



**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
(ADJUDICATION ORDER NO: Order/AK/RK/2025-26/31829)**

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

**Fast Track Finsec Private Limited  
PAN: AABCF4818P**

**In the matter of Fast Track Finsec Private Limited**

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**BACKGROUND OF THE CASE**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an inspection of the books of accounts, records and other documents of Fast Track Finsec Private Limited (hereinafter referred to as the "**MB/Noticee**"), registered with SEBI as a Merchant Banker (**MB**) since April 05, 2018, bearing Registration no. INM000012500. The inspection was conducted from January 03, 2022 to January 07, 2022, to ascertain whether the activities of the Noticee were carried out in the manner required under SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as the "**MB Regulations**"), SEBI (Certification Of Associated Persons In The Securities Markets) Regulations, 2007 (hereinafter referred to as the "**CAPSM Regulations**"), SEBI (Substantial Acquisition Of Shares And Takeovers) Regulations, 2011 (hereinafter referred to as the "**SAST Regulations**"), SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2018 (hereinafter referred to as the "**ICDR Regulations**"), and applicable SEBI circulars issued thereunder. The inspection was conducted for the period from April 01, 2020 to December 31, 2021 (hereinafter referred to as the "**Inspection period/IP**").



## **APPOINTMENT OF ADJUDICATING OFFICER**

2. Upon being satisfied that Noticee has prima facie violated various provisions mentioned above, SEBI approved initiation of adjudication proceedings on July 22, 2024, and vide communique dated March 18, 2025, appointed the undersigned as Adjudicating Officer u/s 15-I r/w 15A(a) and 15HB, as applicable, of SEBI Act, 1992 (hereinafter referred to as the “**SEBI Act**”), and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**SEBI Adjudication Rules**”) r/w Section 19 of the SEBI Act to inquire into and adjudge the alleged violations by the Noticee.

## **SHOW CAUSE NOTICE, REPLY AND HEARING**

3. Show Cause Notice Ref. No. SEBI/HO/EAD/EAD6/P/OW/2025/11195 dated April 21, 2025 (hereafter referred to as “**SCN**”) was issued to the Noticee in terms of Rule 4(1) of the SEBI Adjudication Rules r/w Section 15-I of SEBI Act requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed u/s 15A(a) and 15HB of SEBI Act, as applicable for the alleged violation, as stated in the SCN.
4. The brief of alleged violations by the Noticee as per the SCN is given hereunder;
  - 4.1. Irregularities in the IPO of Trekkingtoes.com Limited.
  - 4.2. Irregularities with respect to takeover through open offer in the matter of M/s KD Leisures Limited.
  - 4.3. Irregularities with respect to takeover through open offer in the matter of M/s AKM Lace and Embrotex Limited.
  - 4.4. Irregularities with respect to takeover through open offer in the matter of M/s Spaceage Products Limited.
  - 4.5. Irregularities with respect to takeover through open offer in the matter of M/s Specular Marketing and Finance Limited.
  - 4.6. Irregularities with respect to takeover through open offer in the matter of M/s Oracle Credit Limited.
  - 4.7. Irregularities in the periodic reports submitted by the Noticee.
  - 4.8. Non-disclosure of track record on its website by the Noticee.



- 4.9. Irregularities with respect to Merchant Banker Certification requirements.
- 4.10. Irregularities with respect to Internal Code of Conduct of the Noticee.
5. The Noticee, vide letter dated May 3, 2025, replied to the SCN stating, inter alia, the following:
- 5.1. *“We have submitted a detailed and comprehensive reply addressing all the points raised vide our letter dated May 10, 2022. The contents of the said letter may kindly be treated as reiterated herein and form an integral part of our present submission.*
- 5.2. *Further, in relation to the matters now under reference, penalties had already been imposed under the following orders:*
- *Adjudicating Order no. Order/MC/RM/2021-22/14794 vide dated January 27, 2022; a penalty of INR 2,00,000 paid on January 28, 2022*
  - *Order no. Order/SM/DD/2021-22/15644 vide dated March 28, 2022; a penalty of INR 6,00,000, paid on June 17, 2022*
- 5.3. *Additionally, the interim order in the matter was passed on January 24, 2022 by virtue of which the Fast Track Finsec Private Limited stands restrained from taking up any new assignment relating to merchant banking activities in the securities market, till further orders. Thus, the Fast Track Finsec Private Limited has already undergone one year of restraint.*
- 5.4. *In view of the above, since the penalties have already been imposed and the suspension has been duly undergone, we pray that the present show cause notice/proceedings be forthwith withdrawn, treated as infructuous, and the matter be closed without any further adverse action.”*
6. In the interest of natural justice, an opportunity of personal hearing was given to the Noticee to appear before the undersigned on June 11, 2025, vide hearing notice dated June 2, 2025. In response, vide email dated June 06, 2025, Noticee requested to reschedule the hearing to June 09, 2025. The said request of the Noticee was acceded to, and, vide email dated June 06, 2025, hearing in the matter was rescheduled to June 09, 2025. Noticee on the said date of hearing was represented by its Authorized Representative (AR), who during the course of hearing requested to again reschedule the hearing to June 12, 2025 and



accordingly, the said request of the AR was acceded to. However, vide email dated June 11, 2025, Noticee intimated about the appointment of its new AR in the matter and requested for inspection of documents in the matter through its Authorised Representative (AR) along with a request to adjourn the hearing, which was scheduled on June 12, 2025 based upon its request. The opportunity of inspection of documents in the matter was duly availed by the AR of the Noticee on June 12, 2025, granted to it, vide email dated June 11, 2025. During the course of inspection of documents, all the relevant and relied upon documents were provided to its AR.

7. It is observed from the inspection minutes that the Noticee was provided with an opportunity to submit its reply to the SCN, latest by June 19, 2025. However, vide email dated June 30, 2025, AR of the Noticee submitted the following:

*7.1 At the very outset, it is respectfully submitted on behalf of the Noticee that the Hon'ble Authority may be pleased to clarify the inordinate delay in issuance of the Show Cause Notice (SCN), particularly in view of the fact that the inspection in question was conducted during the period from 03.01.2022 to 07.01.2022, and the corresponding inspection report was admittedly submitted to the appointing authority within a period of 3–4 months thereafter. In this context, it is humbly submitted that such an unexplained delay in initiating proceedings may not only prejudice the rights of the Noticee to an effective defense due to fading memory and availability of contemporaneous records, but may also fall short of the principles of natural justice, particularly the principle of timely and fair action by a statutory authority.*

*7.2 Furthermore, it is requested that the Noticee be apprised as to whether, arising from the same inspection report, multiple proceedings have been initiated by SEBI against the same entity or related entities, and if so, the legal basis and necessity for such multiplicity of proceedings be clearly stated. Such clarification is essential to ensure transparency, fairness, and consistency in regulatory action, and to enable the Noticee to effectively address the allegations, if any, without being subject to duplicative or overlapping proceedings.*

*7.3 At the further outset, the Noticee respectfully submits that the Noticee is in the process of preparing a comprehensive response to the SCN. However, upon perusal of the*



*contents of the SCN, it has been observed that while certain alleged violations have been explained with reference to specific provisions of the applicable regulations, several other regulations have been cited in the concluding portion of the SCN as having been violated by the Noticee, without any supporting reasons, facts, or justification for such allegations.*

*7.4 For instance, Paragraph 5 on Page 5 of the SCN alleges non-compliance with Regulation 17(3)(c) of the SAST Regulations, specifically in relation to securities deposited in the escrow account not meeting the requirements set out under Regulation 9(2)(b). However, the conclusions drawn in the same paragraph further allege that the Noticee has violated Regulation 17(3)(c) r/w Regulation 9(2)(b), as well as Regulations 27(2) and 27(5) of the SAST Regulations, and Clauses 4, 6, 7, and 21 of the Code of Conduct read with Regulation 13 of the MB Regulations, without providing any explanation or factual matrix for invoking these additional provisions.*

*7.5 In view of the above, the Noticee requests your good office to kindly clarify the specific allegations in relation to each of the regulations cited, along with the factual basis for such allegations in order to enable the Noticee to provide an effective and complete response to the SCN. This will aid in ensuring that the Principles of Natural Justice are upheld and that the Noticee is afforded a fair opportunity to respond to each allegation comprehensively.*

*7.6 The Noticee also wishes to inform your good office that there was an ongoing inspection being conducted by SEBI during 23rd June 2025 to 25th June 2025, which has required the attention of the Noticee and has consequently contributed to a delay in submission of the reply to the captioned SCN. The Noticee assures that it remains fully committed to cooperating with SEBI and intends to submit its reply as soon as the necessary clarifications are received and the inspection-related constraints are resolved.*

**8.** Noticee was afforded a final opportunity of hearing in the matter on July 11, 2025, vide hearing Notice dated July 01, 2025. Vide the said hearing notice, Noticee was provided with an opportunity to file its reply in the matter, latest by July 08, 2025, and was also apprised that all its concerns would be addressed in a reasoned order. The said hearing was attended to by the AR of the Noticee, who reiterated the



submission made by the Noticee, vide its letters dated May 03, 2025, July 30, 2025 and July 08, 2025. The submissions made by the Noticee are mentioned as under:

