BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/AK/GN/2025-26/31964]

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

GRETEX CORPORATE SERVICES LIMITED

PAN: AACCD9875F

Background

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) carried out inspection of Gretex Corporate Services Limited (hereinafter referred to as **Noticee**), a SEBI-registered Merchant Banker having SEBI registration number as INM000012177, from December 19, 2024 to December 20, 2024. The period covered in the inspection was from April 01, 2022 to July 31, 2024 (hereinafter referred to as **'Inspection Period'**).
2. Based on the findings of inspection and Noticee's reply, vide letters dated February 21, March 05, March 10 and June 09 2025, certain non-compliances of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as **ICDR Regulations**), SEBI (Merchant Bankers) Regulation, 1992 (hereinafter referred to as **MB Regulation**) and circulars issued by SEBI were observed.

Appointment of Adjudicating Officer

3. Hence, SEBI approved initiation of adjudication proceedings and vide communique dated July 21, 2025, appointed the undersigned as the Adjudicating Officer u/s 15-I of SEBI Act, 1992 (hereinafter referred to as **'SEBI Act'**) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) r/w Section 19 of the SEBI Act to inquire into and adjudge u/s 15HB and 15A(b) of SEBI Act, the alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice (hereinafter being referred to as the **"SCN"**) dated September 02, 2025 was issued to Noticee in terms Rule 4(1) of Adjudication Rules to show cause as to

why an inquiry should not be initiated against it and why penalty, if any, should not be imposed upon it u/s 15HB and 15A(b) of SEBI Act for the alleged violations.

5. The allegations made against the Noticee in the SCN are summarized below-

5.1. In the matter of SME IPO of Sudarshan Pharma Industries Limited it was observed that Noticee failed to exercise adequate due diligence at the DRHP stage w.r.t. previous IPO application by the Issuer Company, allegedly in violation of Regulations 245(2)(b) and 245(3) r/w Clause (14)(N) of Part A of Schedule VI of the ICDR and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations. Further, it was observed that Noticee failed to exercise adequate due diligence w.r.t. reasons for withdrawal of the previous IPO by the Issuer Company, allegedly in violation of Regulations 245(3) of the ICDR and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations. Further, it was observed that Noticee deleted KPI peer comparison in the Offer Documents with a mala fide intent, allegedly in violation of Regulation 245(2)(b) and 245(3) r/w Clause (9)(K)(3) of Part A of Schedule VI of the ICDR and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations

5.2. In the matter of IPO of Akme Fintrade (India) Limited it was observed that Noticee failed to incorporate changes to the DRHP as advised by SEBI in the Observation Letter dated January 18, 2024, allegedly in violation of Regulation 25(5) of the ICDR. Further, it was observed that Noticee failed to submit due diligence certificate at the time of filing offer documents, allegedly in violation of Regulation 25(9)(b) r/w Form C of Schedule V of the ICDR and Regulations 9A(1)(e) and 13 r/w Clauses 3 and 21 of Schedule III of the MB Regulations.

5.3. In the matter of SME IPO of Owais Metal and Mineral Processing Limited it was observed that Noticee failed to conduct adequate and independent due diligence at the DRHP stage w.r.t. issuer's fund requirement, background verification of the Company, its promoters, directors, vendors and key customers, allegedly in violation of Regulation 245(3) of the ICDR and Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations. Further, it was observed that Noticee failed to accurate information in the offer document w.r.t. CFO and registered office of the Company and also failed to conduct adequate and independent due diligence at the

DRHP stage w.r.t. eligibility of members for constitution of the Audit Committee, allegedly in violation of Regulation 245(3) of the ICDR and Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations.

5.4. In the matter of SME IPO of Interiors & More Limited it was observed that Noticee failed to conduct adequate and independent due diligence at the DRHP stage w.r.t. capital structure of the Company, background verification of the Company, its promoters, directors, vendors and key customers, allegedly in violation of Regulation 245(3) of the ICDR and Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations.

5.5. Further, Noticee failed to intimate changes in information previously submitted to SEBI regarding changes in registered office address, principal place of doing business and appointment/ cessation of directors/ KMPs, allegedly in violation of Regulation 9A(1)(f) of the MB Regulations r/w Clause 1 of Chapter I of the SEBI Master Circular SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023. Further, Noticee failed to intimate acquisition of securities pursuant to devolvement on underwriting obligations, allegedly in violation of Regulation 27 of the MB Regulations.

6. The SCN was sent to Noticee through Speed Post AD and via digitally signed Email on September 02, 2025 and was duly served upon Noticee. Vide email dated September 12, 2025 Noticee sought inspection of documents. In view of the same, vide email dated September 23, 2025, opportunity of inspection was granted to Noticee on September 30, 2025 and the same was completed on the scheduled day. Vide email dated September 30, 2025, Noticee was advised to submit its reply to the SCN on or before October 07, 2025. Vide email dated October 07, 2025 Noticee submitted its reply, the reply of the Noticee is summarised below-

6.1. Noticee submitted that it is fundamentally improper for SEBI to initiate present adjudication proceedings based on an inspection period (April 01, 2022 to July 31, 2024) that overlaps with a prior inspection (April 01, 2021 to January 31, 2023), from which enquiry proceeding against the Noticee is still pending. SEBI should have initiated any necessary action in a single, comprehensive proceeding, rather than through this fragmented and overlapping approach.

Due diligence obligations of the merchant banker require reasonableness, not absolute perfection

6.2. Noticee denied that there is any lack of due diligence by the Noticee as a merchant banker. Noticee submitted that "due diligence" under the ICDR Regulations as well as MB Regulations is understood as the exercise of reasonable care by a person under the given circumstances to satisfy legal and regulatory obligations. It does not impose an obligation to conduct an exhaustive forensic investigation into every possible aspect of the issuer's affairs. The Hon'ble Supreme Court in ***Chander Kanta Bansal v. Rajinder Singh Anand*** *has clarified that due diligence means doing everything reasonable, not everything possible, and represents the degree of care that a prudent person would apply in the conduct of his own affairs.*

6.3. This principle has subsequently been reiterated time and again in several orders of SEBI Adjudicating Officers and by the Hon'ble Securities Appellate Tribunal (SAT). The jurisprudence has consistently confirmed that merchant bankers are not expected to function as investigating agencies, nor to presume fraud in the absence of circumstances that would reasonably excite suspicion. Unless the documents or disclosures provided by the issuer raise specific red flags, the merchant banker is entitled to rely on them in good faith. This position has been affirmed inter alia in ***Imperial Corporate Finance & Services Pvt. Ltd. v. SEBI*** *where it was held that due diligence means reasonable diligence, contextual to the facts of the case. The same was observed by the Hon'ble SAT in the matter of* ***Almondz Global Securities Ltd. v. Securities and Exchange Board of India****.*

6.4. Accordingly, Noticee submitted that the Noticee's conduct in relation to the given IPOs was consistent with the established standard of reasonable diligence and good faith. The present SCN proceed on an erroneous assumption that due diligence requires exhaustive verification beyond what is contemplated under the MB Regulations or settled jurisprudence.

SME IPO - Sudarshan Pharma Industries Limited

6.5. ***Allegation 1: Failure to conduct adequate due diligence at the DRHP stage w.r.t. previous IPO application***

6.5.1. *Noticee submitted that the alleged omission regarding previous IPO attempt was neither material nor a failure of due diligence, and was timely rectified without any investor prejudice.*

6.5.2. *Regarding the statement in the Draft Red Herring Prospectus (DRHP) that "We have not made any previous rights and / or public issues since incorporation...", the statement was made by the*

Noticee based on its understanding that a withdrawn issue did not constitute a "public issue". This was based on the reasonable understanding that a withdrawn application that never progressed to actual issuance or allotment of securities does not constitute a public issue for disclosure purposes in the DRHP.

6.5.3. *Additionally, the Noticee submitted that the withdrawal of the 2019 IPO attempt by Sudharshan Pharma, in the absence of any adverse findings or rejection by SEBI or the Exchange, is fundamentally distinct from a rejection on merits pertaining to the company's fundamentals, disclosures, or compliance. The foundational premise of the allegation is that the 2019 IPO application constituted a material fact mandating exhaustive inquiry and disclosure in the DRHP. Attention of the Ld. AO is drawn to the Sr. No. 13 of the Checklist of BSE (Annexure 2 to the SCN) which is reproduced hereinunder:*

Sr. No.	***PARTICULARS***	***Submitted (Yes/No)***
…	*…*	*…*
13.	*Details if the present or any previous application of the Company/Group Company for listing of any securities* ***has been rejected earlier*** *by SEBI or by any stock exchange and reasons thereof.*	*…*
…	*…*	*…*

6.5.4. *As can be observed, distinction is evident from the BSE Checklist, which specifically inquires about rejected applications. A commercial decision to withdraw an issue, which did not proceed to listing or trading, does not carry the same material implications for investor decision-making in a subsequent issue as would a formal rejection by a regulator including SEBI and stock exchanges.*

6.5.5. *Without prejudice to the above, the Noticee ensured the immediate rectification of this statement in the Red Herring Prospectus (RHP). The Company's affirmative response to the BSE checklist item no. 13 prompted immediate action from the Noticee. The Noticee along with the Company, immediately provided undertakings to the Exchange to incorporate full disclosures of the previous IPO attempt in the RHP. Thus, any alleged nondisclosure in the DRHP, was rectified*

in the RHP at the earliest possible opportunity. Therefore, there was no lasting omission or misinformation, and the market was never trading on an incomplete set of information.

6.5.6. *Noticee further submitted that the due diligence process was adequate under Regulation 245(3) of the ICDR Regulations, and any initial omission in the DRHP was neither wilful nor material in a manner that impacted investor welfare, given its timely correction in the RHP as well as Prospectus. The allegation, therefore, ought to be set aside against the Noticee.*

6.5.7. *It is an established legal principle that where a lapse /technical breach is identified and is subsequently rectified / cured well before any irreversible action is taken, and where such corrective action ensures no party is prejudiced, the basis for imposing a penalty is extinguished.*

6.5.8. *Further, the Ld. AO ought to consider the findings of the Hon'ble Securities Appellate Tribunal in the case of* ***Samrat Holdings Ltd. v. SEBI****, wherein it was observed if a person proactively rectifies a mistake upon discovering new information, penalizing such person would not be justified for violation of law.*

6.5.9. *It is evident from SCN, there is no allegation that any investor was misled, suffered a loss, or was otherwise harmed by the initial absence of this disclosure in the DRHP. Therefore, to penalize an intermediary for a lapse that was cured by the very system designed to catch and cure such lapses would be a manifestly disproportionate exercise of power and would serve no regulatory purpose other than to punish for a Bonafide error that had no material consequence on the market or investor welfare. Therefore, the Ld. AO should not impose any penalty on the Noticee.*

6.6. ***Allegation 2: Failure to conduct due diligence at the RHP stage w.r.t. previous IPO application***

6.6.1. *Noticee submitted that speculative allegations regarding withdrawal of previous IPO have no bearing on current RHP*

6.6.2. *Noticee submitted that the role of the Merchant Banker is not that of an auditor or a forensic investigator to retrospectively re-examine and challenge the commercial wisdom or the internal corporate deliberations of the Issuer that led to a decision taken in a previous capital market cycle. The same was publicly available in the public advertisement dated June 24, 2019 as well as the Withdrawal letter provided by the Issuer company / previous Merchant Banker to the Noticee.*

6.6.3. *It is important to note that due diligence done by the Noticee confirmed that the previous 2019 IPO attempt was a 100% underwritten issue, as mandated under the ICDR Regulations for SME*

offerings. Since the issue was fully underwritten, the minimum subscription requirement of 90% was not applicable, fundamentally negating any speculative allegation that the withdrawal was due to a failure to achieve minimum subscription.

