee alleging that the company failed to present true and fair financial statements and executed transactions that were non-genuine in nature, thereby amounting to misrepresentation of the accounts/financial statements and misuse of the company’s funds. It was further observed that KLIL had misused funds and misrepresented its books of accounts in a manner detrimental to the interests of genuine investors and fraudulent in nature.
 - iv. Subsequently, SEBI vide final order dated December 21, 2021 *inter-alia* concluded that the financials of the KLIL were misrepresented and the Noticee being the CFO, who approved the financial results for the financial years (FY) 2015-16, 2016-17 and 2017-18 has *inter-alia* violated regulation 33 (2) (a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. A monetary penalty of INR 6 Lakh was imposed on the Noticee under Section 15HB of the SEBI Act, 1992.
3. The Noticee challenged the final order dated December 21, 2021 before Hon’ble SAT in Appeal No. 158 of 2025. Hon’ble SAT vide order dated July 10, 2025 allowed the appeal preferred by the Noticee and remanded the matter back to SEBI and directed SEBI to pass appropriate orders after hearing the Noticee. The relevant portion of the order is reproduced below:



“ ...

4. ... Hence, the impugned order passed in violation of principles of natural justice and not sustainable in law. Accordingly, the same is set aside qua the appellant. Matter is remitted to the SEBI with a direction to hear the appellant and pass appropriate order in accordance with law. The appellant shall appear before the SEBI for hearing without any notice from the SEBI on or before August 1, 2025...”

4. As per the directions of Hon’ble SAT, email dated July 31, 2025 was sent to the Noticee to appear for a personal hearing on August 01, 2025 before the erstwhile Quasi-Judicial Authority.

B. REPLIES, INSPECTION AND HEARING

5. In response to the said email dated July 31, 2025, the Authorized Representative (“AR”) of the Noticee appeared for a hearing on August 01, 2025 before the erstwhile Quasi-Judicial Authority. During the hearing, the AR of SCN submitted that the annexures pertaining to the SCN have not been received by him and requested time till August 04, 2025 to collect the same. The Noticee was also directed to file his reply within a period of 21 days from August 04, 2025 after collecting all the relevant documents. Thereafter, the AR vide email dated August 05, 2025 requested for inspection of documents which was granted to him on August 22, 2025. All the relevant documents including the SCN, the FAR along with its annexures were provided to the Noticee on the date of inspection.
6. Subsequently, the AR of the Noticee vide letter dated September 09, 2025 submitted an application for cross-examination of the Forensic Auditor or any other individual primarily responsible for authoring the FAR. The grounds and justifications provided by the Noticee for cross-examination of Forensic Auditor are summarised below:
 - (i) The Noticee submitted that the conclusion reached in the SCN are based on documents compiled and authored by the Forensic Auditor.



- (ii) The Noticee stated that the Investigation Report relies heavily on the FAR and has been prepared based on findings recorded in the FAR.
 - (iii) The Noticee further submitted that the Investigation Report and its contents *prima-facie* appear to have not been independently verified by SEBI and it is extremely prejudicial if the contents of the FAR are blindly relied upon by SEBI.
 - (iv) The Noticee submitted that cross-examination is required to provide him a fair opportunity to defend the allegations levelled against him in the SCN and the same will provide an opportunity to test the integrity, methodology, cogency and the probative value of the findings in the FAR.
 - (v) The Noticee also submitted that the author of the FAR is the only person with direct knowledge of the contents of the FAR and his cross-examination may be allowed to satisfy the requirement of relevance, adverted to by the Hon'ble Supreme Court in the matter of ***T. Takano vs. SEBI*** [(2022) 8 SCC 162].
 - (vi) The Noticee relied upon the decision dated August 12, 2025 of Hon'ble SAT in ***Urrshila Kerkar vs. SEBI*** (Appeal No. 397 of 2024) to submit that when the findings relied upon by SEBI are substantially derived from a Transaction Audit Report, the Noticee is required to cross-examine the signatory of such report.
7. The instant matter was re-allocated to the undersigned from the erstwhile Quasi-Judicial Authority on December 30, 2025. Vide email dated January 19, 2026, the AR of the Noticee was advised to file his reply on merits within a period of 21 days and it was informed that his request for cross-examination shall be considered subsequently along with the reply on merits.
8. The AR of the Noticee vide email dated February 17, 2026 again reiterated that his request for cross-examination be decided first before filing of a reply on merits. In