- 8.1. *It is also pertinent to submit that the alleged violations pertain to the period 2020-2021, during which the Covid-19 pandemic was at its peak, severely disrupting normal business operations across the country. The nature of the alleged non-compliances is procedural and technical, and not of such gravity or seriousness as to warrant protracted scrutiny or delayed enforcement action. The very fact that SEBI itself did not initiate adjudication proceedings for over three years clearly indicates that the matter was not considered urgent or serious enough to merit immediate action. Now, after a lapse of nearly four years from the time the alleged violations occurred-and in the absence of any new facts or exigent circumstances-it serves no regulatory purpose to initiate proceedings against the Noticee. Such delayed action not only undermines the principles of timely enforcement but also imposes an undue burden on the Noticee, who has been kept in prolonged uncertainty for no justifiable reason.*
- 8.2. *It is further submitted that the SCN is a mere reproduction of the Inspection Report, with no new findings or developments. The task of reviewing the reply submitted by the Noticee and taking a decision on initiating adjudication proceedings did not warrant a delay of such magnitude. There has been no cogent explanation or justification provided by SEBI for this inordinate delay.*
- 8.3. *The Noticee respectfully submits that the present SCN is legally untenable as it seeks to impose a second round of penal consequences based on the same underlying set of facts for which the Noticee has already been penalized and has fully complied with the final orders. The present SCN is rooted in the findings of SEBI's inspection conducted from 3<sup>rd</sup> January, 2022 to 7 January, 2022, covering the operations of the Noticee during the period from 1<sup>st</sup> April, 2020 to 31<sup>st</sup> December, 2021. The very same transactional records and documentation now relied upon in the SCN were the basis of earlier adjudication proceedings, which culminated in final orders imposing both monetary penalties and market access restrictions.*
- 8.4. *It is clear from a perusal of Rule 4(I) of the Rules that at the first instance the Adjudicating Officer may only issue a notice for the limited purpose of determining whether an inquiry ought to be initiated against a Noticee. It is only after the Noticee is given an opportunity to show cause and an order instituting inquiry is issued that an adjudication may occur of what, if any,*



*penalty should be imposed. Inasmuch as the Show Cause Notice seeks to directly proceed to a consideration of whether and what penalty should be imposed in the same proceedings where the Adjudicating Officer is considering whether an inquiry ought to be conducted against me, the Show Cause Notice is contrary to the mandatory process prescribed in the Rules and is without jurisdiction. The Adjudicating Officer has therefore ventured to illegally combine the two stages contemplated under Rules 4(1) and 4(3) of the Rules into one single stage and has thereby combined procedures, in a manner unknown to law.*

- 8.5. *The Noticee submits that had SEBI followed the process prescribed under the Rules, the Noticee would have had, in the first instance, an opportunity to place on record the correct facts and provide relevant documents in support of its submissions. This may have satisfied SEBI that the required disclosures had either already been filed or were not required to be filed or due to inordinate delay no proceeding is required to be initiated, thereby potentially leading to the dropping of the present proceedings. The Noticee have thus been deprived of the benefit of this important procedural safeguard-an opportunity to address the matter at a preliminary stage and possibly bring the inquiry to an end myself.*
- 8.6. *The Noticee respectfully submits that multiple proceedings have been initiated by SEBI based on the very same Inspection Report arising from the inspection conducted between 3<sup>rd</sup> January, 2022 and 7<sup>th</sup> January, 2022, covering the period 1<sup>st</sup> April, 2020 to 31 December, 2021. Despite the commonality in factual background and nature of alleged non-compliances, SEBI has chosen to initiate separate adjudication proceedings at different intervals, all stemming from the same set of documents and transactions reviewed during the inspection.*
- 8.7. *The allegations in each of these proceedings are of a similar nature- technical and procedural irregularities with no element of fraud or misrepresentation-and should have reasonably been consolidated and addressed through a single, comprehensive proceeding. However, SEBI's decision to proceed in a piecemeal and fragmented manner not only defeats the principle of procedural fairness, but also imposes unnecessary and disproportionate regulatory burden on the Noticee.*
- 8.8. *In respect of the first allegation regarding irregularities in the IPO of Trekkingtoes.com Limited and the disclosure of directors' experience based solely on declarations, the Noticee respectfully submit that declarations regarding the qualifications and experience of each director were duly obtained and reviewed. As Merchant Banker, we relied on these*



*declarations in good faith and in line with industry practice, especially where no contradictory or adverse information was available. Mr. Anurag Totuka and Ms. Krati Ameriya are both qualified Chartered Accountants with 13 and 8 years of professional experience respectively, and were appointed as Independent Directors. Given their professional standing, it was reasonable to rely on their self-declared experience without the need for further verification. Similarly, Mr. Sahil Agarwal, a promoter with over 8 years of hands-on experience running the company, and Mr. Sagar Agarwal, an Intermediate Chartered Accountant managing operations since 2013, demonstrated continued involvement and capacity to manage the business. Their experience was deemed sufficient and appropriate for disclosure. Mr. Ashok Kumar Agarwal, a commerce postgraduate, had past business experience and was engaged primarily in operational and logistics matters. Based on internal discussions and representations, we were satisfied that he possessed the requisite practical business understanding. At no point did the disclosures appear inaccurate or misleading, nor was any material fact suppressed. The disclosures made in the offer document were based on reasonable assessment and in compliance with Regulation 245(3) of the SEBI ICDR Regulations, 2018. No discrepancies or red flags were noted that would necessitate additional documentary verification. The Noticee, therefore, submit that due diligence obligations were duly fulfilled, and there was no violation of Clause 4 of Schedule HI read with Regulation 13 of the MB Regulations. We respectfully request that this allegation be dropped.*

- 8.9. *In respect of second allegation with regards to takeover through open offer of KD Leisures Limited, the Noticee submits that the Acquirer had categorically opted for cash as the sole mode of consideration in the Public Announcement in accordance with Regulation 9(1)(a) of the SEBI(SAST) Regulations, 2011, and the entire settlement obligation was duly discharged in cash. The equity shares of M/s Goblin India Limited were deposited in the escrow account merely as a security for performance of obligations under Regulation 17(3), and not as consideration to shareholders. Without prejudice, it is submitted that there was no intent to violate regulatory provisions and the deviation, if any, was purely technical and inadvertent, without any malafide or prejudicial consequence to investors. Moreover, all prescribed documents and details as required under the SEBI-specified Standard Letter of Offer format were duly maintained in the internal records of the Manager to the Offer and were available for inspection, and the omission to reproduce the same in the Letter of Offer was inadvertent and purely clerical in nature. Further, the Acquirer had authorized the Manager to the Offer*



*to realize the value of the Escrow Account in terms of the Regulations, and the Letter of Offer explicitly recorded that the funds in the Escrow Account would be exclusively utilized for the Offer, ensuring no detriment to shareholder interests. It is further submitted that the offer process took place during the COVID-19 pandemic, due to which the Noticee faced constraints such as limited access to records, work-from-home disruptions, and staff shortages. These COVID-related operational challenges contributed to minor clerical lapses in documentation, including the formatting of the Letter of Offer.*

- 8.10. *In respect of third allegation with regards to takeover through open offer of the We respectfully submit that the execution of the Escrow Agreement dated 01.09.2021 was undertaken prior to the Public Announcement (PA) purely to comply with procedural and operational requirements of the Escrow Bank. As per the bank's standard policy, there is a mandatory Turnaround Time (TAT) of three working days for opening an escrow account after the execution of the agreement. Delaying the agreement to coincide with the date of PA would have resulted in a delay in operationalizing the escrow account and consequently impacted compliance with the prescribed timelinc under SEBI (SAST) Regulations.*
- 8.11. *A copy of the bank's communication confirming this requirement is already enclosed with the Reply of the Noticee dated 10-05-2022. Accordingly, the agreement's execution before the date of the PA was a procedural step and does not indicate that the acquirer had agreed to acquire shares or control of the target company on or before that date. Similarly, the valuation report dated 01.09.2021 was obtained as a part of the standard due diligence process undertaken prior to finalizing the terms of the transaction and executing the Share Purchase Agreement(SPA). The valuation was essential to determine the offer price in accordance with the applicable SEBI regulations and to assess the financial standing of the acquirer. This report was commissioned solely for these preparatory purposes and should not be construed as conclusive evidence of an agreement to acquire shares or control. The SPA, which would trigger the obligation to make a public announcement under Regulation 13(1) of the SAST Regulations, was executed only after these necessary steps were completed.*
- 8.12. *In view of the above, we respectfully submit that there has been no violation of Regulation 13(1) of the SAST Regulations. The public announcement was made promptly following the actual agreement to acquire shares/control. All earlier actions, including obtaining the valuation report and executing the escrow agreement, were preparatory and do not amount to a binding agreement.*