6.6.4. *Further, the reason for withdrawal - "Due to material changes in the current business model and future expansion plan"- is a commercial justification provided by the Issuer's Board. The Noticee conducted due diligence by obtaining detailed representations and confirmations from the Issuer's management and Board of Directors, who are obligated under law to provide truthful information. To expect the Merchant Banker to disbelieve these solemn representations and unearth a different, "true" reason, especially one based on a purported 'apparent' failure to achieve subscription, would amount to imposing an absolute liability standard that is not envisaged under the ICDR Regulations. The ICDR Regulations does not mandate that the Merchant Banker must independently verify the subjective commercial rationale behind a past corporate decision that was duly approved by the Issuer's board and shareholders.*

6.6.5. *Furthermore, the allegation that the Offer Documents contained no explanation of the material changes misunderstands the purpose of the document. The RHP is a forward looking document pertaining to the current issue. An exhaustive analysis of historical business model changes that were subsequently altered again for the current issue would not only be immaterial to an investor's decision regarding the present offer but could also be misleading. To suggest that a past, aborted IPO attempt inherently translates to a current, undisclosed uncertainty in the business model is a speculative leap not supported by evidence.*

6.7. ***Allegation 3: Failure to disclose KPIs in the Offer Documents***

6.7.1. *Noticee submitted that there is absence of any mala fide intent regarding non-inclusion of KPIs in RHP as well as prospectus.*

6.7.2. *Noticee denied that it had any mala fide or deliberate intention in omitting the KPIs from the RHP and Prospectus. Firstly, the initial inclusion of the KPIs in the DRHP fundamentally negates any assertion of an intent to conceal from SEBI. A mala fide intent to suppress information is logically incompatible with the voluntary and transparent disclosure of that very same data at the first available opportunity. The DRHP is a public document disseminated to elicit comments from the market and the regulator. Had there been any intent to hide these comparatives, they would not have been disclosed in the DRHP at all.*

6.7.3. *Secondly, the allegation misapprehends the principle of materiality underpinning the ICDR Regulations. The obligation to disclose information is predicated on its materiality, i.e., its potential to influence the investment decision of a reasonable investor. The KPIs in question, while included for a comprehensive overview, were not singularly critical or material facts upon which the investment thesis for Issuer's was based. The Offer Documents further contained exhaustive disclosures regarding issuer's financial performance, business model, risk factors, and future prospects, which collectively provided a complete picture to the investors.*

6.7.4. *Noticee further submitted that Regulation 245(2)(b) and (3) read with Schedule VI pertain to the disclosure of the basis for issue price, which was comprehensively provided through means other than this specific peer table, including past financial performance and future projections. Therefore, it does not amount to violation of any disclosure standard as alleged in the SCN.*

6.7.5. *Without prejudice to the above, the alleged non-compliances outlined in the SCN in relation to Sudarshan Pharma IPO, are, at most, procedural and technical lapses. It is a well-established principle that penalties should not be imposed for minor or technical breaches of procedural laws. The alleged violations have neither caused any harm to investors nor contravened any substantive provisions of the SEBI Act, 1992. In this regard, reliance is placed upon the Hon'ble Securities Appellate Tribunal judgment in matter of* ***M/s. DSE Financial Services Limited v. SEBI****,* ***Religare Securities Limited v. SEBI****,* ***Gupta International Investment Co. Ltd. v. SEBI****,* ***Samrat Holdings Ltd. v. SEBI*** *and* ***UPSE Securities Limited v. SEBI****. Therefore, the Ld. AO should not impose any penalty on the Noticee.*

IPO - Akme Fintrade (India) Limited

6.8. ***Allegation 4: Lack of Due Diligence with respect to Objects of the Issue***

6.8.1. *Akme is required to mandatorily comply with the capital adequacy requirements stipulated by the Reserve Bank of India from time to time. The capital adequacy ratio, or capital-to-risk weighted assets ratio ("CRAR"), is calculated by dividing the company's Tier I and Tier II capital by its risk-weighted assets. Tier I capital comprises share capital, share premium, and retained earnings (including current year profits), while Tier II capital comprises provisions on standard assets.*

6.8.2. *Augmentation of capital base is an established industry practice in the NBFC sector*

6.8.3. *Noticee submitted that the object stated in the Prospectus of Akme is not vague or non-compliant, but is in fact the standard, accepted object of the issue for raising of capital by RBI-*

regulated NBFCs. The Noticee cannot be penalized for adhering to a market standard that has been repeatedly reviewed and accepted by SEBI in numerous other public issues both before and after the prospectus of Akme.

6.8.4. *The SCN at Para 6.1.3 questions the legitimacy of raising capital when the issuer already has "adequate capital to meet the minimum regulatory requirements". The precedents directly counter this allegation. Each of the cited companies had capital adequacy ratios significantly exceeding regulatory requirements, SBFC Finance Limited at 31.90% and Usha Financial at 33.54%, yet their prospectuses justified the capital raise based on future growth plans and the need to maintain a higher CRAR for strategic reasons. This mirrors the exact justification provided by Akme in its Prospectus, which stated that the management estimates risk-weighted assets will grow and thus require further capital, and that the current high CRAR would be helpful in this context.*

6.8.5. *Noticee submitted that the decision to raise capital to fund business expansion is a standard and legitimate strategic move. Therefore, the Noticee's due diligence involved verifying this business rationale, which was consistent with the practices of peer companies. Penalizing the Noticee for accepting a commercially sound rationale that aligns with industry-wide practice would be unreasonable and unjustified.*

6.9. ***Disclosures in the offer document were accurate, adequately specified and fully disclosed***

6.9.1. *The SCN at Para 6.1.10 further alleges that the actual objects were "deliberately hidden" and "the generic object of capital base augmentation was specified to escape scrutiny". However, a comparison with the cited prospectus in the previous section shows that the level of disclosure in Akme's offer document was, in fact, more detailed than some. Providing breakdowns are not a mandatory requirement, as other major issues (like SBFC and Capital SFB) proceed without them. Therefore, the disclosures made were consistent with, and in some respects more detailed than, those in other SEBI-approved offer documents.*

6.9.2. *Noticee submitted that the Akme, being a lending company, primarily deploys its capital for onward lending, which constitutes its main business activity. Further, it has already been disclosed on page 175-176 of the Prospectus that the Net Proceeds will be utilised for onward lending and may also be applied towards other business purposes, including repayment of high-cost debt, meeting operational and working capital requirements (such as expenses relating to*

new branches), and funding growth opportunities within the identified lending verticals (including new geographical expansion, branding, etc.).

6.9.3. *The details regarding the ratio in which the Net Proceeds would be utilized, along with the corresponding break-up, were not required to be disclosed therein and were submitted solely for SEBI's information and clarification. Further, the Noticee incorporated the changes suggested by the SEBI officer and, subsequent to these modifications, submitted the UDRHP dated April 10, 2024. Thereafter, the Noticee received approval of the UDRHP on May 17, 2024. Pursuant to the receipt of this approval, Noticee filed the RHP and the Prospectus with SEBI on June 14, 2024, and June 22, 2024, respectively.*

6.9.4. *Therefore, the mere absence of a specific percentage breakdown as provided to SEBI on August 04, 2023 does not render the disclosure in the offer document inadequate, as such breakdowns are not a consistent requirement across approved offer documents, as seen in the cited examples. The disclosure was therefore true, adequate, and in line with industry standards. Therefore, it is clear that the actual Objects of the Issue were not deliberately or otherwise hidden and deny that the object of capital base augmentation was specified to escape scrutiny.*

6.9.5. *Furthermore, the appointed Monitoring Agency has consistently confirmed that the utilization of proceeds is in accordance with the objects stated in the Prospectus. The monitoring mechanism has functioned as intended, confirming that the disclosure was sufficient for effective oversight.*

6.9.6. *In light of the above, the Noticee submitted that it acted in accordance with established market practice, exercised due diligence in verifying Akme's legitimate business rationale, and made disclosures that were consistent with, and in some aspects more detailed than, those in other SEBI-approved offer documents for NBFCs.*

6.10. ***Allegation 5: Failure to submit due diligence certificate at the time of filing offer document***

6.10.1. *Due diligence certificate could not be uploaded due to technical issues faced on SEBI intermediary portal and further it had no impact on substantive compliance.*

6.10.2. *Noticee submitted that the circumstances surrounding the filing of the RHP must be viewed in their complete context. The DRHP of Akme Fintrade (India) Limited was initially withdrawn, and a revised DRHP was subsequently filed on June 27, 2023. Consequently, several tabs on the SI Due Portal were unavailable for document upload.*

6.10.3. *The aforesaid technical impediment on the SEBI Intermediary Portal presented an unforeseen challenge, which temporarily affected the mechanism for uploading all documents*

simultaneously. In light of this technical difficulty, an immediate step was taken to ensure the essential document was communicated to the SEBI without delay, as evidenced by the email transmission dated June 14, 2024 wherein RHP of Akme was sent to SEBI along with other disclosures.

6.10.4. *The submission of the RHP, which incorporated all observations issued by SEBI and contained comprehensive material disclosures, inherently proves that the requisite due diligence procedures were fulfilled in substance. The confirmations typically contained within a due diligence certificate are verifiable against the information within the RHP and the underlying records, which were maintained with full integrity and transparency throughout the process. Vide submissions dated February 21, 2025, they had already undertaken that they can provide the Due Diligence Certificate upon SEBI's instructions.*

6.10.5. *Therefore, it is submitted that the technical upload issue is a merely technical and venial issue and not a reflection of the due diligence exercised by the Noticee. All substantive obligations were scrupulously met. Thus, the Ld. AO is requested to consider the full context and that the purpose of the ICDR Regulations were upheld throughout the issuance process by the Noticee.*

SME IPO - Owais Metal and Mineral Processing Limited

6.11. ***Allegation 6: Failure to exercise adequate due diligence***

6.11.1. *Adequate due diligence was conducted by the noticee. Due diligence on fund requirement and modernization justification was comprehensive and compliant with ICDR Regulations.*

6.11.2. *Noticee submitted that the due diligence conducted concerning Owais Metal's was far more substantive than a mere "site visit and qualitative observation". The process was rigorous, analytical, and fully compliant with the standards envisaged under Regulation 25 of the ICDR Regulations. The Site Visit Report, deemed satisfactory under para 7.1.3 of the SCN, was one component of a multi-faceted due diligence exercise. The Noticee critically examined detailed project reports, capital expenditure plans, and financial projections provided by the Issuer.*

6.11.3. *The assessment of the machinery was not merely 'observational' but was conducted to verify the Issuer's claims regarding capacity, and the necessity for modernization, which directly correlates to the fund requirement. The determination of the quantum of funds is fundamentally a business decision of the Issuer's board, based on vendor quotations and internal estimates. The role of the Merchant Banker, as per established market practice and*

regulatory framework, is to ensure that such projections are reasonable, based on data provided by the issuer, and appropriately disclosed.

6.11.4. *Further, Noticee submitted that the concept of due diligence is not speculative but based on reasonable and expected actions founded in law. The extant regulatory framework does not prescribe any standardized or exhaustive checklist for conducting due diligence, thereby vesting discretion to the merchant banker to determine the scope and extent of verification based on the specific facts and circumstances of each case.*

6.11.5. *The quantification of fund requirements is intrinsically a commercial and managerial prerogative of the Issuer. In the absence of any allegation of fraud or misrepresentation, it is not open to question the commercial wisdom underlying such determination. The very success of the IPO of Owais Metal substantiates the adequacy of the disclosures and the reasonableness of the project cost estimates. The present adjudication proceedings, in effect, seek to reassess and substitute the commercial judgment of board of Owais Metal, as well as the regulatory approval granted by the designated Stock Exchange, which had applied its mind to the contents of the Prospectus before granting its in-principle approval for listing.*

Vendor due diligence encompassed verification of quotations and related party assessments

6.11.6. *The Noticee exercised adequate due diligence concerning issue expenses and vendor eligibility. It publicly verified the quotations by cross-checking the details of the vendors against publicly available information, including the official websites of the vendors, to ensure that they were genuine manufacturers of the proposed machinery. This process confirmed that the vendors met the necessary qualifications and standards. The regulatory framework does not mandate that the Merchant Banker must independently "cross-verify"/investigate the authenticity of each invoice directly with the vendor, which is an operational function of the issuer.*

6.11.7. *Noticee submitted that the it's role is to ensure that the costs are reasonable and bona fide. Furthermore, the Noticee explicitly obtained and relied upon confirmations from the Issuer's management and its promoters, stating that none of the vendors involved in the issue objects were related parties to the issuer, its promoters, or its directors. To allege a failure without considering these documented confirmations is to overlook a critical component of the verification process undertaken by the Noticee.*

Verification of key customers was performed through financial statement reconciliation

6.11.8. *The allegation that the Noticee failed to verify the list of key customers is incorrect. The due diligence process included a detailed reconciliation of the disclosed top customers, accounting for 85.99% of revenue, with the Issuer's audited financial statements and underlying books of account for the relevant period instead of solely relying on Order book. This reconciliation confirmed the veracity of the revenue figures attributed to these customers. The Merchant Banker is entitled to rely on such certifications from management who have a primary and fiduciary responsibility for the accuracy of the financial statements.*

Intellectual property and litigation verification conformed to standard legal due diligence practice

6.11.9. *The Noticee conducted appropriate legal due diligence concerning intellectual property (IP) and litigation. This process involved independent searches which explicitly confirmed that the company did not hold any registered IP rights in its name and thus was not in violation of any third-party IP rights. Accordingly, at page 131 of the RHP it was disclosed that "As on the date of the Red Herring Prospectus, our Company don't have any Intellectual Property".*

6.11.10. *Furthermore, the Noticee obtained exhaustive disclosures and confirmations from the promoters and directors regarding ongoing and past litigations, which were subsequently corroborated by independent legal searches. The obligation under the ICDR Regulations is to ensure adequate disclosure based on a reasonable investigation, not to conduct a parallel, state-wide litigation search, which is the function of specialized legal counsel.*

Tax verification was based on reliance of assessments

6.11.11. *The accuracy of tax-related disclosures was verified by the Noticee through a thorough review of assessments orders and publicly available information. The Noticee ensured that all material tax liabilities and claims were appropriately disclosed in the Offer Document.*