response to the same, vide email dated February 20, 2026, the AR of the Noticee was again informed that filing of a reply on merits is a necessary pre-requisite before allowing cross-examination and the AR of the Noticee was again advised to file a reply on merits within a period of 7 days.

9. Subsequently, the Noticee submitted his reply on merits vide letter dated March 04, 2026, which are summarized below:

- (i) The Noticee submitted that he joined KLIL in or about July 2001 at a very junior level and was associated with the company until the year 2018 when he left and joined another company. He submitted that during his entire tenure, he was never a key decision maker and was primarily engaged in operational and plant-level responsibilities and at the time of his resignation, he was the Commercial Manager/plant-in charge.
- (ii) The Noticee submitted that he had never accepted, assumed or functioned in the capacity of Chief Financial Officer (CFO) and drew a modest salary of INR 26,000 per month.
- (iii) The Noticee submitted that the SCN has been issued in violation of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**SEBI Inquiry Rules**”) as the SCN has been issued by the investigating authority and the SCN does not reveal whether an opinion was formed under rule 3 of the SEBI Inquiry Rules.
- (iv) The Noticee also submitted that SCN has been issued by ignoring the process contemplated under the SEBI Inquiry Rules as a separate notice has not been issued under rule 4 (1) to adjudge whether further inquiry is required and whether there is any violation of provisions of the SEBI Act. The Noticee argued that the present SCN has been issued directly to adjudge the quantum of penalty, in violation of the SEBI Inquiry Rules.



- (v) The Noticee submitted that the issue concerning the misuse of his signature and his identity by KLIL has been documented by Hon'ble SAT in its order dated July 10, 2025 and the same establishes that the document containing his signatures cannot be presumed to be voluntary.
 - (vi) The Noticee submitted that the SCN is premised upon the FAR but the same does not attribute anything specific to the Noticee. The Noticee further submitted that he had never signed any Annual report, financial statements, certification, board report or any document under the pretext of being the CFO of KLIL.
 - (vii) The Noticee submitted that the SCN is vague and unspecific because it seeks to fasten liability upon the Noticee in a capacity he never lawfully held. He further submitted that the SCN does not identify any specific fiduciary breach and there is no detailed explanation as to how he failed in discharging his responsibility.
 - (viii) The Noticee submitted that the allegations pertaining to PFUTP violations have been set aside in the SEBI order dated December 21, 2021 and the same cannot be again relooked into in the present remand proceedings.
10. In view of the reply above, in the interest of principles of natural justice, an opportunity of hearing was provided to the Noticee on April 22, 2026. On the said date, the AR of the Noticee appeared before me through video conferencing. The AR reiterated the submissions made *vide* the Noticee's letter received on March 10, 2026 and submitted that cross-examination is necessary in the present case and his request of cross-examination of forensic auditor may be disposed of.
11. During the hearing, the AR was requested to clarify on the letter of resignation dated June 05, 2018 (which was marked as Exhibit B in the Appeal Memo filed before the Hon'ble SAT in the present matter) wherein the Noticee had stated that he had resigned from the position of CFO of KLIL. In furtherance to his reply on merits and



request for cross-examination, vide email dated April 26, 2026, the AR of the Noticee was also requested to point out the specific paragraph/part of FAR which has been relied upon for factual assertion that the Noticee was the CFO of KLIL and wherein the Noticee's role/responsibilities as CFO have been identified in the context of allegations made in the SCN. The AR of the Noticee was also requested to provide further supporting evidence to prove that the Noticee was an employee of KLIL and not the CFO.