- 8.13. *With respect to the alleged violation of Regulation 17(10)(c), we submit that the open offer closed on 23.11.2021, and no shares were tendered by shareholders. As a result, no consideration was paid, and therefore, the condition requiring a 30-day waiting period from the date of completion of payment did not arise. Since there was no payment made to any shareholder, the restriction under Regulation 17(10)(c) is not applicable in this case. Based on this, and in accordance with the acquirer's instructions, the balance escrow amount was withdrawn on 01.12.2021, which was in compliance with the regulatory framework, given the absence of any tendered shares.*
- 8.14. *In respect of fourth allegation with regards to takeover through open offer of M/s Spaceage Products Limited, the Noticee submits that the Share Purchase Agreement (SPA) and Share Subscription Agreement (SSA) executed in the instant matter did not contain any salient features warranting separate disclosure, and complete copies of the agreements were made available for inspection as per regulatory requirements. The omission of certain financial disclosures pertaining to the Persons Acting in Concert (PACs), including net worth and contingent liabilities, was inadvertent and arose due to an oversight wherein disclosures applicable to individuals were mistakenly applied. However, such omission was unintentional and did not result in any misleading presentation or suppression of material facts. Further, it is submitted that Clause 6.1.3 of the Letter of Offer (LOF) mentions all offer price parameters as required, and the value mentioned as "Nil under point 4 was due to the non-availability of data for 60 trading days, which is a condition precedent for calculation of certain market parameters. This was accurately and transparently reflected in the LOF based on the trading history of the scrip. Furthermore, it is respectfully submitted that in the absence of any shares being tendered during the open offer period, there arose no obligation to pay consideration to any shareholder. Consequently, the escrow amount was rightfully withdrawn by the Acquirer on 02.07.2021, though within 30 days from the closure of the tendering period on 15.06.2021. The early withdrawal caused no prejudice to public shareholders or violation of the spirit of Regulation 17(10)(c), which is intended to ensure retention of funds until shareholder claims are satisfied.*
- 8.15. *In respect of fifth allegation with regards to takeover through open offer of M/s Specular Marketing and Finance Limited, the Noticee submits that no shares were tendered during the offer period, and hence no payment of consideration was required. Accordingly, the balance amount in the escrow account was released to the Acquirer on 12.08.2021, prior to the expiry*



*or the 30-day period, which did not result in any prejudice to public shareholders or defeat the protective purpose of Regulation 17(10)(c). Furthermore, it is submitted that the SPA and SSA did not contain any salient features requiring disclosure beyond the agreements themselves, which were made fully available for inspection. The omission of certain disclosures pertaining to securities in escrow and related particulars was purely inadvertent and occurred during the peak of the second wave of the COVID-19 pandemic, when operations were being carried out remotely under significant logistical and functional limitations. There was no malafide intention or concealment, and the relevant information was available in the internal records of the Manager to the Offer.*

- 8.16. *In respect of sixth allegation with regards to takeover through open offer of M/s Oracle Credit Limited, the Notice submits that the execution of the Escrow Agreement on 03.02.2021 was undertaken purely as an administrative step to facilitate timely opening of the escrow account, in accordance with standard market practice and in consultation with the concerned bank. The bank had specifically informed that a minimum of three working days would be required after execution of the agreement to operationalize the escrow account. Accordingly, in order to ensure seamless compliance with Regulation 17 of the SEBI (SAST) Regulations, 2011, the Escrow Agreement was executed in advance. The execution of the Escrow Agreement on 03.02.2021 was undertaken as a preparatory and procedural step to ensure timely compliance once the Share Purchase Agreement (SPA) was finalized. It is pertinent to note that at the time of execution of the Escrow Agreement, negotiations were ongoing between the Acquirer and the Seller on the terms and conditions of the SPA, and the agreement to acquire shares of Oracle Credit Limited was not concluded. The Public Announcement was made on 08.03.2021, immediately after the finalization of the SPA, thereby complying with the requirement under Regulation 13(1) to make the PA on the date of agreeing to acquire shares or control. It is most respectfully submitted that the said execution does not ipso facto indicate the date on which the Acquirer agreed to acquire shares or control in the Target Company. The formal agreement to acquire shares and the resultant Public Announcement was made on 08.03.2021, and the preparatory execution of the Escrow Agreement was neither in violation of Regulation 13(1) nor indicative of any intent to delay disclosure or suppress material facts.*
- 8.17. *In respect of seventh allegation with regard to the Periodic reports submitted by the Noticee, the Noticee submits that the observations raised in relation to the periodic half-yearly reports*



*are based on inadvertent and technical discrepancies rather than any wilful misrepresentation or regulatory breach. With respect to the track record of public issues, it is submitted that the requisite disclosures were duly uploaded and maintained on the Merchant Banker's website. A screenshot evidencing the same has already been annexed with the reply dated 10-05-2022. Any temporary unavailability of data on the specific date of inspection may have been due to a transient technical issue and not due to non-compliance. As regards the review of half-yearly reports by the Board of Directors, it is submitted that the Board had indeed reviewed the said reports, and relevant extracts from the minutes of meetings evidencing such review have now been submitted. The non-availability of complete minutes during inspection was due to an oversight, and the same has since been rectified. Regarding the reporting of investor complaints, it is respectfully submitted that the five complaints referred to were in relation to Mr. Aushim Khetarpal, the promoter of Orient Tradelink Limited, and not against Fast Track in its capacity as Merchant Banker. Since the Merchant Banker merely facilitated the responses received from the promoter and did not receive any complaint directly against it, the same was appropriately reported as "Nil" in the half yearly reports in accordance with a bona fide interpretation of regulatory requirements.*

- 8.18. *In respect of Eighth allegation with regard to Track Record disclosure by the Noticee on its Website, the Noticee respectfully submit that the delay in displaying the track record of the Company on our website was inadvertent and occurred due to technical issues faced with our website service provider. As mentioned in our PIQ reply dated November 25, 2021, the content pertaining to the track record had already been prepared and uploaded; however, due to unforeseen technical glitches at the backend of the hosting platform, the content was not rendering correctly on the live site. At the lime of the inspection conducted on January 3, 2022, the issue had not yet been fully resolved despite our ongoing efforts. We would like*
- 8.19. *to clarify that this was not a case of deliberate non-disclosure but rather a genuine technical problem which required external vendor intervention. We were actively working on resolving it during the relevant period, and this has since been successfully addressed. We confirm that the track record has now been properly updated and is fully visible on our website. A screenshot of the updated webpage has already been annexed with the reply dated 10-05-2022 for your kind perusal. We have also taken appropriate steps to ensure regular*



*maintenance and monitoring of the website, including establishing a process for periodic verification to prevent recurrence of such lapses in the future.*

- 8.20. *We reiterate our commitment to full compliance with SEBI regulations, including the provisions of SEBI Circular No. CIR MIRSD/1/2012 dated January 10, 2012 and the Code of Conduct for Merchant Bankers under Schedule III read with Regulation 13 of the MB Regulations.*
- 8.21. *In respect of Ninth allegation with regard to Certification Requirements for a Merchant Banker, the Noticee submits the observation regarding the certification status of the directors of the Noticee pertains to a temporary and unintended lapse, influenced significantly by the COVID-19-related regulatory relaxations issued by the relevant authorities. Specifically, Mr. Pawan Kumar Mahur, one of our directors, held a valid NISM-Series-IX: Merchant Banking Certification, which was valid up to August 12, 2020. A copy of his certification has already been annexed with the reply dated 10-05-2022. for reference. However, as per the notifications issued by the National Institute of Securities Markets (NISM) in light of the COVID-19 pandemic, certifications expiring during the period from March 2020 to March 31, 2022, were deemed valid until April 1, 2022. Accordingly, Mr. Mahur's certification was covered under this regulatory extension.*
- 8.22. *In respect of Tenth allegation with regard to Internal code of conduct the Noticee submits that the earlier version of the "Code of Conduct and Ethics" shared with the inspection team was a preliminary and general document intended to lay out broad ethical principles and behavioral expectations. We acknowledge that this earlier version did not fully reflect the specific and comprehensive internal standards expected under the Code of Conduct for Merchant Bankers as prescribed in Schedule HI read with Regulation 13 of MB Regulations.*
- 8.23. *We have taken this observation with utmost seriousness and have accordingly revised the internal Code of Conduct to bring it in line with SEBI's regulatory expectations. The revised Code includes detailed provisions covering professional integrity, standards of excellence, employee and officer responsibilities, maintenance of confidentiality, objectivity, conflict of interest, disclosure of personal holdings/interests, and client handling protocols, among other critical aspects. This Code has been duly vetted and approved by the Board of Directors of the Company in its meeting held on April 20, 2022.*



## CONSIDERATION OF ISSUES AND FINDINGS

9. I have taken into consideration the submissions of the Noticee, facts, and material available on record. The issues that arise for consideration in the present case are as follows:

**ISSUE No. I:** Whether the Noticee violated various provisions of MB Regulations, CAPSM Regulations, SAST Regulations, ICDR Regulations and applicable SEBI Circulars issued thereunder, as alleged in the SCN?

**ISSUE No. II:** Do the violations, if any, attract monetary penalty u/s 15A(a) and 15HB of SEBI Act, as applicable?

**ISSUE No. III:** If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w with Rule 5(2) of the SEBI Adjudication Rules?

10. Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated by the Noticee. The said provisions are reproduced hereunder:

**Relevant provisions of SEBI (Merchant Bankers) Regulations, 1992**

**Code of conduct**

*13. Every merchant banker shall abide by the Code of Conduct as specified in Schedule III*

**Disclosures to the Board**

*28(2) The merchant banker shall submit a periodic report in such manner as may be specified by the Board from time to time.*

### **SCHEDULE III**

***Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992***

***[Regulation 13]***

#### **CODE OF CONDUCT FOR MERCHANT BANKERS**

- 1. A merchant banker shall make all efforts to protect the interests of investors.*
- 2. A merchant banker shall maintain high standards of integrity, dignity and fairness in the conduct of its business.*
- 3. A merchant banker shall fulfil its obligations in a prompt, ethical, and professional manner.*
- 4. A merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.*



6. A merchant banker shall ensure that adequate disclosures are made to the investors in a timely manner in accordance with the applicable regulations and guidelines so as to enable them to make a balanced and informed decision.