6.11.12. *In light of the above, Noticee submitted that it has at all times acted in good faith and exercised the due diligence expected of a prudent Merchant Banker. Therefore, the allegations of violation of Regulation 245(3) of ICDR Regulations, Regulation 13 read with Clause 4 of Schedule II of the MB Regulations, and Regulation 9A(1)(e) of the MB Regulations are wholly unsustainable.*

6.12. ***Allegation 7: Incorrect statements made in the RHP***

6.12.1. *Noticee submitted that the identified discrepancies are immaterial and non misleading*

6.12.2. *The allegations concerning incorrect statements in the RHP pertain to minor, isolated clerical errors that do not constitute a failure of due diligence. The Noticee has compiled*

below the discrepancies observed in the RHP, as compared to the corresponding correct disclosures made in the RHP:

6.12.3. *Noticee submitted that, discrepancies highlighted in the SCN are limited in nature and do not affect the substance or accuracy of disclosures made in the RHP in any manner. For instance, the incorrect designation of Ms. Saiyyed Neha Ali as a Director in one section of the RHP is an isolated inconsistency, as she has been consistently and correctly disclosed as CFO across multiple other sections of the RHP, including financial statements, KMP profiles, and organization structure.*

6.12.4. *Similarly, the registered office address of the Issuer was inadvertently mis-stated to that of the Noticee/Merchant Banker at one place but correctly reflected in all key sections of the RHP, including the cover page, general information, and corporate history. These instances reflect typographical and clerical errors, not lapses in due diligence or disclosure.*

6.12.5. *Therefore, Noticee submitted that there was no suppression or misrepresentation of any facts whatsoever, rather, the relevant details were duly captured in the RHP.*

6.12.6. *Noticee submitted that it's due diligence verified the Issuer's compliance with the competency-based requirement of financial literacy.*

6.12.7. *Noticee submitted that neither Regulation 18(1)(c) of the LODR Regulations nor Section 177 of the Companies Act, 2013 prescribes formal education as a prerequisite for a member of the Audit Committee. The LODR regulations explicitly define the requirement solely in terms of functional ability, the capacity to read and understand basic financial statements. The legislature deliberately avoided prescribing minimum educational qualifications, recognizing that financial competency derives from diverse sources. This definition is fundamentally competency-based, focusing on practical understanding rather than academic credentials.*

6.12.8. *This interpretation is significantly supported by the observation in the Post Inspection Analysis (PIA) itself, which states "the matter may be referred to CFD … for consideration as to whether any guidance is warranted on the manner in which financial literacy may be evidenced in the absence of formal academic qualifications".*

6.12.9. *From the available records provided to us during inspection, it is clear that SEBI has not sought such guidance from CFD and the present SCN has been issued alleging this violation without application of mind. This admission by SEBI's own division in the PIA highlights a*

critical point that there is a recognized lack of prescribed methodology or definitive guidance on how to evidence financial literacy in the absence of formal qualifications. In the absence of such specific guidance, the Noticee relied on a reasonable and accepted standard i.e., the formal assessment and confirmation by the Issuer's Board of Directors. The practical financial literacy acquired by Mr. Bharat Rathod and Mr. Vinod Bafna through decades of hands-on experience in construction, project management, and business oversight provides this essential competency.

6.12.10. *This distinction between theoretical academic qualifications and practical, experience-derived financial acumen is crucial and well-recognized in corporate governance principles globally. International best practices reinforce the primacy of competency. Supporting this view, the* ***NYSE Listed Company Manual (Section 303A.07)*** *explicitly states that a director's financial literacy qualification is to be interpreted by the listed company's board in its business judgment, and significantly, allows members to become financially literate within a reasonable period after appointment.*

6.12.11. *This provision clearly highlights that financial literacy is an acquired capability relevant to the role, not an inherent attribute tied solely to prior formal education.* ***It logically follows that if a director can acquire the necessary literacy after appointment (as permitted by the NYSE), then literacy existing at appointment cannot be rigidly conflated with formal educational attainment per se****. The Board of Owais Metal, exercising its sound business judgment had assessed both directors and confirmed their functional understanding meets the regulatory definition of "financially literate". Therefore, their 5th standard education is not a valid indicator of their current ability to fulfil their Audit Committee responsibilities effectively.*

6.12.12. ***The PIA does not conclude a violation by the Issuer/Owais Metal:*** *It is noted that the PIA concedes that "while it may not be possible to conclusively state that the Audit Committee, as presently constituted, is in violation of Regulation 18(1)(c)". This is an important acknowledgment and admission by SEBI. The primary allegation against the Noticee is not that the Committee was non-compliant, but that the Noticee failed to demonstrate the diligence that would prove compliance. The Noticee submits that, in light of the PIA's own observation that no conclusive violation can be drawn, the role of the Merchant Banker must reasonably be confined to ensuring that the Issuer's disclosures are supported by plausible*

and bona fide determinations of its Board and committees, rather than to re-adjudicate or independently re-determine the qualifications of directors.

6.12.13. *The allegation in the PIA as well as the SCN that "the presence of audit committee members with no formal finance-related qualifications...ought to have triggered greater scrutiny" seeks to impose a standard beyond the LODR Regulations as the regulatory framework places the primary responsibility for such assessments on the Board of the listed entity, not its Merchant Banker.*

6.12.14. *In light of the above, Noticee submitted that it exercised adequate due diligence in verifying the compliance of the Audit Committee. The Noticee denies any violation of Regulation 245(3) of the ICDR Regulation, Regulation 13 r/w Clause 4 of Schedule II of the MB Regulations and Regulation 9A(1)(e) of MB Regulations.*

SME IPO - Interiors & More Limited

6.13. ***Allegation 8: Failure to exercise adequate due diligence***

6.13.1. *With regard to the allegation of failure to independently verify the fund requirements of the Issuer / Interiors & More (para 8.1.3), the Noticee submitted that it visited both the manufacturing facility and the corporate office of Interiors & More. These visits allowed to physically observe the operations, understand the production processes, and assess the genuine need for capital expenditure and working capital. The fund requirements were not arbitrarily determined rather they were based on detailed discussions with the promoters, a review of business plans, and an understanding of the seasonal nature of the business which necessitates such working capital support.*

6.13.2. *Although the SCN notes that the Site Visit Report dated August 28, 2023, "appears to be in order" (para 8.1.3) it questions the depth of financial validation. As a Merchant Banker, its role is to ensure that the stated objects are plausible, justified, and based on management's representations and business plans. Noticee is not required to act as financial appraisers or to reconstruct the Issuer's entire financial model. The quantum of working capital (INR 2,500 lakhs) was derived from the Issuer's own projections and was consistent with their historical performance and growth trajectory.*

6.13.3. *With respect to the repayment of debt (INR 438.35 lakhs), which was also one of the stated objects of the issue, Noticee submitted that it had duly reviewed the loan agreement dated June 28, 2022, executed between Interiors & More and Neuzen Finance Private Limited*

(formerly known as Umang Trading Private Limited), for a facility of up to INR 7 Crore, as part of its overall due diligence. The loan agreement sets out the terms and conditions of the loan under Clause 2. In addition, the Noticee had also reviewed the 'No Objection Certificate' issued by Umang Trading Private Limited in favour of Interiors & More.

6.13.4. *Noticee's due diligence focused on ensuring that the disclosures were accurate, complete, and based on reasonable assumptions provided by the management.*

Verification of Suppliers, Customers, and Shareholding

6.13.5. *On the issue of verification of suppliers (para 8.1.1.3), the Noticee relied on invoices, purchase orders, and contractual agreements provided by the Issuer. The Noticee also verified the existence and credibility of major suppliers through independent searches and market checks. Further, sample invoices were submitted to SEBI on March 10, 2025 as supporting documents.*

6.13.6. *Regarding the shareholding structure and changes in holdings of promoters, directors, and KMPs (para 8.1.1.4), Noticee submitted that this information was duly verified through MCA filings, register of members, and further confirmations from the Issuer. All details were accurately disclosed in the offer document under the relevant sections. Thus, verification was adequate and in line with standard practice.*

6.13.7. *With respect to the list of key customers (para 8.1.1.5), Noticee conducted a thorough analysis of the Issuer's financial statements to identify revenue concentration and customer dependencies. The top five customers contributing significant revenue were disclosed as required. The Noticee also reviewed related party transactions to ensure there were no undisclosed connections.*

6.13.8. *The confirmations on pages 150 and 176 of the RHP regarding the background of the company and its personnel (para 8.1.1.6) were based on undertakings obtained from the directors, promoters, and KMPs. Additionally, Noticee conducted independent legal due diligence to verify litigation history, directorship details, and other background information.*

6.13.9. *Therefore, the Noticee strongly disagrees with the observation that its due diligence was "procedural rather than analytical" (para 8.1.5). The process included site visits, financial statement reviews, legal checks, and management interactions - all of which are substantive and analytical steps. The absence of certain documentary evidence does not imply a lack of adequate due diligence.*

6.13.10. *The Noticee also highlighted that the IPO of Interiors & More was successfully concluded, and there have been no post-issue complaints or disputes regarding the accuracy of the offer document. This further proves adequate due diligence undertaken by them being their merchant banker at the time of IPO.*

Other Matters

6.14. ***Allegation 9: Intimation of Change in Information Previously Submitted to SEBI***

6.14.1. *Noticee submitted that although all of the changes had already been updated on the SI Portal, it appears that the data submitted by Noticee continues to remain nonvisible. It further submitted that SEBI had been duly intimated of this issue through multiple email communications well prior to the present date of inspection. For Item No. 9.1.2.4, the portal lacked a specific fieldfor "Executive Director".*

6.14.2. *Noticee had attempted to update the cessation of Mr. Janil Jain as Compliance Officer. However, the SEBI SI Portal did not provide any option to make this update at that time. Vide email dated May 23, 2025, Noticee had informed SEBI that despite updating details of present compliance officer on SI Portal they have received an automated email on May 20, 2025 showing Mr. Janil Jain in the name of contact person.*

6.14.3. *Due to a system error encountered by the Noticee attempting to upload the document on the SEBI SI Portal, the same could not be uploaded. The Noticee had approached SEBI to resolve this issue, however, the problem remained unresolved. A fresh attempt was made on February 21, 2025, to update the details of the appointment, but the same technical challenges persisted, and the new data could not be uploaded.*

6.14.4. *The cessation of Ms. Dimple Slun as Compliance Officer was with effect from April 17, 2024, and not November 14, 2023. However, due to a technical issue on the SEBI SI Portal, this update was not reflected on the portal. The Noticee again attempted on February 21, 2025, to update the details; however, the same challenge persisted, and the new data could not be uploaded.*

6.14.5. *Ms. Nishthi Dharmani was appointed as Company Secretary and Compliance Officer under the Companies Act and LODR on November 14, 2023, and not under the MB Regulations. Owing to a technical error on the SEBI SI Portal, this information could not be uploaded. The Noticee had already apprised SEBI of this issue vide email dated June 01, 2024.*

6.14.6. *While Mr. Ramesh Mishra had at one time been appointed as a Director, he resigned from such position with effect from April 15, 2019. This resignation, being prior to the present inspection period, places the matter outside the scope of the current adjudication proceedings.*

6.14.7. *The appointment of Mr. Rajiv Agarwal as an Independent Director was updated on the SEBI SI Portal with effect from May 16, 2022. His appointment was subsequently regularized at the General Meeting held on September 30, 2022. However, the SEBI Intermediary Portal does not provide a separate option to indicate the regularization of an appointment.*

6.14.8. *The appointment of Ms. Dimple Khetan as an Independent Director was updated on the SEBI SI Portal with effect from May 26, 2023. Her appointment was subsequently regularized at the General Meeting held on July 11, 2023. However, the SEBI Intermediary Portal does not provide an option to separately indicate the regularization of an appointment.*

6.14.9. *The appointment of Ms. Khusbu Agarwal as an Independent Director was updated on the SEBI SI Portal with effect from November 14, 2024. Her appointment was subsequently regularized at the General Meeting held on January 03, 2024. However, the SEBI Intermediary Portal does not provide an option to separately indicate the regularization of an appointment.*

6.14.10. *Further, Noticee submitted that, through various email correspondences, the Noticee apprised SEBI of persistent technical difficulties faced in updating mandatory information on the SI Portal. The Noticee highlighted that (a) despite attempts to update details such as change in Compliance Officer, Auditor, Principal Banker and other mandatory particulars, the portal did not permit such updates, (b) data earlier updated from their end had also become non-viewable, and (c) certain updates were either not reflected on the portal or remained incomplete, including "Business Information" details.*

6.14.11. *Further, vide email dated May 20, 2025, Noticee had initiated request for updating details of form of Merchant Bankers with SEBI wherein all the updated details have already been mentioned in the Update Form.*

6.14.12. *Therefore, the Noticee prays that the Ld. AO duly consider the explanations and evidence already on record, acknowledge the good-faith efforts at compliance, and conclude that no further action is warranted against the Noticee for the aforementioned alleged violations.*