12. In response to the said queries raised during the hearing and email dated April 26, 2026, the Noticee made further submissions vide letter/email dated May 10, 2026 which are summarized below:

- (i) The Noticee submitted that he was never appointed as the CFO of the Company and that his name and signature were misused and forged; however, SEBI has not placed on record any cogent material or documentary evidence of his lawful appointment as CFO, such as an appointment letter, board resolution, statutory filings with the Registrar of Companies, consent/acceptance of appointment, employment terms, or any other supporting document, and therefore the very basis of the allegations against him is erroneous, unsupported, and unsustainable in law.
- (ii) The Noticee submitted that as CFO is a Key Managerial Personnel under Section 203 of the Companies Act, 2013, any such appointment must be supported by primary records such as a board resolution, the Noticee's consent, employment terms/remuneration and requisite ROC filings, and cannot be presumed from disputed designations or unverified documents; in the absence of such foundational evidence, no adverse inference or liability can be fastened upon him.
- (iii) The Noticee submitted that during the period 2014–2018, he lacked the qualifications and experience ordinarily required of a CFO as he was only a B.A. graduate and completed MBA only in 2018. He contended that with no



specialised finance/accounting expertise and given the technical and fiduciary nature of the CFO role in a company of the scale of KLIL, it is commercially improbable that he was appointed or functioned as CFO, supporting his denial.

- (iv) The Noticee submitted that the remuneration attributed to him negates the allegation that he acted as CFO, as it is inconceivable for a CFO of a company to be paid about INR 3 Lakh per annum, which is inconsistent with the stature and responsibilities of the CFO post. He further submitted that his salary was mostly paid in cash, except for a few months post-demonetisation where salaries were paid through bank. The Noticee provided his Income Tax Returns as proof of him receiving the said salary.
- (v) The Noticee submitted that he categorically denies the signatures appearing on the first page of the Annual Report 2014–2015 besides his name with the designation of CFO, contending that the signatures are forged/fabricated and appear to have been copied and pasted.
- (vi) The Noticee submitted that the Annual Reports cannot be relied upon for supporting the allegations against the Noticee as it contains material inconsistencies that undermine the allegation of his being CFO. While Annual Report for 2014-15 describes him as CFO, it also records at page 22 that he has resigned as CFO of the Company w.e.f. 14th August, 2014. He further submitted that the Annual Report is silent on his alleged appointment as CFO and discloses no date of appointment or supporting records such as a board resolution, consent letter, employment terms, remuneration approvals or ROC filings, and that if any appointment and resignation had genuinely occurred, the Company would have maintained and produced such statutory/corporate records, which have not been produced to date.



- (vii) The Noticee submitted that the Annual Report was downloaded from the BSE website and that even currently the BSE records wrongly reflect him as CFO, demonstrating that false and unverified information continues to be circulated in public records.

- (viii) The Noticee submitted that, without prejudice to his contention that the Company's records are fabricated and misused his name/signature, even the disputed Annual Reports do not show him performing CFO functions, since Regulation 17(8) of the SEBI (LODR) Regulations, 2015 requires the CEO and CFO to sign the prescribed compliance certificate, whereas in the Annual Reports for FY 2015–16 to 2018–19 the certificates were signed by the Managing Director and not by the Noticee; therefore, even assuming the records to be genuine, they contradict the allegation that he functioned as CFO.

- (ix) The Noticee pointed out that the Company's Annual Report for FY 2018–19 still reflects payment of salary of INR 3,00,000 to him, which, according to him, demonstrates that false and fabricated disclosures continued in the Company's records even after he had ceased to have any connection with the KLIL.

- (x) The Noticee submitted that he left KLIL around May–June 2018 and joined Rajasthan Textile Mills (Sutlej Group) in May 2018. The Noticee enclosed an appointment letter dated 22-05-2018 issued by the Executive President, Rajasthan Textile Mills, in support of his employment there. The Noticee provided his letter of appointment as proof to support his contention.