7. A merchant banker shall endeavour to ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims or any misrepresentation and are made aware of the attendant risks before taking any investment decision.

19. A merchant banker shall have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its clients, investors and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

20. A merchant banker shall not make untrue statement or suppress any material fact in any documents, reports or information furnished to the Board.

21. A merchant banker shall maintain an appropriate level of knowledge and competence and abide by the provisions of the Act, regulations made thereunder, circulars and guidelines, which may be applicable and relevant to the activities carried on by it. The merchant banker shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.

26. A merchant banker shall develop its own internal code of conduct for governing its internal operations and laying down its standards of appropriate conduct for its employees and officers in carrying out their duties. Such a code may extend to the maintenance of professional excellence and standards, integrity, confidentiality, objectivity, avoidance or resolution of conflict of interests, disclosure of shareholdings and interests, etc.

27. A merchant banker shall ensure that good corporate policies and corporate governance are in place.

28. A merchant banker shall ensure that any person it employs or appoints to conduct business is fit and proper and otherwise qualified to act in the capacity so employed or appointed (including having relevant professional training or experience).

**Relevant Provisions of SEBI (Substantial Acquisition Of Shares And Takeovers) Regulations, 2011**

**Mode of payment**

9 (2) For the purposes of clause (b), clause (d) and clause (e) of sub-regulation (1), the shares sought to be issued or exchanged or transferred or the shares to be issued upon conversion of other securities, towards payment of the offer price, shall conform to the following requirements, —



(b) such class of shares have been listed for a period of at least two years preceding the date of the public announcement.

**Timing**

13. (1) The public announcement referred to in regulation 3 and regulation 4 shall be made in accordance with regulation 14 and regulation 15, on the date of agreeing to acquire shares or voting rights in, or control over the target company.

**Filing of letter of offer with the Board.**

16(1) Within five working days from the date of the detailed public statement made under sub-regulation (4) of regulation 13, the acquirer shall, through the manager to the open offer, file with the Board, a draft of the letter of offer containing such information as may be specified along with a non-refundable fee, as per the following scale, by way of direct credit in the bank account through NEFT/RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time-

Sl. No.	Consideration payable under the Open Offer Fee	Fee (Rs.)
a.	Upto ten crore rupees.	Five lakh rupees (Rs. 5,00,000).
b.	More than ten crore rupees, but less than or equal to one thousand crore rupees.	0.5 per cent of the offer size.
c.	More than one thousand crore Rupees.	Five crore rupees (Rs. 5,00,00,000) plus 0.125 per cent of the portion of the offer size in excess of one thousand crore rupees (1000,00,00,000).

**Provision of escrow**

17(3) The escrow account referred to in sub-regulation (1) may be in the form of,—

(c) deposit of frequently traded and freely transferable equity shares or other freely transferable securities with appropriate margin.

(10) The escrow account deposited with the bank in cash shall be released only in the following manner,—

(c) to the acquirer, the balance of the escrow account after transfer of cash to the special escrow account, on the expiry of thirty days from the completion of payment of consideration to shareholders who have tendered their shares in acceptance of the open offer, as certified by the manager to the open offer;

**Obligations of the manager to the open offer.**



27 (2) The manager to the open offer shall ensure that the contents of the public announcement, the detailed public statement and the letter of offer and the post-offer advertisement are true, fair and adequate in all material aspects, not misleading in any material particular, are based on reliable sources, state the source wherever necessary, and are in compliance with the requirements under these regulations.

(5) The manager to the open offer shall exercise diligence, care and professional judgment to ensure compliance with these regulations.

**Relevant Provisions of SEBI (Issue Of Capital And Disclosure Requirements) Regulations, 2018**  
**Disclosures in the draft offer document and offer document**

245(3) The lead manager(s) shall exercise due diligence and satisfy themselves about all aspects of the issue including the veracity and adequacy of disclosure in the draft offer document and the offer document.

**Relevant provisions of SEBI Circulars**

**SEBI Circular SEBI/CFD/DCR/ SAST/1/2011/09/23 dated September 23, 2011**

<https://www.sebi.gov.in/legal/circulars/sep-2011/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-and-consequential-amendments-to-clause-35-of-the-equity-listing-agreement-20706.html>.

**Relevant provisions of SEBI Circulars**

**SEBI circular no. CIR/MIRSD/1/2012 dated January 10, 2012**

[https://www.sebi.gov.in/legal/circulars/jan-2012/disclosure-of-track-record-of-the-public-issues-managed-by-merchant-bankers\\_21940.html](https://www.sebi.gov.in/legal/circulars/jan-2012/disclosure-of-track-record-of-the-public-issues-managed-by-merchant-bankers_21940.html)

**Relevant provisions of SEBI Circulars**

**SEBI Circular CIR/MIRSD/6/2012 dated May 14, 2012**

[https://www.sebi.gov.in/legal/circulars/may-2012/review-of-regulatory-compliance-and-periodic-reporting\\_22759.html](https://www.sebi.gov.in/legal/circulars/may-2012/review-of-regulatory-compliance-and-periodic-reporting_22759.html)

**Link to SEBI Notification dated August 02, 2013**

[https://www.sebi.gov.in/legal/regulations/aug-2013/notification-under-regulation-3-of-the-securities-and-exchange-board-of-india-certification-of-associated-persons-in-the-securities-markets-regulations-2007\\_25153.html](https://www.sebi.gov.in/legal/regulations/aug-2013/notification-under-regulation-3-of-the-securities-and-exchange-board-of-india-certification-of-associated-persons-in-the-securities-markets-regulations-2007_25153.html)

11. Before I proceed to deal with the issues on merits, I would like to address the first preliminary issue raised by the Noticee that the instant SCN has been issued with a delay of four years, as the alleged violations pertain to the period 2020-2021 and there has been no cogent explanation by SEBI for the inordinate delay. In this regard,



I note from the material available on record that the instant proceedings emanate from the irregularities observed by SEBI during the course of inspection of documents, books and accounts and other documents of the Noticee, conducted from January 03, 2022 to January 07, 2022, for the period from April 01, 2020 to December 31, 2021. Further, I note that the action against the Noticee was approved by SEBI on July 20, 2022, findings of the inspection were communicated to the Noticee, vide SEBI email dated April 18, 2022 and Noticee in turn submitted its response, vide letter dated May 10, 2022. I note from the material on record that finally initiation of adjudication proceedings against the Noticee was approved on July 22, 2024, subsequent to which, AO was appointed, vide order dated March 17, 2025. I note that inspection of a Merchant banker is an intensive exercise, involving the analysis of due diligence carried out by it with respect to the IPOs handled by it, analysis of submission of periodic reports, checking the validity of certification requirements of its KMPs and other employee, coordinating with NISM for the said certifications, and ascertaining whether policies of the MB are in line with the extant SEBI Regulations/Circulars, etc.

12. The analysis of all the above is a time taking exercise and cannot be concluded in a haphazard manner. Further, I note that Noticee was given an opportunity of hearing twice as already detailed above, and ultimately submitted reply on merits in the matter, as detailed in pre-paras above.
13. In this regard, I note that in the matter of **Pooja Vinay Jain vs SEBI** [Appeal No. 152 of 2019 dated March 17, 2020], Hon'ble SAT has inter alia made the following observations—

*“12. The decision would show that the power to initiate the proceedings must be exercised by the authorities within a reasonable time. This would depend upon the facts and circumstances of the case, nature of the default / statute and prejudice caused to the noticee.*

*13. In the present case, the appellant neither put a plea of prejudice before the AO nor before us. It was simply stated that since the proceedings were launched by respondent SEBI after a period seven years, the same should be quashed on the ground of delay. The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching*



*the same. Further, as explained by the learned counsel for the respondent as recorded in paragraph No. 6.4 above, large numbers of entities and transactions were analyzed by SEBI which took some time. In the result, the following order:-*

*ORDER 14.*

*The appeal is hereby dismissed without any order as to costs.”*

14. In line with the above SAT order, I note that the Noticee has also failed to explain how the delay, if any, had prejudiced its interest, hence its contention with respect to delay is not tenable.
15. As regards the second preliminary issue raised by the Noticee that the SCN is legally untenable as it seeks to impose a second round of penal consequences based on the same underlying set of facts for which the Noticee has already been penalized. Its further submission that SEBI, vide order dated March 28, 2022 in the matter of Spaceage Products Ltd. & Specular Marketing Finance Ltd., imposed a penalty for the alleged violation of Regulation 27(5) of the SAST Regulations and the present SCN now seeks to revisit the very same violation under the same regulation, in respect of the same entities and facts, effectively attempting to penalize the Noticee twice for the same alleged non-compliance, and its further submission that SCN relies on the same set of documents, transactions, and material on record that were previously considered by SEBI in Adjudication orders dated January 27, 2022, and August 11, 2022 and WTM Final Order dated January 20, 2023, I note that vide the Adjudication order dated January 27, 2022, Noticee was penalized for having failed to exercise due diligence in ensuring that 25% of consideration amount of the open offer was deposited in Escrow Account at the time of making open offer in the matter of M/s Orient Tradelink Ltd.
16. Similarly, vide Adjudication order dated March 28, 2022, Noticee was penalized for violation of provisions of SAST Regulations with respect to irregularity observed in the matter of open offer of Spaceage Products Limited i.e. appointment of an Additional Director of Spaceage Products Limited, who was also manager to the open offer, delay in creation of an escrow account towards security under open offer, and



non-disclosure of the above two non-compliances by the Noticee in the due-diligence certificate submitted by it.