6.15. ***Allegation 10: Failure to intimate acquisition of securities of Sudarshan Pharma Industries Limited***

6.15.1. *The Noticee submitted that the alleged violation of Regulation 27 of the MB Regulations stems from a difference in interpretation regarding the manner of disclosure rather than a complete failure to report. The acquisition of shares of Sudarshan Pharma pursuant to Noticee's underwriting obligations was not concealed but was reported in its half-yearly reporting format, which the Noticee believed to be a compliant mechanism for fulfilling its periodic reporting obligations under the proviso to Regulation 27.*

6.15.2. *The proviso to Regulation 27 explicitly states that complete particulars for acquisitions made pursuant to underwriting obligations "shall be submitted to the Board on a quarterly basis". The Noticee operated under a bona fide interpretation that integrating this data into its comprehensive Half-Yearly Report to SEBI, which is a mandated and reviewed document, satisfied this quarterly reporting requirement. This is evidenced by the clear mention of the "Amount Underwritten (in crores) during the Half Year ended on March 2023" amounting to INR 110.23 Crores and "Amount Devolved (in Rs. Crore) during the Half Year ended on March 2023" of INR 3.08 Crores for the relevant period in the "Underwriting" section of the report for the halfyear ended March 31, 2023. This disclosure provided SEBI with immediate and clear notice of the financial scale of the devolvement event, including the instance related to Sudarshan Pharma.*

6.15.3. *The Noticee acknowledged that the report contained only the aggregate financial value and did not include a granular, issue-wise breakdown with particulars such as the name of each issuer, the number of shares acquired, or the exact date of acquisition for each devolvement. Thus, it does not amount to failure of intimation of acquisition of securities of Sudarshan Pharma itself.*

6.15.4. *Since this observation has been pointed out by SEBI during the inspection, the Noticee has taken corrective measures to enhance its compliance procedures. This includes implementing a new internal protocol to ensure that all future acquisitions pursuant to underwriting devolvement's are reported to SEBI in a standalone, quarterly statement that provides the complete, granular particulars required by Regulation 27, in addition to their inclusion in the half-yearly reports. Therefore, Noticee denied that it is in violation of Regulation 27 of the MB Regulations, particularly in light of the substantive disclosure*

already made in its half-yearly report and the corrective steps taken to prevent any recurrence.

6.15.5. *Without prejudice to the above, it is submitted that the allegations in the present SCN proceed on the basis of an 'ideal due diligence' standard expected of a Merchant Banker in the context of an IPO. However, commercial and business realities must be taken into account, and minor inadvertent errors may occur in the course of compiling such an extensive document.*

6.15.6. *Noticee referred to the observation's made by the Hon'ble Securities Appellate Tribunal (SAT) in* ***Samrat Holdings Ltd. v. SEBI, DSE Financial Services Limited v. SEBI, Religare Securities Limited v. SEBI, UPSE Securities Limited v. SEBI, Insight Share Brokers Pvt Ltd, M/s Finshore Management Services Ltd****.*

6.15.7. *Noticee submitted that it has been held consistently that SEBI as a regulator must adopt a consistent and predictable approach. Reliance is placed on the decision of the Hon'ble Supreme Court of India in the matter of* ***Securities and Exchange Board of India v. Sunil Krishna Khaitan, Securities and Exchange Board of India v. R.T. Agro (P.) Ltd.***

6.15.8. *The Noticee submitted that, vide Inspection Letter dated September 12, 2025, explicitly requested access to a crucial set of documents that were essential to understand the allegations and to prepare an effective defence. While SEBI permitted a partial inspection on September 30, 2025, it failed to provide several key documents that were specifically requested. These documents were highly relevant to the present adjudication proceedings.*

6.15.9. *Noticee submitted that rejection of the Noticee's request for inspection of file notings in relation to the present proceedings is entirely unjustified and contrary to the principles of natural justice. Access to the complete internal file notings containing the investigative reasoning was not provided, with SEBI providing only a generic 'Action Matrix' in lieu of the substantive internal records. The documents sought are not peripheral rather they constitute the very chain of reasoning and the material that was "relied upon" by SEBI's internal division to form a prima facie satisfaction to initiate these crushing proceedings against the Noticee. Noticee referred to the Hon'ble Supreme Court order in the matter of T. Takano vs SEBI, Hon'ble Gauhati High Court in the judgment of Sunita Agarwal v. Securities and Exchange Board of India and Another.*

7. In the interest of natural justice, an opportunity of hearing was provided to Noticee on October 28, 2025 vide Hearing Notice dated October 15, 2025 sent via SPAD and email dated October 15, 2025. Noticee attended the hearing on the scheduled day and reiterated the submissions already made, vide reply dated October 07, 2025. Noticee sought time till November 04, 2025 for making additional submissions. Vide email dated November 04, 2025, Noticee made the additional submission, the same is summarized below-

7.1. ***The Entire SCN Concerns the Scope and Standard of Due Diligence - The Legal Test Is One of Reasonableness, Which Has Been Fully Satisfied***

7.1.1. *Noticee submitted that the Hon'ble Supreme Court in* ***Chander Kanta Bansal v. Rajinder Singh Anand*** *clarified that "due diligence means* ***reasonable diligence****; it means such diligence as a prudent man would exercise in the conduct of his own affairs".*

7.1.2. *Further, Noticee referred to the order of Hon'ble SAT in* ***Imperial Corporate Finance & Services Pvt. Ltd. v. SEBI*** *and SEBI order in the matter of M/s* ***Link Intime India Pvt. Ltd***

7.1.3. *Noticee submitted that three (3) IPOs out of four (4) were processed / vetted by BSE, and one (1) IPO by SEBI itself. All the four (4) IPOs (Sudarshan Pharma Industries Limited, Akme Fintrade (India) Limited, Owais Metal and Mineral Processing Limited and Interiors & More Limited) were successful with no investor complaints whatsoever in relation to any of the allegations mentioned under the SCN.*

7.2. ***Reliance on publicly available information regarding earlier IPO withdrawal was fully Justified***

7.2.1. *The Noticee submits that the earlier IPO of Sudarshan Pharma in 2019 was managed by a different merchant banker (First Overseas Capital Limited) and all information regarding its withdrawal was already publicly available through the issuer's withdrawal letter and public advertisement dated June 24, 2019. The stated reason for withdrawal therein, "material changes in the current business model and future expansion plan", was disclosed in these documents, to which neither SEBI nor the stock exchange raised any objection. In fact, this representation was also made by the Company to the Stock Exchange vide letter dated June 24, 2019. Therefore, is it completely perverse to now allege that the reason for withdrawal was anything else than what was stated / represented to the public by the Company and the erstwhile merchant banker, to further allege that there is lack of due diligence now in 2022.*

7.2.2. *Accordingly, the Noticee, during its due diligence, reasonably relied on the above public advertisement and the issuer's board-approved representations to the stock exchange. Given that the previous issue was fully underwritten and that no regulatory authority had questioned the stated reason for withdrawal, there was no basis or obligation for the Noticee to re-investigate or second-guess the commercial decision of the issuer's management.*

7.3. ***All KPI-related disclosures were complete and transparent and non-inclusion in RHP was an inadvertent error***

7.3.1. *Noticee submitted that the disclosure was made in the DRHP, which is a public document filed with SEBI / BSE and available to the public on a non-discriminatory basis but the same information was inadvertently omitted in the RHP and again the same was available in the prospectus. It is not the allegation that the issuer or the merchant banker introduced any new information or any contrary information in the RHP. This omission can never be considered in law or in facts as a suppression in as much as such an omission, if any, was procedural and not substantive; merchant bankers have no incentive to conceal facts already disclosed in the DRHP; there was no benefit to the Noticee – financial, reputational or strategic – from omitting the information.*

7.3.2. *SEBI's Vetting and Acceptance of the Offer Document Concludes the Merchant Banker's Due Diligence Obligation.*

7.3.3. *With respect to the allegation levelled against the Noticee at Para 6.1 of the SCN i.e. 'not incorporating the requisite details of the objects of the issue as per the SEBI Observation Letter on the DRHP', Noticee submitted that SEBI itself, vide its communication dated May 17, 2024, issued in response to the Noticee's point-wise (in-seriatim) reply to SEBI's Observation Letter, expressly stated that "we have noted the changes made in the offer document submitted by you". Despite this express acknowledgment, paragraph 6.1.15 of the SCN proceeds to observe that SEBI had "merely noted" the changes in the draft offer document and had not "expressly approved" them, which mischaracterises the import of SEBI's communication and the conclusion of its vetting process.*

7.3.4. *This acknowledgment evidences that SEBI was fully aware of and had the opportunity to raise queries or seek further clarifications on the disclosures relating to the Objects of the Issue. However, no such queries or objections were raised.*

7.3.5. *It is a settled principle that once SEBI has vetted and noted the modified offer document, having had complete access to the correspondence and supporting materials, it cannot subsequently shift the entire burden of alleged lack of due diligence upon the Merchant Banker.*

7.3.6. *In the present case, once SEBI had vetted the UDRHP and subsequently "noted" the changes made in the offer document, the Noticee could not reasonably be expected to second-guess SEBI's satisfaction. SEBI is not a mere post office mechanically forwarding documents; it exercises statutory scrutiny and applies its mind before permitting an issuer to proceed. When SEBI communicates that it has "noted the changes", it necessarily signifies that the regulator has reviewed, examined, and accepted the modifications as adequate. This position also finds support in the Aryaman Financial Services Ltd. Adjudication Order (August 5, 2014).*

7.3.7. *Noticee also referred to the Hon'ble Securities Appellate Tribunal order in the matter of DLF Limited v. SEBI.*

7.3.8. *In view of the above, it is submitted that the allegation of failure to incorporate SEBI's observations is entirely untenable.*

7.3.9. *Noticee submitted that the ratio-wise utilization and corresponding break-up of Net Proceeds were not required to be disclosed in the offer document and were submitted only for SEBI's internal information and clarification. Hence, the absence of a specific percentage breakdown (as provided to SEBI on September 27, 2023 of 75:25) does not render the disclosure inadequate.*

7.3.10. *Insofar as issues regarding the financial literacy of Mr. Bharat Rathod, Noticee submitted that he was duly appointed as an Independent Director in accordance with the procedure prescribed under law. Under Section 150 of the Companies Act, 2013, every independent director is required to be selected from a databank maintained by a body notified by the Central Government, i.e., the Indian Institute of Corporate Affairs (IICA).*

7.3.11. *Accordingly, the Noticee was entitled to reasonably rely upon the company's appointment of Mr. Bharat Rathod as sufficient assurance of compliance. Furthermore, Mr. Rathod has been serving as a director (promoter) in a company named Gitanjali Construction Hub Private Limited (**reference is drawn to Page 150 of the Prospectus**) since 2023 as well as he has experience in field of construction of more than a decade (**reference is drawn to Page 152 of the Prospectus)**, showing substantial experience in reviewing financial statements and business operations, thereby lending further credibility to his competence.*

7.3.12. *Therefore, the qualifications, experience, and background of the said members of audit committee were fully and transparently disclosed in the offer documents, thereby enabling investors to make an informed assessment.*

CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS

8. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?

ISSUE II- Does the violation, if any, attract monetary penalty u/s 15HB and 15A(b) of the SEBI Act, 1992?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

9. Before proceeding further, it will be appropriate to refer the provisions alleged to be violated by the Noticee-

ICDR Regulations

Regulation 245- Disclosures in the draft offer document and offer document

(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.

(2)Without prejudice to the generality of sub-regulation (1), the offer document shall contain:

b) disclosures specified in Part A of Schedule

Clause 9(k)(3) of Part A of Schedule VI of the SEBI (ICDR) Regulations

(3) For all the Key Performance Indicators (KPIs) disclosed in the offer document, the Issuer Company and the lead merchant bankers (LMs) shall ensure the following:

(a) KPIs disclosed in the offer document and the terms used in KPIs shall be defined consistently and precisely in the "Definitions and Abbreviations" section of the offer document using simple English terms /phrases so as to enable easy understanding of the contents. Technical terms, if any, used in explaining the KPIs shall be further clarified in simple terms.

(b)KPIs disclosed in the offer document shall be approved by the Audit Committee of the Issuer Company.

(c)KPIs disclosed in the offer document shall be certified by the statutory auditor(s) or Chartered Accountants or firm of Charted Accountants, holding a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India or by Cost Accountants, holding a valid certificate issued by the Peer Review Board of the Institute of Cost Accountants of India.

(d) Certificate issued with respect to KPIs shall be included in the list of material documents for inspection.

(e)For each KPI being disclosed in the offer document, the details thereof shall be provided for period which will be co-terminus with the period for which the restated financial information is disclosed in the offer document.

(f)KPIs disclosed in the offer document should be comprehensive and explanation shall be provided on how these KPIs have been used by the management historically to analyse, track or monitor the operational and/or financial performance of the Issuer Company.