- (xi) In response to the query raised with respect to letter of resignation written by the Noticee, it was submitted that the said letter dated 05-06-2018 addressed to the Chairman, Krishna Group (HO, Mumbai) itself records his actual role as "Commercial Head" from May 2012 to June 2018, which corroborates his



submissions that he handled plant/commercial operations and never functioned as CFO. The Noticee further submitted that, amid multiple raids/investigations by agencies including the CBI, Income Tax Department, DRI and GST authorities, pending proceedings before Silvassa courts, and loan defaults exceeding Rs. 200 crores, he learnt that he was being projected as CFO without his knowledge or consent, causing fear and mental distress that his name/signature could be further misused; accordingly, after securing alternate employment, he tendered his resignation.

- (xii) In response to the queries requesting the Noticee to point out the part of FAR wherein factual assertion has been made as to his role as CFO and where his role has been identified in the context of allegations made in the SCN, the Noticee submitted that SEBI's email dated 26-04-2026 reflects non-application of mind and improperly shifts the burden onto him to establish the basis of the allegations, since the SCN and the proceedings rest solely on the foundational premise that he was functioning as CFO and apart from the disputed "CFO" designation, no specific role, act or conduct is attributed to him; accordingly, the primary issue for determination is whether he was ever lawfully appointed as, or in fact functioned as, CFO of the Company.
- (xiii) The Noticee submitted that, in the circumstances, it is misconceived for SEBI to require him to identify portions of the FAR referring to him as CFO or to spell out CFO roles, since SEBI's Investigation Report records that it has broadly concurred with the forensic findings and relying on the FAR, recommended action against the "Directors and CFO" and issued the SCN. Therefore, the Noticee contended that SEBI cannot shift the burden onto the Noticee to identify the material relied upon against him, and such queries are evasive and contrary to principles of fair adjudication and natural justice.
- (xiv) The Noticee submitted that, without prejudice, if SEBI forms any prima facie view that he functioned as CFO, he must first be granted an effective



opportunity to cross-examine the author/signatory of the Forensic Audit Report and all other persons whose statements/documents are relied upon against him, as such cross-examination is necessary to test the veracity and evidentiary value of the material and to satisfy principles of natural justice. The Noticee contended that until such opportunity is granted, no adverse inference should be drawn and the proceedings against him ought to be dropped/dropped of without any adverse directions or penalty.

13. Before proceeding, I find it appropriate to reproduce below the relevant provisions alleged to have been violated by the Noticee:

Relevant extract of SEBI Act, 1992

Functions of Board.

11. (1) *Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.*

(2) *Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for:*

.....

(i) *calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market, intermediaries and self-regulatory organisations in the securities market;*

(ia) *calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;*

...

Relevant extract of provisions of SCRA, 1956:

“Conditions for listing.

21. *Where securities are listed on the application of any person in any recognized stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.”*



Relevant extract of provisions of LODR Regulations;

Financial results.

33. ...

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

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

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

...

Accounting Standards.

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

C. ISSUES FOR CONSIDERATION

14. I have carefully considered the allegations levelled against the Noticee, his replies, and the material available on record. Before delving into the substantive merits of the case, I find it appropriate to first address the preliminary issues and the technical objections raised by the Noticee:

Preliminary Issues

i. Request for cross-examination of the Forensic Auditor

15. The Noticee vide his letter dated September 08, 2025 has requested for the cross-examination of the Forensic Auditor primarily on the grounds that the investigation



carried out by SEBI and the SCN heavily rely on the findings recorded in the FAR. The Noticee has submitted that since the FAR refers to him as the CFO of KLIL and the findings made in the order dated December 21, 2021 are entirely based on his designation as the CFO of KLIL, he must be afforded an opportunity to cross-examine the Forensic Auditor.