17. In addition to the aforesaid, Noticee was also penalized by SEBI, vide order dated March 28, 2022 for acquirer having deposited the escrow amount as security under open offer on April 16, 2021, i.e. one day after the date of Detailed Public Statement (DPS). Noticee was also penalized for having failed to calculate the open offer size in accordance with the Regulation 7(1) of the SAST Regulations.
18. Further, with regard to the Adjudication order dated August 11, 2022 in respect of the Noticee, I note that the Noticee was penalized for having failed to exercise requisite due-diligence, care and professional judgement to ensure compliance with the provisions of SAST Regulations.
19. Thus from the above, I note that the allegations levelled against the Noticee in the instant matter are different from the ones already dealt with in the Adjudication orders dated January 27, 2022, March 28, 2022 and August 11, 2022.
20. With respect to the submission of the Noticee that WTM Final order dated January 20, 2023 has been passed, I note that the instant proceedings are different and distinct from the proceedings u/s 11B of the SEBI Act, wherein the said proceedings are for the purpose of issuing directions and the instant proceedings are for imposition of monetary penalties.
21. In view of the above, I note that the principle of Double jeopardy in the instant case does not apply. Thus, I note that the submission of the Noticee is bereft of merits.
22. I now proceed to deal with the issues on merits.

**ISSUE No. I: Whether the Noticee violated various provisions of MB Regulations, SAST Regulations, CAPSM Regulations, ICDR Regulations and applicable SEBI circulars issued thereunder, as alleged in the SCN?**

**23. Alleged Violation 1: Irregularities in the IPO of Trekkingtoes.com Limited.**

- 23.1 With respect to the captioned allegation, it was observed that the industry experience of all the directors of the Trekkingtoes.com Limited, as mentioned in the prospectus, was on the basis of their declarations and the Noticee had not



obtained any document / or carried out necessary due diligence to verify the same at its end.

Based on the above, it was alleged that Noticee has violated Regulation 245(3) of ICDR Regulations and Clause 4 of Schedule III Code of Conduct r/w Regulation 13 of MB Regulations.

**24. Alleged Violation 2: Irregularities w.r.t takeover through open offer in the matter of M/s KD Leisures Limited.**

24.1 In terms of 17(3)(c) of SAST Regulations, securities deposited in an escrow account have to conform to requirements set out in Regulation 9(2) of SAST Regulations. However, it was observed that the equity shares of M/s Goblin India Limited had been deposited in escrow account whereas its equity shares had been listed on BSE since 15.10.2019 and thus, the same was not in compliance with requirements as set out in Regulation 9(2)(b) of SAST Regulations.

Based on the above, it was alleged that Noticee has violated Regulation 17(3) (c) r/w 9(2) (b), 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

24.2 Further, in terms of Regulation 16(1) of SAST Regulations, an acquirer through a merchant banker is required to file a draft of the Letter of Offer (LOF) within 5 days from the date of the detailed public statement and said LOF, should contain such information as specified by SEBI. In this regard, SEBI vide its Circular-SEBI/CFD/DCR/SAST/3/2011/11/22 dated November 22, 2011, had issued a format for Standard LOF under aforesaid Regulations, which is also available on SEBI website. Upon perusal of LOF in the instant matter, it was observed that it did not contain various information which was prescribed in the said format.

Based on the above, it was alleged that the Noticee has violated Regulation 16(1), 27(2) and 27(5) of SAST Regulations r/w SEBI Circular SEBI/CFD/DCR/SAST/1/2011/09/23 dated September 23, 2011 and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.



**25. Alleged Violation 3: Irregularities w.r.t takeover through open offer in the matter of M/s AKM Lace and Embrotex Limited**

25.1 In terms of Regulation 13(1) of SAST Regulations, the public announcement (PA) is required to be made on the date of agreeing to acquire shares or voting rights in, or control over the target company. In the instant case, it was observed that the escrow agreement as well as valuation report (as per Clause 6.1.6 of the LOF at page 16 of LOF) were dated 01.09.2021. Thus, implying that the acquirer had agreed to acquire shares of AKM Lace and Embrotex on or before 01.09.2021. However, the public announcement was made with a delay on 07.09.2021.

Based on the above, it was alleged that Noticee has violated Regulation 13(1), 27 (2) and 27 (5) of SAST Regulations and Clause 3, 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

25.2 Further, in terms of Regulation 17(10)(c) of SAST Regulations, escrow amount can be withdrawn and paid to Acquirer after the expiry of 30 days from the date of payment of consideration to the shareholders. In this regard, it was observed that the tendering period in the instant case closed on 23/11/2021 and no shares were tendered in the open offer and the remaining amount was withdrawn and paid to Acquirer on 01/12/2021, which was less than 30 days from the closure of tendering period.

Based on the above, it was alleged that the Noticee has violated Regulation 17(10)(c) and 27 (5) of SAST Regulations and Clause 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

**26. Alleged Violation 4: Irregularities w.r.t takeover through open offer in the matter of M/s Spaceage Products Limited**

26.1 In terms of Regulation 16(1) of SAST Regulations, an acquirer through an MB is required to file a draft of the Letter of Offer (LOF) within 5 days from the date of the detailed public statement and said LOF, should contain such information as specified by SEBI. In this regard, SEBI vide its Circular-SEBI/CFD/DCR/SAST/3/2011/11/22 dated November 22, 2011, had issued a format for Standard LOF under aforesaid Regulations. Upon perusal of LOF, it was observed that it did not



contain various information which was prescribed in the said format

Based on the above, it was alleged that Noticee has violated Regulation 16(1), 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulation and SEBI Circular SEBI/CFD/DCR/ SAST/1/2011/ 09/23 dated September 23, 2011.

26.2 Further, it was observed that shares of M/s Spaceage Products Limited were frequently traded. However, at Clause 6.1.3 of the LOF, the market parameter for offer price, which was required to be given for frequently traded shares, was stated as Nil.

Based on the above, it was alleged that Noticee has violated Regulation 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

26.3 Further, in terms Regulation 17(10) (c) of SAST Regulations, escrow amount can be withdrawn and paid to Acquirer after the expiry of 30 days from the date of payment of consideration to the shareholders. In this regard, it was observed that the tendering period in the instant case, closed on 15/06/2021 and no shares were tendered in the open offer and the remaining amount was withdrawn and paid to Acquirer on 02/07/2021, which was less than 30 days from the closure of tendering period.

Based on the above, it was alleged that Noticee has violated Regulation 17(10) (c) and 27(5) of SAST Regulations and Clause 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

**27. Alleged Violation 5: Irregularities w.r.t takeover through open offer in the matter of M/s Specular Marketing and Finance Limited**

27.1 In terms of Regulation 17(10)(c) of SAST Regulations, escrow amount can be withdrawn and paid to the acquirer after the expiry of 30 days from the date of payment of consideration to the shareholders. In this regard, it was observed that the tendering period in the instant case, closed on 12/07/2021 and the last date for payment of consideration was 26/07/2021. Further, it was observed that no



shares were tendered in the open offer and the remaining amount was withdrawn and paid to acquirer on 12/08/2021, which was less than thirty days from last date for payment of consideration.

Based on the above, it was alleged that Noticee has violated Regulation 17 (10) (c) and 27(5) of SAST Regulations and Clause 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

27.2 Further, as per Regulation 16(1) of SAST Regulations, the LOF is required to contain such information as specified by SEBI. In this regard, SEBI on November 22, 2011 had issued format for Standard LOF under aforesaid Regulations, which is also available on SEBI website. Upon perusal of LOF in instant matter, it was observed that it did not contain various information, which was prescribed in the said format

Based on the above, it was alleged that Noticee has violated Regulation 16(1), 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations and SEBI Circular SEBI/CFD/DCR/SAST/1/2011/09/23 dated September 23, 2011.

**28. Alleged Violation 6: Irregularities w.r.t takeover through open offer in the matter of M/s Oracle Credit Limited**

28.1 Regulation 13(1) of SAST Regulations provides that the public announcement (PA) is required to be made on the date of agreeing to acquire shares or voting rights in, or control over the target company. In the instant case, it was observed that the escrow agreement was dated 03.02.2021, thus, implying that the acquirer had agreed to acquire shares of Oracle Credit Limited on or before 03.02.2021. However, the public announcement was made with a delay on 08.03.2021.

Based on the above, it was alleged that Noticee has violated Regulation 13(1), 27(2) and 27(5) of SAST Regulations and Clause 3, 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.



**29. Alleged Violation 7: Irregularities in the periodic reports submitted by the Noticee**

29.1 It was observed from the periodic reports for the half year ending September 2020, March 2021 and September 2021 that the Noticee had submitted that the track records of public issues were updated on its website, however, the same were not found on its website, as on January 3, 2022.