(g)Comparison of KPIs over time shall be explained based on additions or dispositions to the business, if any. For e.g. in case the Issuer Company has undertaken a material acquisition or disposition of assets / business for the periods that are covered by the KPIs, the KPIs shall reflect and explain the same.

(h)For 'Basis for Issue Price' section, the following disclosures shall be made:

(i)Disclosure of all the KPIs pertaining to the Issuer Company that have been disclosed to its investors at any point of time during the three years preceding to the date of filing of the DRHP / RHP.

(ii)Confirmation by the Audit Committee of the Issuer Company that verified and audited details for all the KPIs pertaining to the Issuer Company that have been disclosed to the earlier investors at any point of time during the three years period prior to the date of filing of the DRHP / RHP are disclosed under 'Basis for Issue Price' section of the offer document.

(iii)Issuer Company in consultation with the lead merchant banker may make disclosure of any other relevant and material KPIs of the business of the Issuer Company as it deems appropriate that have a bearing for arriving at the basis for issue price.

(iv)Cross reference of KPIs disclosed in other sections of the offer document to be provided in the 'Basis for Issue Price' section of the offer document.

(v)For the KPIs disclosed under the 'Basis for Issue Price' section, disclosure of the comparison with Indian listed peer companies and/ or global listed peer companies, as the case may be

(wherever available). The set of peer companies shall include companies of comparable size, from the same industry and with similar business model (if one to one comparison is not possible, appropriate notes to explain the differences may be included).

(i)The Issuer Company shall continue to disclose the KPIs which were disclosed in the 'Basis for Issue Price' section of the offer document, on a periodic basis, at least once in a year (or for any lesser periodas determined by the Issuer Company), for a duration that is at least the later of (i) one year after the listing date or period specified by the Board; or (ii) till the utilization of the issue proceeds as per the disclosure made in the objects of the issue section of the prospectus. Any change in these KPIs, during the aforementioned period, shall be explained by the Issuer Company. The ongoing KPIs shall continue to be certified by a member of an expert body as per clause 3(c).

Regulation 25 - (9) *The lead manager(s) shall submit the following documents to the Board after issuance of observations by the Board or after expiry of the period stipulated in sub-regulation (4) of regulation 25 if the Board has not issued observations:*

b) a due diligence certificate as per Form C of Schedule V,at the time of 75[filing]of the offer document;

Form C of Schedule V of the ICDR

Form C -Format of due diligence certificate to be given by the lead manager(s) at the time of filing offer document

To,

Securities and Exchange Board of India

Dear Sirs,

Sub.: Public Issue of ..... by ..... (Name of the issuer)

We confirm that:

(1)The offer document (in case of a public issue) filedwith the Registrar of Companies 583on .... (date) was suitably updated under intimation to the Board and that the said offer document 584contains all the material disclosures in respect of the issuer as on the said date.

(2)The registrations of all intermediaries named in the offer document or letter of offer are valid as on date and that none of these intermediaries have been debarred from functioning by any regulatory authority.

(3)Written consent from the promoter(s) has been obtained for inclusion of their securities as part of promoters' contribution, subject to lock-in.

(4)The securities proposed to form part of the promoters' contribution and subject to lock-in, have not been disposed or sold or transferred by the promoters during the period starting from the date of filing the draft offer document 585[or pre-filing offer document with the Board till date.]

(5)Agreements have been entered into with the depositories for dematerialisation of the securities of the issuer.

Place: *Lead Manager(s) to the Issue* *Date:*

with Official Seal(s)

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

Regulation 9A - Conditions of registration.

(1) [Registration granted under regulation 8] shall be subject to the following conditions, namely:—

(f) it shall intimate the Board of the details of any change in information submitted while seeking registration within seven working days of such change.

(e) it shall abide by the regulations made under the Act in respect of the activities carried on by it as merchant banker.

Regulation 13 - Code of conduct.

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

SCHEDULE III

CODE OF CONDUCT FOR MERCHANT BANKERS

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.

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.

SEBI Master Circular SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023

https://www.sebi.gov.in/legal/master-circulars/sep-2023/master-circular-for-merchant-bankers_77368.html

FINDINGS

10. Before proceeding further in the matter, I would like to first deal with the preliminary submissions of the Noticee that during inspection on September 30, 2025, SEBI failed to provide several key documents that were specifically requested. In this regard, I note that on September 30, 2025 opportunity of inspection was provided to the Noticee, wherein inspection of all the relevant and relied upon documents along with all the relevant documents as sought by the Noticee was provided and copies of the same were also provided to the Noticee. I note that as per the judgement in T. Takano vs SEBI & Anr all information that is relevant to the proceedings has to be disclosed in adjudication proceedings. Therefore, I note that in the instant matter all the relevant information was provided to the Noticee, through SCN and during inspection on September 30, 2025, as desired by Noticee. I note from records that the same was acknowledged by the AR of the Noticee in the minutes of inspection proceedings. Hence, the contention of the Noticee at this stage that it was not provided with requisite documents is nothing but an afterthought, is devoid of merits and is not tenable.

11. I also note that Noticee submitted that it is fundamentally improper for SEBI to initiate present adjudication proceedings based on an inspection period (April 01, 2022 to July 31, 2024) that overlaps with a prior inspection (April 01, 2021 to January 31, 2023), from which enquiry proceeding against the Noticee is still pending. In this regard, I note that pursuant to the prior inspection (IP: April 01, 2021 to January 31, 2023) enquiry proceeding was initiated against the Noticee and pursuant to the inspection in the instant matter (IP: April 01, 2022 to July 31, 2024) adjudication proceeding is initiated against the Noticee and I have also noted that the allegations in both the proceedings are different. Therefore, the aforesaid contention of the Noticee is not tenable.

ISSUE I: Whether Noticee has violated the provisions as mentioned in SCN?

12. **SME IPO – Sudarshan Pharma Industries Limited (referred as Company in this para)**

12.1. **Failure to conduct adequate due diligence at the DRHP stage w.r.t. previous IPO application;**

12.1.1. During inspection it was observed that Noticee failed to exercise adequate due diligence at the DRHP stage w.r.t. previous IPO application by the Issuer Company.

12.1.2. I note that in reply to the SCN, Noticee submitted that the statement was made by the Noticee based on its understanding that a withdrawn issue did not constitute a "public issue". Noticee submitted that BSE Checklist, specifically inquired about rejected applications. Noticee also submitted that a commercial decision to withdraw an issue, which did not proceed to listing or trading, does not carry the same material implications for investor decision-making in a subsequent issue as would a formal rejection by a regulator including SEBI and stock exchanges.

12.1.3. I note that during inspection it was observed that the Company, pursuant to the instant IPO managed by Noticee, is listed on the BSE SME platform. The Company had previously attempted an IPO on the NSE Emerge platform in 2019. The IPO was opened for subscription on June 12, 2019 but was withdrawn before the IPO could be successfully closed. On the original issue closure date, the issue price was revised downwards from Rs. 74/- to Rs. 72/- and extended the issue period by 3 working days. The issue was however withdrawn on the revised issue closure date. The total subscription received as at the time of withdrawal of the issue (on the revised issue closure date) was 0.45 times, as against the minimum subscription requirement of 90%.

12.1.4. I note that during inspection, it was observed that the Noticee, in the current IPO on the BSE SME platform, failed to conduct any due diligence with respect to the previous IPO attempted by the Company. The Noticee has also failed to provide any documentary evidence demonstrating any due diligence conducted by it in the matter.

12.1.5. In this regard, Noticee submitted that the alleged omission regarding previous IPO attempt was neither material nor a failure of due diligence, and was timely rectified without any investor prejudice. In this regard, I note that Regulation 245(3) of the ICDR Regulations prescribes that *"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."

12.1.6. The ICDR Regulations therefore casts the responsibility on the MB for performing adequate due diligence, even at the stage of filing DRHP. Therefore, submission of Noticee that its omission regarding previous IPO attempt did not cause any prejudice to the investors does not preclude Noticee from conducting adequate due diligence at the DRHP stage itself.

12.1.7. Consequentially, it was observed during inspection that no disclosure of the matter was made in the DRHP filed with the Exchange. On the contrary, it was observed that misleading statement that *"We have not made any previous rights and / or public issues since incorporation…"* was made in the DRHP.

12.1.8. I note that during inspection it was observed that there was no mention of the Company's previous IPO in the DRHP dated December 9, 2022 filed with BSE.

12.1.9. The issue came to light when the Company, vide letter dated December 12, 2022 to BSE provided information and documents as per the checklist prescribed by BSE. One of the items in the said checklist states *"Details if the present or any previous application of the Company/ Group Company for listing of any shares has been rejected earlier by SEBI or by any stock exchange and reasons thereof"*, to which the Company responded with a *"yes"*. No further details were provided by the Company as submitted by BSE vide email dated May 13, 2025.

12.1.10. An undertaking was thereafter provided by the Company, vide letter dated December 28, 2022, that details of the Company's previous IPO would be incorporated in the RHP. An identical undertaking was also provided by the Noticee vide letter dated December 28, 2022.

12.1.11. Appropriate disclosures were thereafter made in the RHP, only after the issue came to light post filing of the DRHP as per BSE's checklist.

12.1.12. The Noticee failed to provide any documentary evidence of having conducted due diligence in the matter before filing the DRHP.

12.1.13. I note that in reply to the SCN Noticee submitted that commercial decision to withdraw an issue, which did not proceed to listing or trading, does not carry the

same material implications for investor decision-making in a subsequent issue as would a formal rejection by a regulator including SEBI and stock exchanges.

12.1.14. In this regard, I note that the previous IPO of the Company was a significant material fact which ought to have been inquired into by the Noticee before the filing of the DRHP. The matter of previous applications for listing of securities also formed a part of the checklist prescribed by BSE to be submitted at the stage of DRHP filing. It is therefore reasonable to expect the Noticee to have conducted adequate due diligence in the matter of the previous IPO of the Company, prior to the Exchange's intervention in the matter. Therefore, the aforesaid contention of the Noticee is not tenable.

12.1.15. The responsibility of exercising adequate due diligence in respect of IPOs rests with the merchant bankers and such responsibilities cannot be abdicated citing the supervisory role of SEBI/ stock exchanges in the process.

12.1.16. I not that in reply to the SCN, Noticee referred to the order of Hon'ble SAT in the matter of **Samrat Holdings Ltd. v. SEBI**, wherein it was observed if a person proactively rectifies a mistake upon discovering new information, penalizing such person would not be justified for violation of law. In this regard, I observe that Regulation 245(3) of the ICDR Regulations casts responsibility on the MB for performing adequate due diligence, even at the stage of filing DRHP. Therefore, the aforesaid contention of the Noticee is not tenable.

12.1.17. Further, the Noticee had also issued a due diligence certificate in respect of the DRHP dated December 9, 2022 vide letter of even date. Relevant excerpts from the said certificate are placed below.

- *The Lead Manager, Gretex Corporate Services Limited, has certified that the disclosures in the DRHP are adequate and are in conformity with the ICDR.*
- *We confirm that the DRHP filed with the Board [BSE in this case (typographical error)] is in conformity with the documents, materials and papers which are material to this issue.*
- *We confirm that the material disclosures made in the DRHP are true and adequate to enable the investors to make a well-informed decision as to the investment in the proposed issue.*

12.1.18. Therefore, I observe that Noticee bears the responsibility for conducting adequate due diligence at the stage of DRHP filing and that the Noticee has certified vide letter dated December 9, 2022 that it had conducted the requisite due diligence.

12.1.19. Based on the above, I observe that by failing to exercise adequate due diligence in respect of the Company's previous IPO and ensuring appropriate disclosures of the same in the DRHP, Noticee has violated Regulations 245(2)(b) and 245(3) r/w Clause (14)(N) of Part A of Schedule VI of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations.

12.2. **Failure to conduct adequate due diligence at the RHP stage w.r.t. previous IPO application**

12.2.1. During inspection it was observed that Noticee failed to exercise adequate due diligence w.r.t. reasons for withdrawal of the previous IPO by the Issuer Company.

12.2.2. I note that in reply to the SCN, Noticee submitted that the role of the Merchant Banker is not that of an auditor or a forensic investigator to retrospectively re-examine and challenge the commercial wisdom or the internal corporate deliberations of the Issuer that led to a decision taken in a previous capital market cycle. The same was publicly available in the public advertisement dated June 24, 2019 as well as the Withdrawal letter provided by the Issuer company / previous Merchant Banker to the Noticee. Due diligence done by the Noticee confirmed that the previous 2019 IPO attempt was a 100% underwritten issue, as mandated under the ICDR Regulations for SME offerings. Since the issue was fully underwritten, the minimum subscription requirement of 90% was not applicable, fundamentally negating any speculative allegation that the withdrawal was due to a failure to achieve minimum subscription. The ICDR Regulations does not mandate that the Merchant Banker must independently verify the subjective commercial rationale behind a past corporate decision that was duly approved by the Issuer's board and shareholders.

12.2.3. I note that as per Regulations 245(3) of the ICDR 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. Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations provides that a merchant banker shall at all times exercise due

diligence, ensure proper care and exercise independent professional judgment and 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.