16. In response to his request of cross-examination, the AR of the Noticee was requested to point out the part of the FAR which has been relied on for the purpose of factual assertion that the Noticee was CFO of KLIL and the part of FAR which identifies the role/responsibilities of CFO in the context of the allegations made in the SCN. This was enquired from the AR, since he had repeatedly argued that the basis of allegations against the Noticee is the factual finding by the Forensic Auditor. In order to allow cross-examination, there must be a statement of fact within the knowledge or opinion of the witness that incriminates a person. However, the AR of the Noticee has failed to make any submission in this regard and has made evasive submissions stating that the burden of proof cannot be shifted onto the Noticee.
17. I note that the Forensic Auditor is essentially a fact finding authority and prepares the FAR on the basis of information/documents submitted by the company and publicly available resources. In the instant case, the primary findings of FAR pertain to misstatements in the financial results of KLIL and failure to adhere to accounting standards. The complete copy of FAR along with the documents relied upon in the FAR has already been provided to the Noticee during the inspection. The Noticee has also not made any submission disputing the primary findings of the FAR. Crucially, the FAR does not make any independent factual assertion borne out from the Auditor's personal knowledge or observation regarding the Noticee's role as the CFO of KLIL. The FAR merely relies on the MCA records, which is a matter of public record, while stating that the Noticee was the CFO of KLIL. This fact has itself not been contradicted by the Noticee's AR also.
18. The fundamental objective of cross-examination is to test and counter the factual assertions made by a witness. The Noticee's AR has failed to point out the portion



of FAR which has made a factual assertion as to his role as the CFO of KLIL. Given that the Forensic Auditor has relied exclusively on public MCA records while referring to the Noticee as the CFO of KLIL, cross-examination of Forensic Auditor will not serve any useful purpose and the request is devoid of merit and liable to be rejected.

ii. Violation of PFUTP Regulations and SEBI Inquiry Rules in issuance of SCN

19. The Noticee has further submitted that the SCN was issued to the Noticee in violation of SEBI Inquiry Rules and PFUTP Regulations. The Noticee has submitted that the SCN was issued by the investigative authority in ignorance of the Inquiry Rules and it does not reveal whether an opinion was formed under rule 3 of the SEBI Inquiry rules to conduct further enquiry. The Noticee has also argued that the present SCN has been issued to him without the issuance of a first notice as contemplated under rule 4 (1) of the SEBI Inquiry rules.

20. I note that the investigative authority and adjudicating authority in the present case are independent and there is no contradiction of the SEBI Inquiry rules as contended by the Noticee. Further, the Hon'ble Supreme Court vide its order dated September 14, 2022 in ***Kavi Arora vs SEBI (SLP No. 15149 of 2021)*** has held that there is no rule which requires SEBI to furnish the opinion formed under Rule 3 of the Inquiry rules.

21. Further, the Division Bench of the Hon'ble Delhi High Court vide its order dated December 11, 2025 in ***Amit Jain vs SEBI (LPA 412/2018)*** has clearly held that the SEBI Inquiry rules does not contemplate issuance of two separate SCNs and has observed that the issuance of SCN is a sequential exercise to ascertain whether any contravention of the provisions enumerated in Section 15-I has occurred; next to determine whether such contravention renders the Noticee liable to penalty and only thereafter, to adjudicate the quantum and modality of such penalty. The Hon'ble High Court also observed that once an opinion has been formed under Rule 3 of Inquiry Rules, it is not essential to exhaust the remedial framework under the PFUTP regulations. The relevant portion of the judgement is reproduced below:



“ ...

28. Viewed in this light, we entertain no manner of doubt that the appointment of an AO under Rule 3 is an administrative step, one that merely initiates the process and does not, at that stage, entail any quasi-judicial determination or cause any prejudice to the Noticee, Mr. Amit Jain/Petitioner.

29. The scheme of the Rules makes it abundantly clear that the inquiry envisaged thereunder is a sequential exercise: first, to ascertain whether any contravention of the provisions enumerated in Section 15-I, including Section 15A (b), has occurred; next, to determine whether such contravention renders the Noticee liable to penalty; and only thereafter, to adjudicate the quantum and modality of such penalty.