29.2 Further, it was also mentioned in the said periodic reports that the board of the Noticee had reviewed the reports and found no deficiencies and non-compliance, however, when the Noticee was asked to provide copies of board minutes, it submitted that it did not have minutes of board meeting pertaining to review of those reports.

29.3 Additionally, it was observed that the Noticee had reported nil figure regarding complaints in all the half yearly reports, however, it had submitted 5 investor complaints in its reply to Pre-Inspection Questionnaire (PIQ).

29.4 Thus, it was observed that the Noticee had not provided correct details in the reports.

Based on the above, it was alleged that Noticee has violated provisions of SEBI Circular No. CIR/MIRSD/6/2012 dated May 14, 2012 r/w Regulation 28(2) of MB Regulations and Clauses 2, 3, 4, 6, 20, 21 and 27 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.

**30. Alleged Violation 8: Non-disclosure of track record on its website by the Noticee**

30.1 It was observed that the Noticee in the PIQ reply dated November 25, 2021 submitted as mentioned below:

*"Track records are being updated however, due to certain technical issues at the service provider (website) the same is not working but the content is uploaded".*

30.2 In this regard, when the inspection team visited the premise of the Noticee on January 3, 2022, it observed that track records were still not appearing on its website.



Based on the above, it was alleged that Noticee has violated provisions of SEBI circular no. CIR/MIRSD/1/2012 dated January 10, 2012 and Clauses 1, 2, 3, 4, 6, 20, 21 and 27 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.

**31. Alleged Violation 9: Irregularities w.r.t merchant Banker Certification requirements**

31.1 It was observed from the submission of the Noticee that out of all the Directors, only one director of the Noticee i.e. Mr. Vikas Kumar Verma had a valid NISM-Series-IX: Merchant Banking Certification.

Based on the above, it was alleged that Noticee has violated SEBI notification dated August 02, 2013 r/w Regulation 3 of CAPSM Regulations and Clauses 4, 21 and 28 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.

**32. Alleged Violation 10: Irregularities w.r.t Internal code of conduct of the Noticee**

32.1 It was observed that the Noticee had submitted a document in respect of "*Code of Conduct and Ethics*" to the inspection team.

32.2 In this regard, it was observed that the contents of the code of the conduct were found to be general in nature and had no mention of any internal code of conduct for governing its internal operations and laying down its standards of appropriate conduct for its employees and officers in carrying out their duties. There was also no provision relating to maintenance of professional excellence and standards, integrity, confidentiality, objectivity, disclosure of shareholdings, interests and conflict of interest while dealing with clients/investors, etc.

32.3 In addition to the above, Noticee had also informed that it did not have minutes of the board meeting, wherein the code of conduct and ethics was approved.

Based on the above, it was alleged that Noticee has violated Clauses 19, 21, 26 and 27 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.



### **33. Findings with respect to the alleged violations**

#### **33.1 Irregularities in the IPO of Trekkingtoes.com Limited**

- 33.1.1 With respect to the submission of Noticee that the declarations regarding the qualifications and experience of each director was duly obtained and reviewed and it being an MB relied on those declarations in good faith and in line with industry practice and further its submission that Anurag Totuka and Krati Ameriya were both qualified Chartered Accountants with 13 and 8 years of professional experience respectively, and it was reasonable to rely on their self-declared experience without the need for further verification, I note that admittedly Noticee neither obtained any documents from the Directors to satisfy itself with respect to the authenticity of the declarations made by the Directors nor did it conduct any independent due-diligence, rather solely relied upon the declarations submitted by the Directors.
- 33.1.2 As regards its submission that at no point the disclosures appeared inaccurate or misleading, nor was any material fact suppressed, I note that Noticee has not provided any evidence in support of its claim, basis which it decided that the declarations made by the Directors were in order. Further with respect to its submission that no discrepancies or red flags were noted which necessitated additional documentary verification, I note that the submission of the Noticee is nothing but an afterthought to escape the allegation, as it being a professional MB cannot not make a blanket statement that it required a red flag to act upon. In terms of Clause 4 of Schedule III r/w Regulation 13 of the MB Regulations, Noticee was under Regulatory obligation to conduct proper diligence.
- 33.1.3 Thus, it stands established that the Noticee has violated Regulation 245(3) of ICDR Regulations and Clause 4 of Schedule III Code of Conduct r/w Regulation 13 of MB Regulations.



### **33.2 Irregularities with respect to takeover through open offer in the matter of M/s KD Leisures Limited**

33.2.1 With respect to submission of the Noticee that the acquirer had categorically opted for cash as the sole mode of consideration in the Public Announcement in accordance with Regulation 9(1)(a) of the SAST Regulations, and the entire settlement obligation was duly discharged in cash and its further submission that the equity shares of M/s Goblin India Limited were deposited in the escrow account u/r 17(3) of SAST Regulations, and not as consideration to shareholders and that there was no intent to violate regulatory provisions and the deviation, if any, was purely technical and inadvertent, without any malafide or prejudicial consequence to investors, I note that in terms of Regulation 17(3)(c) of the SAST Regulations, the securities in escrow account were required to be deposited, which in the instant case, equity shares of M/s Goblin India Limited, were deposited. However, the security been deposited in escrow account was required to be conformity with the requirements set out in Regulation 9(2)(b) of the SAST Regulations.

33.2.2 As per Regulation 9(2)(b) of SAST Regulation, the securities deposited in escrow account ought to have been listed for a period of 2 years preceding the date of public announcement. However, in the instant case, shares of M/s Goblin India were listed since October 15, 2019, whereas the public announcement was dated March 07, 2020. I note that the Noticee by submitting above that the consideration was paid in cash has tried to beat around the bush rather than admitting the lapse on its part. Therefore, submission of the Noticee is bereft of merits.

33.2.3 In view of the above, it stands established that the Noticee has violated Regulation 17(3) (c) r/w 9(2) (b), 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

33.2.4 Further, as regards submission of the Noticee that all the prescribed documents and details as required under the SEBI-specified Standard LOF format were duly maintained in the internal records of the Manager to the Offer



and were available for inspection, and the omission to reproduce the same in the LOF was inadvertent and purely clerical in nature and the lapse occurred during the Covid -19 pandemic, I note that admittedly Noticee had not complied with the provisions of SEBI Circular-SEBI/CFD/DCR/SAST/3/2011/11/22 dated November 22, 2011, vide which SEBI had issued a format for Standard LOF under Regulation 16(1)(c) of the SAST Regulations, which is also available on SEBI website. In this regard, I note that upon perusal of LOF in the instant matter, during the course of inspection, it was observed that it did not contain following information, which was prescribed in the said format:

- i. Following documents in the list of material documents for inspection as prescribed under clause 9 of standard LOF were not there in LOF:*
  - a. Audited annual reports of the Acquirer*
  - b. Certificate of incorporation, Memorandum and Articles of Association of the Acquirer*
- ii. Following details w.r.t. securities deposited in escrow account as prescribed under clause 6.2.5 of standard LOF:*
  - a. Name, quantity, face value, paid up value, market price of the securities on the date of creation of escrow account, the margin etc.*
  - b. Whether the securities are free of lien/encumbrances*
  - c. Whether the securities are carrying voting rights and if so, details about the suspension or freeze of voting rights, if any.*
  - d. Who is holding the securities and whether NOC has been obtained from the holder for depositing the same in the escrow account.*
  - e. Whether the Manager has been empowered by acquirer to realize the value of such escrow account by sale or otherwise.*
  - f. Whether there is any deficit on realization of value of such securities, the Manager shall make good any such deficit.*

33.2.5 Thus, by not including the crucial information as per the format detailed above, I note that the Noticee has violated Regulation 16(1), 27(2) and 27(5) of SAST Regulations r/w SEBI Circular SEBI/CFD/DCR/SAST/1/2011/09/23 dated September 23, 2011 and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.



### **33.3 Irregularities w.r.t takeover through open offer in the matter of M/s AKM Lace and Embrotex Limited**

33.3.1 With respect to the submission of the Noticee that the execution of the Escrow Agreement dated 01.09.2021 was undertaken prior to the Public Announcement (PA) purely to comply with procedural and operational requirements of the Escrow Bank since as per the bank's standard policy, there is a mandatory turnaround time (TAT) of three working days for opening an escrow account after the execution of the agreement and that delaying the agreement to coincide with the date of PA would have resulted in a delay in operationalizing the escrow account and consequently impacted compliance with the prescribed timeline under SAST Regulations, I note that in terms of Regulation 13(1) of SAST Regulations, the public announcement (PA) was required to be made on the date of agreeing to acquire shares or voting rights in, or control over the target company and in this regard, I note that Noticee has placed reliance upon an email from ICICI Bank dated January 28, 2022, wherein bank had submitted that it would take them 2-3 working days for account opening and agreement vetting process. The said email from the bank was in response to an email dated January 24, 2022 from Noticee to the bank, vide which Noticee had informed the bank of SEBI inspection in the matter and had asked the bank to provide the process and timeline for opening of the Escrow account and Noticee had further apprised the bank that it had opened Escrow account before PA, owing to the fact that acquirer had to deposit margin money in the said account in 3 days.