12.2.4. I note that during inspection, it was observed that pursuant to Exchange queries regarding the previous IPO attempted by the Company, details of the same were incorporated in the RHP as a Risk Factor and under the section detailing the previous public issues since incorporation.

12.2.5. The reason for withdrawal of the previous IPO is stated to be *"Due to material changes in the current business model and future expansion plan",* which during inspection appeared to be false and misleading.

12.2.6. In this regard, I note that Noticee submitted that the reason for withdrawal - *"Due to* material *changes in the current business model and future expansion plan"*- is a commercial justification provided by the Issuer's Board. The Noticee conducted due diligence by obtaining detailed representations and confirmations from the Issuer's management and Board of Directors, who are obligated under law to provide truthful information.

12.2.7. I note that during inspection it was observed that the reason for withdrawal was apparently the failure to achieve the minimum required subscription until the revised date of issue closure. It was also noted that Noticee failed to provide any documentary evidence demonstrating any due diligence conducted by it in the matter and appears to have wholly relied upon the declarations of the Company without any independent judgement.

12.2.8. In this regard, Noticee submitted that previous 2019 IPO attempt was a 100% underwritten issue, as mandated under the ICDR Regulations for SME offerings. Since the issue was fully underwritten, the minimum subscription requirement of 90% was not applicable, fundamentally negating any speculative allegation that the withdrawal was due to a failure to achieve minimum subscription. Therefore, I note that allegation that the IPO was withdrawn as it failed to achieve the minimum required subscription until the revised date of issue closure does not stand established as it was 100% underwritten.

12.2.9. I also note that during inspection it was observed that Noticee undertook no due diligence to ascertain what the stated material changes in the business model and expansion plans were. The Offer Documents contain no explanations on the same, whether those changes materialised, etc. In this regard Noticee submitted that the ICDR Regulations does not mandate that the Merchant Banker must independently verify the subjective commercial rationale behind a past corporate decision that was duly approved by the Issuer's board and shareholders.

12.2.10. I note that Hon'ble Supreme Court in its judgment in the case of *Chander Kanta Bansal v. Rajinder Singh Anand (2008 5 SCC 117)* stated that *"due diligence' in law, means doing everything reasonable, not everything possible. ...it means such diligence as a prudent man would exercise in the conduct of his own affairs"*. I note that the Noticee conducted due diligence by obtaining detailed representations and confirmations from the Issuer's management and Board of Directors, who are obligated under law to provide truthful information. Therefore, I observe that the allegation that Noticee undertook no due diligence, does not stand established.

12.2.11. Based on the above, I observe that the allegation against Noticee that by failing to exercise adequate due diligence in respect of the Company's reasons for withdrawal of the previous IPO, have violated Regulations 245(3) of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations does not stand established.

12.3. **Failure to disclose KPIs in the Offer Documents**

12.3.1. I note that during inspection, it was observed that Noticee deleted KPI peer comparison in the Offer Documents with a mala fide intent.

12.3.2. I note that in reply to the SCN, Noticee submitted that there is absence of any mala fide intent regarding non-inclusion of KPIs in RHP as well as prospectus.

12.3.3. I note that as per Regulation 245(2)(b) and 245(3) r/w for all the Key Performance Indicators (KPIs) disclosed in the offer document, the Issuer Company and the lead merchant bankers (LMs) shall ensure compliance with the Clause (9)(K)(3) of Part A of Schedule VI of the ICDR.

12.3.4. I note that during inspection it was observed that the disclosure have been deleted from the RHP and Prospectus deliberately and with a mala fide intent since the KPI

comparison of the Company with its listed peers portrayed the Company in poor light. Relevant data as disclosed in the DRHP is placed below for reference.

Particulars	Sudarshan Pharma Industries Limited	ERIS Lifescience Limited	Sigachi Industries Limited	Aarti Drugs Limited
Gross Margin Percentage	5.37%	83.58%	44.68%	34.87%
EBITDA Percentage	3.20%	39.81%	21.19%	13.70%
PAT Percentage	1.48%	34.32%	15.98%	8.66%
ROCE	35.29%	44.20%	40.80%	19.43%
Debt-Equity Ratio	1.03	0.1	0.15	0.52
Debt-EBITDA Ratio	2.50	0.79	1.15	0.63

(figures of worst performing company on each metric highlighted)

12.3.5. During inspection, it was observed from the above extract from the DRHP that the KPI comparison was unfavourable for the Company on all parameters. The data was thereafter deleted in the RHP and Prospectus.

12.3.6. In this regard, I note that the Noticee submitted that it had any mala fide or deliberate intention in omitting the KPIs from the RHP and Prospectus. In this regard, I note that Clause (9)(K)(3) of Part A of Schedule VI of the ICDR provides for all the KPIs which has to be included and in the instant case the KPI comparison was not included, therefore the contention of the Noticee is not tenable.

12.3.7. Based on the above, I observe that Noticee, by failing to comply with the requirements pertaining to disclosure of KPIs, has violated Regulation 245(2)(b) and 245(3) r/w Clause (9)(K)(3) of Part A of Schedule VI of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations.

13. **IPO – Akme Fintrade (India) Limited (referred as Company in this para)**

13.1. **Lack of Due Diligence with respect to Objects of the Issue**

13.1.1. I note that during inspection, it was observed that Noticee failed to incorporate changes to the DRHP as advised by SEBI in the Observation Letter dated January 18, 2024.

13.1.2. I note that in reply to the SCN, Noticee submitted that the object stated in the Prospectus of Akme is not vague or non- compliant, but is in fact the standard, accepted object of the issue for raising of capital by RBI-regulated NBFCs. Disclosures in the offer document were accurate, adequately specified and fully disclosed

13.1.3. I note that as per Regulation 25(5) of the ICDR, if the Board specifies any changes or issues observations on the draft offer document, the issuer and lead manager(s) shall carry out such changes in the draft offer document and shall submit to the Board an updated draft offer document complying with the observations issued by the Board and highlighting all changes made in the draft offer document and before filing the offer documents with the Registrar of Companies or an appropriate authority, as applicable.

13.1.4. I note that during inspection, it was observed that the objects of the issue were stated in the Prospectus as below:

"Our Company proposes to utilize the Net Proceeds from the Issue towards augmenting the capital base of our Company to fulfil its future capital requirements, which are anticipated to arise as a result of the expansion of our business and assets. Further, a portion of the proceeds from the Issue will be used towards meeting Issue related expenses."

13.1.5. During inspection, it was noted that as against the regulatory requirement of maintaining a minimum Tier I Capital Ratio of 10% at all times as part of the capital adequacy requirements, it is disclosed that the Issuer Company (being an NBFC under the regulatory supervision of the RBI) had a Tier I Capital Ratio of 26.78%, 33.09% and 49.27% as at the end of the last three financial years before the IPO.

13.1.6. The Issuer Company therefore had adequate capital to meet the minimum regulatory requirements, in respect of which it is stated in the objects of the issue that the funds would be used to meet the future capital requirements.

13.1.7. It is further stated in the Prospectus that the increased capital base will *"majorly be utilized towards the onward lending in the verticals and geographies in which our Company is operating." It is further stated that the capital "may also be utilized for the other business operations activities like repayment of high-cost debts… and funding growth opportunities within the mentioned lending verticals…"*

Inadequate specification and disclosure of the Objects of the Issue:

13.1.8. Noticee, in its letter to SEBI dated August 4, 2023 (in respect of the DRHP filed with SEBI), had submitted the utilization of the enhanced capital base as below:

- Up to 10% of issue proceeds towards expansion of business activities
- Up to 3% of issue proceeds towards branding and advertising
- Up to 5% of the issue proceeds towards investment in technology
- Up to 10% of the issue proceeds towards repayment of outstanding loans
- An unstated amount towards onward lending to borrowers

13.1.9. During inspection SEBI, in its email to the Noticee dated August 10, 2023, stated that the MB's previous submission regarding the objects of the offer is not satisfactory and advised the Noticee to justify the objects based on historical data along with proper disclosures of the utilization of the proceeds of the issue.

13.1.10. The Noticee thereafter submitted in its reply letter dated September 27, 2023 that *"75% of the Net proceeds will be used for onward lending."* Further, *"Balance 25% will be utilized for repayment of high cost debts… and funding growth opportunities within the mentioned lending verticals…"*

13.1.11. SEBI, in its Observation Letter dated January 18, 2024, had inter alia advised the MB to ensure that the clarifications provided to SEBI are duly incorporated in the RHP. The planned utilization in the ratio of 75:25 and its break-up that was submitted to SEBI was however not disclosed in the RHP and the Prospectus.

13.1.12. The actual objects of the issue were not stated and it was instead stated that 100% of the issue proceeds would be utilized towards augmenting the capital base. Fund raising by way of an equity issue by definition augments the capital base of the Issuer Companies. The objects of the issue ought to ordinarily be broadly towards enhancement of specific assets, reduction in specific liabilities or meeting specific expenses. Enhancement of the capital base cannot be said to be an object unless the funds were required to meet the minimum capital adequacy requirements, if any, or have a reasonable surplus thereon. In the instant case, the Issuer Company already had surplus Tier I Capital available with it and was not in requirement of any additional capital to meet the regulatory requirements. Enhancement of capital base

of the Issuer Company therefore could not have by itself been the object of the Issue.

13.1.13. Upon a combined reading of the planned utilization of the capital base as submitted by the MB to SEBI, as noted above, along with the availability of adequate Tier I Capital as noted above, it appears that the actual objects of the issue were deliberately hidden and the generic object of capital base augmentation was specified to escape scrutiny, especially in respect of monitoring of the utilization of issue proceeds.

13.1.14. In the absence of specific objects as stated above being disclosed, the Monitoring Agency appointed in accordance with Regulation 41 of the ICDR Regulations was only required to monitor whether the issue proceeds were used to augment the capital base of the Company (which is fulfilled by definition) and could not monitor whether the issue proceeds were used towards the actual objects (which were disclosed to SEBI but not specified in the offer documents).

13.1.15. Therefore, I note that the objects of the issue were not adequately specified and disclosed in the offer documents and that the same led to inadequate monitoring of the utilization of issue proceeds.

13.1.16. I observe that Noticee have not incorporated the requisite details of the objects of the issue as per the SEBI Observation Letter on the DRHP.

13.1.17. I note that Noticee has submitted that pursuant to the receipt of the SEBI Observation Letter, a UDRHP was filed with SEBI making necessary changes to the objects of the issue chapter and that the same was approved by SEBI vide letter dated May 17, 2024. It further submitted that the objects of the issue incorporated in the RHP and Prospectus was in accordance with the approved UDRHP.

13.1.18. I observed that the said SEBI letter dated May 17, 2024 stated that *"we have noted the changes made in the offer document submitted by you".* SEBI had merely *"noted"* the changes in the draft offer document submitted by the Noticee and had not expressly approved it. SEBI's directions made in the Observation Letter therefore stood unaffected.

13.1.19. I observe that at para 42 in Annexure I to the Observation Letter dated January 18, 2024, SEBI had advised the Noticee to *"make relevant disclosures in the object of the issue as per LM's additional submission to SEBI on the matter".*

13.1.20. The planned utilization in the ratio of 75:25 and its break-up that was submitted to SEBI vide letters dated August 4, 2023 and September 27, 2023 was however not disclosed in the UDRHP, the RHP and the Prospectus.

13.1.21. Therefore, I observe that complete disclosures relating to the objects of the issue were not made in the offer documents despite SEBI's specific advise to incorporate the additional submissions made. Noticee has failed to carry out changes to the draft offer document as specified in the SEBI Observation Letter.

13.1.22. Based on the above, I observe that the Noticee has violated Regulation 25(5) of the ICDR Regulations.

13.2. **Failure to submit due diligence certificate at the time of filing offer document**

13.2.1. I note that during inspection it was observed that Noticee failed to submit due diligence certificate at the time of filing offer documents.

13.2.2. I note that in reply to the SCN, Noticee submitted that due diligence certificate could not be uploaded due to technical issues faced on SEBI intermediary portal and further it had no impact on substantive compliance. Vide email dated June 14, 2024 RHP of Akme was sent to SEBI along with other disclosures.

13.2.3. I note that Regulation 25(9)(b) r/w Form C of Schedule V of the ICDR provides that the offer document filed with the registrar of companies was suitably updated under intimation to the Board and that the said offer document contains all the material disclosures in respect of the issuer as on the said date. Regulations 9A(1)(e) and 13 r/w Clauses 3 and 21 of Schedule III of the MB Regulations provides that a merchant banker shall fulfil its obligations in a prompt, ethical, and professional manner and 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.

13.2.4. I note that during inspection it was observed that the Noticee have not submitted a due diligence certificate to SEBI as per Form C of Schedule V of the ICDR

Regulations at the time of filing of the offer document. No confirmation was therefore provided by the Noticee inter alia with respect to the following:

- Confirmation that the offer document was suitably updated under intimation to SEBI and that the said offer document contains all the material disclosures in respect of the issuer as on the said date.
- Confirmation that the registrations of all intermediaries named in the offer document are valid as on date.
- Confirmation that written consent from the promoter(s) has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in.
- Confirmation that the securities proposed to form part of the promoters' contribution and subject to lock-in have not been disposed or sold or transferred by the promoters during the period starting from the date of filing the draft offer document.
- Confirmation that agreements have been entered into with the depositories for dematerialisation of the securities of the issuer.