30. We are, therefore, of the considered view that the learned Single Judge fell into clear error in concluding that the Show Cause Notice dated 14.11.2013 had been issued for the purpose of adjudging penalty. As elaborated hereinbefore, the inquiry was directed, in the first instance, towards determining whether any violation under Section 15A(b), constituting the initial procedural exercise required to be undertaken prior to carrying out the remaining exercises, inter alia, the determination on imposition of a penalty, and if found warranted, the quantum of such penalty. The concern expressed by the learned Single Judge regarding the absence of a prior formation of opinion before imposition of penalty thus, appears to have been on a misapprehension and therefore, misconceived. We also note that this aspect does not seem to have been lucidly set out before the Learned Single Judge, which may have resulted in his entertaining such a misapprehension...”

22. Therefore, the issuance of SCN in the present case does not suffer from any procedural irregularity and has been issued in accordance with the process prescribed by law.



SCN dated August 18, 2020 and the SEBI Order dated December 21, 2021

23. I note that the SCN dated August 18, 2020 issued against the Company, its directors and the Noticee had alleged the violation section 12A(a) (b) and (c) and section 11 (2) (i) and 11 (2) (ia) of the SEBI Act, 1992 and Regulations 3(b), (c) and (d) and Regulations 4 (1) and 4 (2) (f) and (r) of the SEBI (PFUTP) Regulations, 2003, Regulations 4 (1) (a), (b), (c), (e), (g), (h), (i) and (j); 4 (2) (f) (ii) (6), (7), (8) ; 4 (2) (f) (iii) (3), (6) and (12) of LODR Regulations read with section 27 of SEBI Act, 1992, Regulation 30 (3), Regulations 33 (2)(a) and Regulation 48 of SEBI (LODR) Regulations read with section 21 of SCRA, 1956.
24. SEBI vide its order dated December 21, 2021 concluded that KLIL's financial statements for the investigation period (i.e. FYs 2014-15, 2015-16 and 2016-17) contained significant misstatements and failed to comply with applicable Accounting Standards, specifically regarding revenue recognition, related party disclosures, government grants, and investments. The order also observed that the company also failed to disclose material information to the stock exchange and did not cooperate during furnishing of the required information to the forensic auditor. The board of directors of KLIL were found to have violated the SEBI (LODR) Regulations and the SCRA. However, the charges of fraud under the SEBI Act and the PFUTP Regulations against the Noticee and the directors of the KLIL were dropped, due to lack of evidence showing price manipulation or inducement to trade.
25. The findings in the said order dated December 21, 2021 with respect to misstatements made in the financial statements and failure to adhere to accounting standards have not been challenged before the Hon'ble SAT and have attained finality. Further, SEBI has not initiated any fresh proceedings in respect of PFUTP violations by KLIL, its Directors and the Noticee. Accordingly, as on date, the findings



in SEBI order dated December 21, 2021 exonerating the company from PUTP violations, are also binding on me.

Allegations against the Noticee

26. The SCN had alleged violation of section 12A(a) (b) and (c) of SEBI Act, 1992; Regulations 3(b), (c) and (d), 4 (1), 4 (2) (f) and (r) of the SEBI (PFUTP) Regulations, 2003 against the Noticee on the basis of vicarious liability under section 27 of SEBI Act, 1992. I note that no specific act has been attributed to the Noticee and the fraud charges under PFUTP Regulations against the company has been dropped vide SEBI Order dated December 21, 2021. Since the said findings are also binding on me, vicariously liability under section 27 of SEBI Act cannot be made applicable and the allegations against the Noticee on the basis of vicarious liability also does not survive.
27. Further, during the investigation period, Section 27 of the SEBI Act, 1992 provided for vicarious liability only in cases where an “offence” was committed by a company, and did not provide for vicarious liability in respect of the civil liability arising out of violations committed by such company. Vicarious liability for the company’s civil liability has been introduced by replacing the word “offence” with the word “contravention” in Section 27 of the SEBI Act, 1992 with effect from March 08, 2019 (by the Finance Act, 2018). Since, the alleged violations under Regulations 4 (1) (a), (b), (c), (e), (g), (h), (i) and (j) and Regulation 30 (3) of SEBI LODR Regulations are civil in nature, the charges against the Noticee for the alleged violations committed by K-Lifestyle during the investigation period, are also not tenable.
28. With respect to the allegations under Sections 11(2)(i) and 11(2)(ia) of the SEBI Act, 1992 concerning non-furnishing of information by KLIL to the forensic auditor, SEBI in its order dated December 21, 2021, observed that the information was sought from KLIL and not from its directors or the CFO (i.e., the Noticee), and therefore vicarious liability under Section 27 of the SEBI Act cannot be invoked. I note that, in the absence of any specific allegation against the Noticee for non-furnishing of