33.3.2 From the aforesaid, I note that Noticee itself gave the reasoning to the bank that its Escrow account was opened before PA as acquirer had to deposit the margin money, and the same was subsequent to SEBI inspection. I note that the said email communication between the Noticee and the bank and submission of the Noticee above in no way proves compliance of the Noticee with respect to the requirements of the Regulation 13(1) of SAST Regulations. Further, I note that Noticee being a professional should have given weightage



for compliance with respect to the provisions of SAST Regulations rather than giving priority to the bank procedures.

33.3.3 Further, as regards its submission that valuation was needed to finalize the price for share purchase agreement, ensuring networth of acquirer and doing due-diligence, I note that the provisions of SAST Regulations did not require Escrow account to be opened on or before the PA date. Further, I note that in the instant case PA had been made 6 days after the execution of Escrow agreement and the valuation report clearly implying the decision to acquire share of AKM Lace and Embrotex was made on or before 1.09.2021 and the PA was made with a delay on 07.09.2021. Thus, I find no merits in submission of the Noticee.

33.3.4 In view of the above, it stands established that the Noticee has violated Regulation 13(1), 27 (2) and 27 (5) of SAST Regulations and Clause 3, 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

33.3.5 As regards its submission that the open offer closed on 23.11.2021, and no shares were tendered by shareholders, and no consideration was paid, and therefore, the condition requiring a 30-day waiting period from the date of completion of payment did not arise and since there was no payment made to any shareholder, the restriction under Regulation 17(10)(c) was not applicable in this case, I note that in terms of the Regulation 17(10)(c) of SAST Regulations, escrow amount should have been withdrawn and paid to Acquirer after the expiry of 30 days from the date of payment of consideration to the shareholder. However, since no shares were tendered, no harm has been caused and I am inclined to treat it as technical violation and take a lenient view on this issue.

### **33.4 Irregularities w.r.t takeover through open offer in the matter of M/s Spaceage Products Limited**

33.4.1 As regards submission of the Noticee that the Share Purchase Agreement (SPA) and Share Subscription Agreement (SSA) executed in the instant matter did not contain any salient features warranting separate disclosure, and



complete copies of the agreements were made available for inspection as per regulatory requirements and its further submission that omission of certain financial disclosures pertaining to the Persons Acting in Concert (PACs), including net worth and contingent liabilities, was inadvertent and arose due to an oversight, I note that SEBI vide its Circular-SEBI/CFD/DCR/SAST/3/2011/11/22 dated November 22, 2011, had issued a format for Standard LOF to ensure compliance with respect to the provisions of Regulation 16(1) of SAST Regulations in terms of which an acquirer through an MB is required to file a draft of the LOF within 5 days from the date of the detailed public statement and in the instant case upon perusal of LOF with respect to open offer in the matter of M/s Spaceage Products Limited, it was observed that the said LOF did not contain the following information, which was prescribed in the said format.

- a. The salient features of Share Purchase agreement (SPA) and Share Subscription Agreement (SSA) were not disclosed in the LOF as prescribed in clause 3 of standard LOF.*
- b. Net worth, financials of PACs, directorships of PAC in companies and contingent liabilities were not disclosed as prescribed under clause 4 of standard LOF.*

33.4.2 Thus, from the above, I note that the information omitted by the Noticee in the LOF was required to be included in it, which admittedly Noticee had not included by submitting that SPA and SSA did not contain salient features warranting separate disclosure and the said omission was in addition to omission of Net worth, financials of PACs, directorships of PAC in companies and contingent liabilities in the LOF. Thus, I note that instead of complying with the requirements stipulated in the extant SAST Regulations and SEBI Circulars, Noticee preferred omission of the information, which was mandatorily required to be included in the LOF. Thus, Noticee had not complied with the provisions of the said SEBI Circular.

33.4.3 In view of the above, it stands established that the Noticee has violated Regulation 16(1), 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulation and SEBI Circular SEBI/CFD/DCR/ SAST/1/2011/09/23 dated September 23, 2011.

33.4.4 Further, with respect to submission of the Noticee that Clause 6.1.3 of the LOF



mentioned all offer price parameters as required, and the value mentioned as “Nil” under point 4 was due to the non-availability of data for 60 trading days, which was a condition precedent for calculation of certain market parameters and it was accurately and transparently reflected in the LOF based on the trading history of the scrip, I note from the material available on record that there was trading in the shares of M/s Spaceage Products Limited during the 60 trading days prior to PA as against the submission of the Noticee that there was no 60 trading days in the scrip of the company. Thus, I note that Noticee had wrongly mentioned the Clause as Nil under point 4 of 6.1.3 of the LOF. Hence, submission of the Noticee is devoid of merits.

33.4.5 In view of the above, it stands established that the Noticee has violated Regulation 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations

33.4.6 With respect to the reasoning of the Noticee that in the absence of any shares being tendered during the open offer period, there arose no obligation to pay consideration to any shareholder, I am inclined to treat it as technical violation and take a lenient view on this issue.

### **33.5 Irregularities w.r.t takeover through open offer in the matter of M/s Specular Marketing and Finance Limited**

33.5.1 As regards submission of the Noticee that no shares were tendered during the offer period, and hence no payment of consideration was required, and therefore the balance amount in the escrow account was released to the acquirer on 12.08.2021, prior to the expiry of the 30-day period, which did not result in any prejudice to public shareholders or defeat the protective purpose of Regulation 17(10)(c) of SAST Regulations, I am inclined to treat it as technical violation and take a lenient view on this issue.

33.5.2 As regards its submission that the SPA and SSA did not contain any salient features requiring disclosure beyond the agreements themselves, which were made fully available for inspection and its further submission that the omission of certain disclosures pertaining to securities in escrow and related particulars



was purely inadvertent and occurred during the peak of the second wave of the COVID-19 pandemic, when operations were being carried out remotely under significant logistical and functional limitations, I note that a similar issue has already been dealt with in the pre-paras above in the matter of M/s Spaceage Products Limited, wherein it was held that SEBI vide its Circular-SEBI/CFD/DCR/SAST/3/2011/11/22 dated November 22, 2011, had issued a format for Standard LOF to ensure compliance with respect to the provisions of Regulation 16(1) of SAST Regulations in terms of which an acquirer through an MB is required to file a draft of the LOF within 5 days from the date of the detailed public statement and in the instant case upon perusal of LOF with respect to open offer in the matter of M/s Specular Marketing and Finance Limited, it was observed that the said LOF did not contain the following information which was prescribed in the said format.

*The salient features of Share Purchase Agreement and Share Subscription Agreement are not disclosed in the LOF as prescribed in clause 3 of standard LOF. (Page no 8-9 of LOF)*

*Following details w.r.t. securities deposited in escrow account as prescribed under clause 6.2.5 of standard LOF (page no. 16-17 of LOF)*

*Name, quantity, face value, paid up value, market price of the securities on the date of creation of escrow account, the margin etc.*

*Whether the securities are free of lien/encumbrances*

*Whether the securities are carrying voting rights and if so, details about the suspension or freeze of voting rights, if any.*

*Who is holding the securities and whether NOC has been obtained from the holder for depositing the same in the escrow account.*

*Whether the Manager has been empowered by acquirer to realize the value of such escrow account by sale or otherwise.*

*Whether there is any deficit on realization of value of such securities, the Manager shall make good any such deficit*

33.5.3 Thus, from the above, I note that the information omitted by the Noticee in the LOF was required to be included in it, which admittedly Noticee had not included by submitting that SPA and SSA did not contain salient features warranting separate disclosure and the said omission was in addition to omission of Net



worth, financials of PACs, directorships of PAC in companies and contingent liabilities in the LOF. Thus, I note that instead of complying with the requirements stipulated in the extant SAST Regulations and SEBI Circulars, Notice preferred omission of the information, which was mandatorily required to be included in the LOF. Thus, I note that Noticee had not complied with the provisions of the said SEBI Circular.

33.5.4 In view of the above, it stands established that Noticee has violated Regulation 16(1), 27(2) and 27(5) of SAST Regulations and Clause 4, 6, 7 and 21 of Code of conduct r/w Regulation 13 of MB Regulations and SEBI Circular SEBI/CFD/DCR/ SAST/1/2011/09/23 dated September 23, 2011.

### **33.6 Irregularities w.r.t takeover through open offer in the matter of M/s Oracle Credit Limited**

33.6.1 With respect to submission of the Noticee that the execution of the Escrow Agreement on 03.02.2021 was undertaken purely as an administrative step to facilitate timely opening of the escrow account, in accordance with standard market practice and in consultation with the concerned bank, wherein bank had informed that a minimum of three working days would be required after execution of the agreement to operationalize the escrow account and therefore, in order to ensure seamless compliance with Regulation 17 of the SAST Regulations, the Escrow Agreement was executed in advance, I note that a similar issue has already been dealt with in the pre-paras above in the matter of open offer of M/s AKM Lace and Embrotex Limited, wherein it was held that the provisions of SAST Regulations did not require Escrow account to be opened on or before the PA date. Further, I note that in the instant case PA had been made one month after the execution of Escrow agreement clearly implying the decision to acquire share of M/s Oracle Credit Limited was made on or before 03.02.2021 and the PA was made with a delay on 08.03.2021. Thus, I note that the Escrow agreement date predated the PA date and therefore, I do not find any merits in submission of the Noticee.