13.2.5. I note that, Noticee submitted that it faced technical challenges on the SEBI SI Portal due to which it could not upload certain documents. It has further submitted that the RHP was submitted to SEBI vide email dated June 14, 2024.

13.2.6. Upon perusal of the said email, I observe that the Company had submitted only a copy of the RHP and the pre-issue advertisement citing inability to upload the same on the SI Portal. No due diligence certificate was submitted to SEBI over the email.

13.2.7. Regulation 25(9)(b) of the ICDR Regulations prescribes that *"The lead manager(s) shall submit the following documents to the Board after issuance of observations by the Board… a due diligence certificate as per Form C of Schedule V, at the time of filing of the offer document."*

13.2.8. Therefore, I observe that Noticee failed to submit a due diligence certificate at the time of filing the RHP and Prospectus as prescribed. No confirmation was therefore provided by the Noticee inter alia with respect to the following:

- Confirmation that the offer document was suitably updated under intimation to SEBI and that the said offer document contains all the material disclosures in respect of the issuer as on the said date.

- Confirmation that the registrations of all intermediaries named in the offer document are valid as on date.
- Confirmation that written consent from the promoter(s) has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in.
- Confirmation that the securities proposed to form part of the promoters' contribution and subject to lock-in have not been disposed or sold or transferred by the promoters during the period starting from the date of filing the draft offer document.
- Confirmation that agreements have been entered into with the depositories for dematerialisation of the securities of the issuer.

13.2.9. Therefore, I observe that the Noticee has violated Regulation 25(9)(b) r/w Form C of Schedule V of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 3 and 21 of Schedule III of the MB Regulations.

14. **SME IPO – Owais Metal and Mineral Processing Limited (referred as Company in this para)**

14.1. **Failure to exercise adequate due diligence**

14.1.1. I note that during inspection it was observed that Noticee failed to conduct adequate and independent due diligence at the DRHP stage w.r.t. issuer's fund requirement, background verification of the Company, its promoters, directors, vendors and key customers.

14.1.2. I note that in reply to the SCN, Noticee submitted that Adequate due diligence was conducted by the Noticee and due diligence on fund requirement and modernization justification was comprehensive and compliant with ICDR Regulations. Verification of key customers was performed through financial statement reconciliation. Intellectual property and litigation verification conformed to standard legal due diligence practice and Tax verification was based on reliance of assessments.

14.1.3. I note that as per Regulation 245(3) of the ICDR, 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. Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB

Regulations provides that a merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

14.1.4. I note that during inspection, it was observed that the Noticee have failed to conduct adequate, independent due diligence to verify and substantiate the following key aspects, which are crucial to ensure the accuracy and completeness of the information provided in the offer document:

- The validity, accuracy, and justification of the issuer's fund requirements.
- The veracity of the quoted issue expenses, including a breakdown of costs and supporting documentation.
- The eligibility of vendors for the respective quotations, ensuring they meet the necessary qualifications and standards.
- Veracity of list of key customers through order book of the issuer.
- Whether the brand name and brand logo of the Company are the intellectual property of any third party, and whether the Company is in violation of any intellectual property rights by using them.
- Veracity of the details regarding ongoing or past litigations involving the Company, its promoters, or its directors.
- Accuracy of the details related to any tax-related claims involving the Company.
- Detailed methodology and factors used to determine how the quantitative factors referenced in the offer document led to the determination of the issue price as Rs. 87 per share.
- The educational and professional qualifications, as well as the relevant experience, of the Company's directors and promoters.

14.1.5. I note that, Noticee has submitted a copy of its Site Visit Report dated June 26, 2023. However, while the Noticee has stated that a site visit to the issuer's factory was conducted and that traditional manufacturing processes were observed, the explanation furnished falls short of demonstrating substantive due diligence, as mandated under Regulation 25 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

14.1.6. I note that a mere site visit and qualitative observation of outdated machinery cannot be deemed sufficient to validate the quantum of fund requirement. No evidence is present to indicate that the Noticee undertook an independent and critical verification of:

- The cost estimates forming the basis of the proposed modernization,
- Supporting documentation such as vendor quotations, cost break-ups, or working papers,
- Board approvals or implementation schedules corresponding to the proposal, or
- Whether the proposed capital expenditure is aligned with industry benchmarks and operational scale.

14.1.7. Further, I note that there is no indication that alternate options were evaluated or that the Noticee applied any commercial or technical assessment to ensure that the amount being raised was fair, necessary, and not excessive.

14.1.8. Accordingly, I observe that Noticee has failed to adequately verify the validity, accuracy, and justification of the fund requirement, and has thereby failed to exercise the level of due diligence expected under the regulatory framework.

14.1.9. I note that Noticee has submitted copies of various issue-related invoices issued by vendors. However, Noticee has not submitted any supporting documentation to substantiate the claim of having cross-verified the authenticity of said invoices. Further, I observe that no assessment was done by the Noticee to ascertain whether any related party was involved as vendor for such invoices.

14.1.10. I also note that the Noticee has not submitted any supporting documentation to substantiate the claim of having cross-verified the authenticity of vendors whose quotations were referred to by the Company for computing the funds required for the stated objects. Further, I note that no assessment was done by the Noticee to ascertain whether any of such vendors is a related party.

14.1.11. It is disclosed at page 32 of the RHP that the Company's top 10 customers accounted for approx. 95.99% of its revenue from operations in period ended on December 31, 2023. I note that the Noticee has not submitted any evidence of having verified the list of key customers as reflected in the financial statements of

the Company. Further, I note that no assessment was done by the Noticee to ascertain whether any of such customers is a related party.

14.1.12. Thus I observe that the due diligence performed was procedural rather than analytical, and fails to meet the standard of independent verification envisaged under the ICDR Regulations. The Noticee's reliance on observational inputs, without substantiating financial or technical validation, constitutes a lapse in the discharge of its obligations.

14.1.13. I note that Noticee submitted that it has conducted appropriate legal due diligence concerning intellectual property (IP) and litigation. This process involved independent searches which explicitly confirmed that the company did not hold any registered IP rights in its name and thus was not in violation of any third-party IP rights. Accordingly, at page 131 of the RHP it was disclosed that "As on the date of the Red Herring Prospectus, our Company don't have any Intellectual Property". In this regard, I note that no documentary proof can be submitted of conducting legal due diligence concerning IP when it does not have any IP. Therefore, the aforesaid contention of the Noticee is accepted.

14.1.14. I note that Noticee submitted that it obtained exhaustive disclosures and confirmations from the promoters and directors regarding ongoing and past litigations, which were subsequently corroborated by independent legal searches. However, I note that the Noticee has not furnished any proof of having conducted a comprehensive legal search to identify any outstanding or past litigations involving the Company, its promoters, or its directors. Therefore, the aforesaid contention of the Noticee is not tenable.

14.1.15. The accuracy of tax-related disclosures was verified by the Noticee through a thorough review of assessments orders and publicly available information. The Noticee ensured that all material tax liabilities and claims were appropriately disclosed in the Offer Document. However, in this regard, I note that no supporting documents have been provided to substantiate the claim of having undertaken due diligence to verify the tax-related information disclosed in the prospectus. Therefore, the aforesaid contention of the Noticee is not tenable.

14.1.16. Based on the above, I note that Noticee failed to exercise the level of due diligence expected under the regulatory framework and thereby violated the Regulation 245(3) of the ICDR Regulations, Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations and Regulation 9A(1)(e) of MB Regulations.

14.2. **Incorrect statements made in the RHP**

14.2.1. I note that during inspection it was observed that Noticee failed to provide accurate information in the offer document w.r.t. CFO and registered office of the Company. It was also observed that Noticee failed to conduct adequate and independent due diligence at the DRHP stage w.r.t. eligibility of members for constitution of the Audit Committee.

14.2.2. I note that in reply to the SCN, Noticee provided that discrepancies highlighted are limited in nature and do not affect the substance or accuracy of disclosures made in the RHP in any manner. Noticee submitted that it's due diligence verified the Issuer's compliance with the competency-based requirement of financial literacy.

14.2.3. I note that as per 245(3) of the ICDR 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. Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations provides that a merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

14.2.4. I note that during inspection it was observed that Saiyed Neha Ali, CFO of the Company, was incorrectly listed as a director of the Company on page 154 of the RHP. In this regard, Noticee submitted that she has been consistently and correctly disclosed as CFO across multiple other sections of the RHP, including financial statements, KMP profiles, and organization structure. Therefore, I observe that it was a typographical error by the Noticee at one place as she has been correctly disclosed as CFO across multiple other sections of the RHP. Therefore, the aforesaid contention of the Noticee is tenable.

14.2.5. I note that the registered office address of the Company mentioned on page 2 of the RHP is *"C/o Sayyad Akhtar Ali Vakid Nagar, Old Bypass Road, Ratlam, Madhya Pradesh-457001, India".* However, on page 202 of the RHP, the registered office address is

incorrectly stated as *"A-401, Floor 4th, Plot FP-616, (PT), Naman Midtown, Senapati Bapat Marg, Near Indiabulls Dadar (W) S.V.S. Marg, Mumbai 400028, Maharashtra, India".* In this regard, Noticee submitted that the registered office address of the Issuer was inadvertently mis-stated to that of the Noticee/Merchant Banker at one place but correctly reflected in all key sections of the RHP, including the cover page, general information, and corporate history. Aforesaid contention of the Noticee is also tenable as it was the typographical error by the Noticee at one instance.

14.2.6. It has been alleged that the Noticee incorrectly stated that the Company had no unsecured loans. However, page 131 of the RHP clearly states that*, "As on the date of this Red Herring Prospectus, our Company has availed unsecured loans".* In this regard, I observe that it was correctly mentioned at other places in the RHP therefore, the aforesaid contention of the Noticee is tenable.

14.2.7. I note that at page 161 of the RHP, it is stated that *"Our Company has constituted an Audit Committee ("Audit Committee"), as per Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (LODR) Regulation, 2015".* During inspection it was observed that the Noticee has failed to explain how the Committee is in compliance with LODR, particularly w.r.t. the educational qualifications of its members. In this regard, I note that Noticee submitted that neither Regulation 18(1)(c) of the LODR Regulations nor Section 177 of the Companies Act, 2013 prescribes formal education as a prerequisite for a member of the Audit Committee.

14.2.8. I note that during inspection it was observed that three members of the Audit Committee, two members, namely Mr. Bharat Rathod and Mr. Vinod Bafna, have studied only up to the 5th standard.

14.2.9. I observe that Regulation 18(1)(c) does not prescribe any specific level of education, however, it does require the concerned individuals to be financially literate, which has been clearly defined as the *"ability to read and understand basic financial statements i.e., balance sheet, profit and loss account, and statement of cash flows."* In the absence of any formal qualification, it becomes imperative that there is demonstrable and objective evidence supporting such literacy. In the present case, no such evidence has been provided. Statements regarding general experience in construction or project management, or vague references to business acumen, are insufficient to satisfy the

regulatory requirement. Financial literacy, even if acquired through experience, must be capable of being established with reasonable clarity and credibility.

14.2.10. I observe that in the absence of any formal education in finance or accounting and without any documentation or objective basis to demonstrate the ability to read financial statements, reliance on an internal declaration by the Board is inadequate.

14.2.11. I observe that the argument that the term *"financially literate"* has been deliberately defined without reference to educational qualifications does not absolve the Noticee of its obligation to apply independent judgment. One of the established ways of demonstrating financial literacy is through academic qualifications in accounting, finance, or related fields. Where that is absent, it is incumbent upon the Noticee, as the entity responsible for conducting due diligence under the ICDR Regulations, to seek and examine alternative verifiable evidence of such literacy. The same has not been done in the instant case.

14.2.12. I note that the Noticee submitted that practical experience and transparent disclosure fulfil the test of adequacy of due diligence of the Merchant Banker. With respect to Mr. Bharat Rathod Noticee submitted that he is serving as a director in a company named Gitanjali Construction Hub Pvt Ltd. In this regard, on the perusal of the zaubacorp website it has been observed that Mr. Rathod has been appointed as director of Gitanjali Construction Hub Private Limited on August 14, 2023 and director of Owais Metal and Mineral Processing Limited on August 29, 2023. Therefore, the relevant experience of Mr. Rathod cannot be ascertained since he was appointed as director of both the company almost at the same time. Hence, the aforesaid contention of the Noticee is not tenable.

14.2.13. In light of the above, I note that the Noticee has failed to demonstrate that adequate due diligence with respect to the educational qualification of the members of the audit committee was undertaken to establish compliance with the said regulation. The presence of audit committee members with no formal finance-related qualifications or relevant experience ought to have triggered greater scrutiny.