information to the forensic auditor, the said charges are also not tenable against the Noticee

29. With respect to the allegations pertaining to violation of Regulations 4(2)(f)(ii)(6), (7) and (8) and 4(2)(f)(iii)(3), (6) and (12) of the LODR Regulations read with Section 27 of the SEBI Act, 1992, I note that these provisions create liability specifically on the Board of Directors of a company. The IR does not record that the Noticee was part of the Board of Directors of KLIL. Further, none of the Annual Reports for the investigation period mention the Noticee as being part of the Board. Accordingly, there is nothing on record to show that the Noticee was a director of KLIL, and therefore the charges under Regulations 4(2)(f)(ii)(6), (7) and (8) and 4(2)(f)(iii)(3), (6) and (12) of the LODR Regulations against the Noticee are not tenable.
30. Hence, the specific charge against the Noticee that remains to be adjudicated is allegation that the Noticee as the Chief Financial Officer (CFO) of K-Lifestyle during the investigation period had violated Regulation 33(2) (a) of the LODR Regulations.

Role of the Noticee

31. As noted above, the only charge that remains against the Noticee is that the Noticee in his capacity as the CFO approved the financial results of KLIL which contained misstatements and therefore he violated regulation 33(2)(a) of the LODR Regulations. The SCN alleged that the Noticee in his capacity as CFO, by approving and certifying the misrepresented financial results of KLIL (during the investigation period), has violated Regulation 33(2)(a) of LODR Regulations, because CFO is required to certify that the financial results being placed before the board do not contain any false or misleading statements or omit material facts. The IR and SCN while alleging the same have primarily relied on MCA records that the Noticee was the CFO of the Company during the investigation period and therefore was liable for certifying misstatements in the financial results.



32. Regulation 33 (2) (a) of the LODR Regulations mandates that the financial results shall be approved by the board of directors and while placing them before the board of directors, the Chief Executive Officer (CEO) and the CFO shall certify that the financial results do not contain any false or misleading statements. Therefore, to sustain a charge under this provision, it is imperative to establish not only that the Noticee held the position of CFO, but has also certified that the financial results of KLIL contained no misstatement.
33. The Noticee has submitted that his name was misused and forged by KLIL and he was never appointed as the CFO of the company. The Noticee has also pointed out that there are discrepancies in the Annual Reports filed by the Company and argued that the said Annual Reports cannot be relied upon for the purpose of coming to the conclusion that the Noticee was the actual CFO of the company. The Noticee has further submitted that he has not certified the financial statements of KLIL as required under regulation 33 (2) (a) of the LODR regulations and his signatures which have been appended to the Annual Reports are forged and without his knowledge and he was unaware that the Company had fraudulently shown him as the CFO of the Company.
34. I note that the both the FAR and the investigation report have relied solely on the MCA records to state that the Noticee was the CFO of KLIL. There are no additional documents (*viz. appointment letter, board resolution, ROC filings etc.*), available on record to support the assertion that the Noticee was the CFO of KLIL during the investigation period.
35. Apart from the MCA records, the only other evidence available on record which mentions the Noticee to be CFO of KLIL are the Annual Reports filed by the company. The Noticee has pointed out a discrepancy in the Annual Report for the year 2014-15 wherein the Noticee has been described as the CFO of KLIL but at page 22 it was mentioned that he had resigned as the CFO of KLIL. The Noticee has submitted that the Annual Report for the FYs 2018-19 and 2019-20 filed by KLIL are also erroneous and cannot be relied upon because they still continue to reflect the



Noticee as the CFO, despite his resignation from the company. The Noticee submitted proof of his resignation from the KLIL and his letter of appointment along with corresponding Income-Tax Returns in support of his contention. The Noticee has argued that the aforesaid facts severely undermines the evidentiary value of placing reliance on the Annual Reports to conclude that the Noticee was the CFO of KLIL during the inspection period.