33.6.2 In view of the above, it stands established that Noticee has violated Regulation



13(1), 27(2) and 27(5) of SAST Regulations and Clause 3, 4 and 21 of Code of conduct r/w Regulation 13 of MB Regulations.

### **33.7 Irregularities in the periodic reports submitted by the Noticee**

33.7.1 With respect to the submission of the Noticee that the observations raised in relation to the periodic half-yearly reports were based on an inadvertent and technical discrepancies rather than any wilful misrepresentation or regulatory breach and that the track record of public issues, and requisite disclosures were duly uploaded and maintained on its website and was due to temporary unavailability of data on the date of inspection, I note that in terms of SEBI circular no. CIR/MIRSD/1/2012 dated January 10, 2012, Noticee was duty bound to display the track record on its website at all times. Further, I note that if there was any technical snag, Noticee should have raised it with the concerned team and got it resolved. However, Noticee has also failed to provide any documentary evidence in support of having raised it with the technical team.

33.7.2 As regards submission of the Noticee regarding the review of half-yearly reports by its Board of Directors, that its Board had reviewed the said reports, and relevant extracts from the minutes of meetings evidencing review has now been submitted and the non-availability of minutes during inspection was due to an oversight, and the same has since been rectified, I note that Noticee has now provided minutes of meetings dated July 28, 2020, December 28, 2020, August 16, 2021, December 03, 2021, May 02, 2022. However, I note from an email on record dated January 03, 2022 that Noticee admitted of not having the board minutes in compliance with SEBI Circular dated May 14, 2012. The relevant extract is mentioned as below:

*“4. We do not have board minutes wherein HY reports submitted in compliance of SEBI circular dated May 14, 2012 are approved”*

33.7.3 Thus, from the above, I note that on one hand Noticee is submitting signed inspection minutes and on the other it submitted that it didn't have the said minutes, thus, Noticee is contradicting its own submission. Further, I note, had the said minutes been readily available with the Noticee, the same



should have also been made available to the inspection team but Noticee failed to provide the same to them, rather, now has come up with the inspection minutes, from which it cannot be ascertained whether they were created post inspection or were available during the IP as well.

33.7.4 Similarly, with respect to the submission of the Noticee that the 5 complaints referred to were in relation to Mr. Aushim Khetarpal, the promoter of Orient Tradelink Limited, and not against it, in its capacity as an MB and that it had facilitated the responses received from the promoter and did not receive any complaint directly against it, owing to which the same was appropriately reported as “Nil” in the half-yearly reports in accordance with a bona fide interpretation of regulatory requirements, I note from the Pre Inspection Questionnaire (PIQ) submitted by the Noticee to the inspection team that Noticee had mentioned the details of the 5 complaints viz, Names of the complainants, name of the company, nature of the complaint, status and the timeline for which the complaint had been pending. Further, I note that there were 5 unique complainants against Orient Tradelink Limited and status of all the complaints was mentioned as “resolved” and the days the said complaints were pending to be resolve was mentioned as NIL. Thus, I note that although Noticee had provided the details of the complaints in PIQ, the same were mentioned as resolved.

33.7.5 I also note that Noticee has not provided any documentary evidence in support of its claim that the said complaints were not against it rather were against the promoter of Orient Tradelink Limited. Thus, the material on record is not sufficient to ascertain that the complaints were against the Noticee. Thus, a benefit of doubt can be given to the Noticee. However, with respect to its failure to display the track record on its website and failure to provide the board minutes, I find that Noticee has violated the provisions of MB Regulations and relevant SEBI Circulars.

33.7.6 In view of the above, it stands established that the Noticee has violated SEBI Circular No. CIR/MIRSD/6/2012 dated May 14, 2012 r/w Regulation



28(2) of MB Regulations and Clauses 2, 3, 4, 6, 20, 21 and 27 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.

### **33.8 Non-disclosure of track record on its website by the Noticee**

33.8.1 With respect to the submission of the Noticee that the delay in displaying of track record on its website was inadvertent and occurred due to technical issues faced with its service provider, and was due to unforeseen technical glitches at the backend of the hosting platform, and its further submission that the track record has now been properly updated and is fully visible on its website, I note that admittedly track records were not appearing on the website of the Noticee, which in terms of SEBI circular no. CIR/MIRSD/1/2012 dated January 10, 2012, Noticee was dutybound to display on its website at all times.

33.8.2 Although, I note that Noticee has claimed that the same is now being displayed on its website, however, the track records, as detailed above, were not being displayed during the IP.

33.8.3 Thus, I find that the Noticee has violated provisions of SEBI circular no. CIR/MIRSD/1/2012 dated January 10, 2012 and Clauses 1, 2, 3, 4, 6, 20, 21 and 27 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.

### **33.9 Irregularities with respect to Merchant Banker Certification requirements**

33.9.1 As regards submission of the Noticee that the captioned irregularity was because of the temporary and unintended lapse, influenced by COVID-19, and its further submission that Pawan Kumar Mahur, one of its directors, held a valid NISM-Series-IX: Merchant Banking Certification, which was valid up to August 12, 2020, I note from the material available on record that the certification of Pawan Kumar Mahur was valid till April 01, 2022, owing to the relaxations granted by NISM due to Covid-19 pandemic, and the same was valid for the certifications expiring during the period from March 2020 to March 31, 2022. Thus, I note that Pawan Kumar Mahur, Managing



Director of the Noticee was also having a valid NISM certification during the IP. This shows that both the Directors of the Noticee viz, Mr Pawan Kumar Mahur and Mr. Vikas Kumar Verma were having valid NISM certification during the IP.

### **33.10 Irregularities with respect to the Internal code of conduct of the Noticee**

33.10.1 With respect to the submission of the Noticee that the earlier version of the “Code of Conduct and Ethics” shared with the inspection team was a preliminary and was a general document intended to lay out broad ethical principles and behavioral expectations, and its further acknowledgement that the said earlier version did not fully reflect the specific and comprehensive internal standards expected under the Code of Conduct for Merchant Bankers as prescribed in Schedule III r/w Regulation 13 of the MB Regulations, I note that admittedly Noticee was not having an internal code of conduct in line with the extant MB Regulations. It now however, claims to have a revised internal Code with detailed provisions covering professional integrity, standards of excellence, employee and officer responsibilities, maintenance of confidentiality, objectivity, conflict of interest, disclosure of personal holdings/interests, and client handling protocols, among other critical aspects and its further claim that the said Code has been duly vetted and approved by the Board of Directors of the Company in its meeting held on April 20, 2022, I note that during the IP, Noticee was not having the said code of conduct, as a professional merchant banker is expected to have and the same has also been admitted by the Noticee. Thus, submission of the Noticee is devoid of merits.

33.10.2 In view of the above, it stands established that Noticee has violated Clauses 19, 21, 26 and 27 of Schedule III (Code of Conduct for Merchant Bankers) r/w Regulation 13 of MB Regulations.

### **ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15A(a) and 15HB of SEBI Act?**

**34.** The provisions of Sections 15A(a) and 15HB of the SEBI Act read as under:



***“Penalty for failure to furnish information, return, etc.***

**15A.** *If any person, who is required under this Act or any rules or regulations made thereunder,—*

*(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.*

***“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.”*

35. Hence, in view of the findings as given above, I am convinced that the Noticee is liable for monetary penalty u/s 15A(a) and 15HB of the SEBI Act for violation of provisions of MB Regulations, SAST Regulations, ICDR Regulations and circulars thereunder.

**ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the SEBI Adjudication Rules?**

36. While determining the quantum of penalty u/s 15A(a) and 15HB of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:-

**SEBI Act**

*“15J. Factors to be taken into account by the adjudicating officer*

*While adjudging quantum of penalty under Section 23-I, 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.”*

37. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of its non-compliance nor has it been alleged by SEBI. As regard to the repetitive nature of the default, I note that Noticee was penalized by SEBI, vide order dated January 27, 2022, March 28, 2022 and August 11, 2022.

38. I find that the Noticee was under a statutory obligation to abide by and comply with the provisions of the extant Regulations, Circulars / directions issued by SEBI, which it failed to do during the IP. The very purpose of the said provisions is to deter wrongdoing and promote ethical conduct in securities market. Noticee being a registered intermediary is expected to take the statutory compliances seriously and take extra care to maintain a high degree of professionalism in the conduct of its business. The violations as established above certainly deserve imposition of penalty. However, I also note from the submissions of the Noticee that it has accepted its non-compliance and taken corrective measures subsequent to the inspection.

#### **ORDER**

39. After taking into consideration the facts and circumstances of the case, including the fact that corrective steps have been taken by the Noticee, in exercise of powers conferred upon me u/s 15-I of the SEBI Act r/w Rule 5 of the SEBI Adjudication Rules, I hereby impose the penalty of Rs. 5,00,000 (Rs. Five Lakhs only) u/s 15HB of the SEBI Act and Rs. 1,00,000 (Rs. One Lakh only) u/s 15A(a) of the SEBI Act on the Noticee for the violations as mentioned above. I find that the said penalty is commensurate with the violations committed by the Noticee in this case.

40. The Noticee 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](http://www.sebi.gov.in) on the following path, by clicking on the payment link:

**ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW**



41. 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 u/s 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.
42. In terms of Rule 6 of the SEBI Adjudication Rules, a copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

**Place: Mumbai**

**Date: December 10, 2025**

**AMIT KAPOOR**  
**ADJUDICATING OFFICER**