36. Upon perusal of the Annual Reports filed by the company for the investigation period (i.e., FYs 2014-15, 2015-16, and 2016-17), I observe that the financial statements do not bear the actual signature of the Noticee. In the absence of a physical or digital signature, it cannot be conclusively established that the Noticee actually authenticated or approved these financial statements. Furthermore, while a signature purporting to be that of the Noticee appears on the cover letter of the Annual Report for FY 2014-15, for the reasons discussed in paragraphs 34 and 35 also, the Annual Reports themselves have come under a cloud of doubt on its reliability as documentary evidence for fixing responsibility.

37. I also note from the investigation report that the Noticee was not part of the audit committee during the investigation period (i.e., FYs 2014-15, 2015-16 and 2016-17) and did not attend the 12 audit committee meetings during the said period. The fact that Noticee despite being named the CFO (*i.e. officer primarily in charge of the financials of the company*), did not attend a single audit committee meeting does cast a doubt on whether the Noticee was the CFO of the company and was in charge of its financials.

Violation of Regulation 33 (2) (a) of the LODR Regulations

38. It is pertinent to note that the compliance certificates incorporated within the Annual Reports for FYs 2015-16 and 2016-17, as mandated by Regulation 33(2)(a) of the LODR Regulations, bears the signature of the Managing Director alone and not the signature of the Noticee in his capacity as the CFO of KLIL. Therefore, there is no documentary evidence available on record to establish that the Noticee in fact certified that there was no financial misstatement. In absence of any such clear



evidence, the primary charge against the Noticee that he certified that the financial statements do not contain any misstatements, is not tenable and cannot be sustained.

39. In view of the foregoing, I am inclined to give benefit of the doubt to the Noticee and I find that the allegations regarding the Noticee's tenure as the CFO of KLIL, remain unsubstantiated on the basis of the material available on record.

D. CONCLUSION

40. I note that neither the investigation report nor the FAR contain any factual assertion or independent verification regarding the professional status of the Noticee as the CFO of KLIL. Both the reports appear to have relied exclusively on MCA records to reach this conclusion which in turn is based on company's filings. In light of the aforementioned facts, specifically the persistent discrepancies in the annual reports filed by KLIL, I find that it cannot be conclusively determined that the Noticee was in fact the CFO of the company during the investigation period.

41. Furthermore, the specific and singular charge against the Noticee remain unsubstantiated because there is no evidence on record to establish that the Noticee approved the financial statements, which is a condition for attributing liability on the Noticee under regulation 33(2)(a) of the LODR Regulations. In the absence of such material particulars and evidence, the nexus between the Noticee and the alleged contravention cannot be sustained.

E. DIRECTIONS

42. Accordingly, after considering all the facts and circumstances of the case and evidence on record, I, in exercise of the powers conferred upon me under sections 11(1), 11 (4), 11(4A), 11B (1) and 11B (2) read with sections 15I of the SEBI Act, 1992, conclude that the allegations against the Noticee do not warrant any directions or any monetary penalty. Accordingly, the SCN dated August 18, 2020 is disposed of with no order for directions or monetary penalty.



43. This Order shall always be read along with the order dated December 21, 2021.

44. This Order shall come into force with immediate effect.

45. A copy of this Order shall be served on the Noticee.

Date: May 27, 2026

Place: Mumbai

Sd/-

Biju S.

**Quasi-Judicial Authority
Securities and Exchange Board of India**