14.2.14. Based on the above, I note that the Noticee is in violation of Regulation 245(3) of the ICDR and Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations.

15. **SME IPO – Interiors & More Limited (referred as Company in this para)**

15.1. **Failure to exercise adequate due diligence**

15.1.1. I note that during inspection it was observed that Noticee failed to conduct adequate and independent due diligence at the DRHP stage w.r.t. capital structure of the Company, background verification of the Company, its promoters, directors, vendors and key customers.

15.1.2. I note that in reply to the SCN, Noticee submitted that it visited both the manufacturing facility and the corporate office of Interiors & More. The fund requirements were not arbitrarily determined rather they were based on detailed discussions with the promoters, a review of business plans, and an understanding of the seasonal nature of the business which necessitates such working capital support. On the issue of verification of suppliers, the Noticee relied on invoices, purchase orders, and contractual agreements provided by the Issuer. Regarding the shareholding structure and changes in holdings of promoters, directors, and KMPs Noticee submitted that this information was duly verified through MCA filings, register of members, and further confirmations from the Issuer. With respect to the list of key customers, Noticee conducted a thorough analysis of the Issuer's financial statements to identify revenue concentration and customer dependencies. The confirmations on pages 150 and 176 of the RHP regarding the background of the company and its personnel were based on undertakings obtained from the directors, promoters, and KMPs. Additionally, Noticee conducted independent legal due diligence to verify litigation history, directorship details, and other background information.

15.1.3. I note that as per Regulation 245(3) of the ICDR 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. Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations provides that a merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

15.1.4. I note that during inspection, it was observed that the Noticee have failed to conduct adequate, independent due diligence to verify and substantiate the following key

aspects, which are essential to ensure the accuracy and completeness of the information provided in the offer document:

- The validity, accuracy, and justification of the fund requirements of the issuer, as outlined in the offer document.
- The correctness of the issue expenses disclosed in the offer document, including detailed breakdown of such expenses.
- The identity and reliability of the Indian and international suppliers of the issuer, including supporting evidence of their involvement.
- The shareholding structure of the promoters, directors, and Key Managerial Personnel (KMP), along with periodic changes in their holdings.
- The identity and reliability of list of the issuer's key customers, including the nature and extent of their relationship with the issuer.
- The accuracy and veracity of the confirmations provided on pages 150 and 176 of the Red Herring Prospectus (RHP) concerning the background of the company, its directors, senior managerial personnel, KMP, promoters, promoter group, group companies, and persons in control of the company.
- Detailed methodology and rationale employed to determine the issue price of Rs. 227 per share, based on the quantitative factors referenced in the offer document.

15.1.5. During inspection, it was observed that the failure to conduct independent due diligence on these matters raises concerns regarding the integrity and reliability of the offer document.

15.1.6. I note that during inspection it was observed that there was no sufficient proof to establish that Noticee undertook an independent and detailed verification of the quantum and justification of each component of the fund requirement. In particular:

- No documentation has been provided to evidence the basis or assumptions behind the ₹2,500.00 lakhs working capital requirement;
- There is no analysis or benchmarking to demonstrate that this quantum is aligned with the issuer's business cycle, historical cash flows, or peer norms;

- There is no mention of due diligence into the debt agreements being repaid (₹438.35 lakhs), including copies of sanction letters, repayment schedules, or verification of lender correspondence;

15.1.7. I note that in reply to the SCN Noticee submitted that it visited both the manufacturing facility and the corporate office of Interiors & More. The fund requirements were not arbitrarily determined rather they were based on detailed discussions with the promoters, a review of business plans, and an understanding of the seasonal nature of the business which necessitates such working capital support. On the issue of verification of suppliers, the Noticee relied on invoices, purchase orders, and contractual agreements provided by the Issuer.

15.1.8. In this regard, I note that while the Noticee has described procedural steps such as visits and discussions, the explanation lacks supporting materials that would establish the commercial rationale, financial viability, and necessity of the proposed utilisation. Therefore, the aforesaid contention of the Noticee is not tenable.

15.1.9. I observe that the Noticee's reliance on observational inputs, without substantiating financial or technical validation, constitutes a lapse in the discharge of its obligations.

15.1.10. Accordingly, I observe that Noticee has failed to adequately verify the validity, accuracy, and justification of the fund requirement, and has thereby failed to exercise the level of due diligence expected under the regulatory framework.

15.1.11. I note that it is disclosed at page 36 of RHP that the Company's top 5 customers represented 37.32% and 43.53% of revenue from operation for the period ended December 31, 2023 and Fiscal 2023, respectively. In this regard, Noticee submitted that it conducted a thorough analysis of the Issuer's financial statements to identify revenue concentration and customer dependencies. In this regard, I observe that the Noticee has not submitted proof of having independently verified the list of key customers, such as through revenue contribution analysis, review of financial statements, or examination of related party transactions. Therefore, the aforesaid contention of the Noticee is not tenable.

15.1.12. Regarding the shareholding structure and changes in holdings of promoters, directors, and KMPs Noticee submitted that this information was duly verified through MCA filings, register of members, and further confirmations from the Issuer.

The confirmations on pages 150 and 176 of the RHP regarding the background of the company and its personnel were based on undertakings obtained from the directors, promoters, and KMPs. Additionally, Noticee conducted independent legal due diligence to verify litigation history, directorship details, and other background information.

15.1.13. In this regard, I observe that the Noticee has not provided any evidence of having conducted independent due diligence, including legal verification, with respect to the background of the issuer company, its directors, senior management, key managerial personnel, promoters, promoter group, group companies, and persons in control. The response indicates reliance solely on undertakings obtained from the respective entities/persons.

15.1.14. In view of the above, I note that Noticee is in violation Regulation 245(3) of the ICDR Regulation, Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations and Regulation 9A(1)(e) of MB Regulations.

16. **Other Matters**

16.1. **Intimation of Change in Information Previously Submitted to SEBI**

16.1.1. I note that during inspection it was observed that Noticee failed to intimate changes in information previously submitted to SEBI – regarding changes in registered office address, principal place of doing business and appointment/ cessation of directors/ KMPs. Therefore, it was alleged that Noticee violated Regulation 9A(1)(f) of the MB Regulations r/w Clause 1 of Chapter I of the SEBI Master Circular SEBI/HO/CFD/ PoD-1/P/CIR/2023/157 dated September 26, 2023.

16.1.2. I note that in reply to the SCN, Noticee submitted that although all of the changes had already been updated on the SI Portal, it appears that the data submitted by Noticee continues to remain nonvisible. It further submitted that SEBI had been duly intimated of this issue through multiple email communications well prior to the present date of inspection.

16.1.3. I note that Pursuant to Regulation 9A(1)(f) of the MB Regulations r/w Clause 1 of Chapter I of the SEBI Master Circular SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023, any change in information that was earlier submitted to SEBI

ought to have been updated on the SI portal immediately upon the change being effective.

16.1.4. However, during inspection it was observed that the Noticee has not intimated the changes inter alia as listed below:

- Change in registered office address
- Change in principal place of business
- Appointment of Sumit Harlalka as Non-Executive Director w.e.f. August 1, 2023
- Appointment of Sumit Harlalka as Executive Director w.e.f. November 14, 2023
- Appointment of Focja Harlalka as Executive Director w.e.f. April 12, 2021
- Cessation of Janil Jain as Compliance Officer w.e.f. September 30, 2021
- Appointment of Ramesh Mishra as Non-Executive Director w.e.f. August 1, 2023
- Appointment of Ramesh Mishra as Executive Director w.e.f. November 14, 2023
- Appointment of Rajiv Agarwal as Independent Director w.e.f. September 30, 2022
- Appointment of Dimple Khetan as Independent Director w.e.f. July 11, 2023
- Appointment of Dimple Slun as Compliance Officer w.e.f. October 21, 2021
- Cessation of Dimple Slun as Compliance Officer w.e.f. November 14, 2023
- Appointment of Khusbu Agarwal as Non-Executive Director w.e.f. November 14, 2023
- Appointment of Khusbu Agarwal as Independent Director w.e.f. January 3, 2024
- Appointment of Nishthi Dharmani as Compliance Officer w.e.f. November 14, 2023

16.1.5. In this regard, Noticee submitted that there were technical issues in the SI portal due to which it was not visible or it was not able to update the details in the portal, however, in this regard no documentary evidences are submitted by the Noticee except for two instances wherein Noticee had sent an intimation to SEBI regarding updating the details in the SI portal, however, these emails were sent much after a changes took place. Therefore, the aforesaid contention of the Noticee is not tenable.

16.1.6. Based on the above, I observe that Noticee, by failing to intimate SEBI of changes in its registered office address, principal place of business and appointments of directors and KMPs, has violated Regulation 9A(1)(f) of the MB Regulations r/w Clause 1 of Chapter I of the SEBI Master Circular SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023.

16.2. **Intimation of acquisition of securities**

16.2.1. I note that during inspection, it was observed that Noticee failed to intimate acquisition of securities pursuant to devolvement on underwriting obligations. Therefore, it was alleged that Noticee violated Regulation 27 of the MB Regulations.

16.2.2. I note that in reply to the SCN, Noticee submitted that the proviso to Regulation 27 explicitly states that complete particulars for acquisitions made pursuant to underwriting obligations "shall be submitted to the Board on a quarterly basis". The Noticee operated under a bona fide interpretation that integrating this data into its comprehensive Half-Yearly Report to SEBI, which is a mandated and reviewed document, satisfied this quarterly reporting requirement.

16.2.3. I note that during inspection it was observed that the Noticee, pursuant to its underwriting obligations in the public issue of Sudarshan Pharma Industries Limited and devolvement thereon in March 2023, had subscribed to the shares of the Issuer Company.

16.2.4. I note that no information regarding such acquisition of securities however appears to have been provided to SEBI as prescribed under Regulation 27 of the SEBI (Merchant Bankers) Regulations, 1992.

16.2.5. The proviso to Regulation 27 of the MB Regulations prescribes that *"...complete particulars of any transaction for acquisition of securities made in pursuance of underwriting or market making obligations ... shall be submitted to the Board on quarterly basis."*

16.2.6. However, during inspection it was observed that no such report was submitted by the Noticee in respect of the shares of Sudarshan Pharma Industries Limited acquired pursuant to the devolvement on its underwriting obligations.

16.2.7. In respect of the above observation, Noitcee has submitted that details of such acquisition were provided in the half yearly reports submitted to SEBI.

16.2.8. I observe that submission of information in the half yearly periodic reports is not a substitute for time-bound reporting of specific events.

16.2.9. Noticee also submitted that violation of Regulation 27 of the MB Regulations stems from a difference in interpretation regarding the manner of disclosure rather than a complete failure to report. I note that it is clearly stipulated under Regulation 27 of the MB regulation that complete particulars of any transaction for acquisition of securities

made in pursuance of underwriting or market making obligations … shall be submitted to the Board on quarterly basis. Therefore, the provision is very clear regarding submission of aforesaid details on quarterly basis. Hence, the aforesaid contentions of the Noticee is not tenable.

16.2.10. In view of the above, I observe that the Noticee has not provided complete particulars of the equity shares of Sudarshan Pharma Industries Limited acquired pursuant to devolvement on its underwriting obligations. Particulars of the acquisition such as the name, number of shares, price of acquisition, date of acquisition, etc. have never been reported and the Noticee has reported in its half yearly report for the half year ended March 2023 (only the cumulative "Amount Devolved (in Rs. Crore) during the Half Year ended on March 2023"in respect of all its underwriting obligations in the period.

16.2.11. Based on the above, I observe that the Noticee has violated Regulation 27 of the MB Regulations.

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty u/s 15 A(b) and 15HB of SEBI Act?

17. As has been established above, Noticee has violated the following provisions-

17.1. Regulations 245(2)(b) and 245(3) r/w Clause (14)(N) of Part A of Schedule VI of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations.

17.2. Regulation 245(2)(b) and 245(3) r/w Clause (9)(K)(3) of Part A of Schedule VI of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 4 and 21 of Schedule III of the MB Regulations.

17.3. Regulation 25(5) of the ICDR Regulations.

17.4. Regulation 25(9)(b) r/w Form C of Schedule V of the ICDR Regulations and Regulations 9A(1)(e) and 13 r/w Clauses 3 and 21 of Schedule III of the MB Regulations.

17.5. Regulation 245(3) of the ICDR Regulations, Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations and Regulation 9A(1)(e) of MB Regulations.

17.6. Regulation 245(3) of the ICDR and Regulations 9A(1)(e) and 13 r/w Clause 4 of Schedule III of the MB Regulations.

17.7. Regulation 245(3) of the ICDR Regulation, Regulation 13 r/w Clause 4 of Schedule III of the MB Regulations and Regulation 9A(1)(e) of MB Regulations.

17.8. Regulation 9A(1)(f) of the MB Regulations r/w Clause 1 of Chapter I of the SEBI Master Circular SEBI/HO/CFD/PoD-1/P/CIR/2023/157 dated September 26, 2023.

17.9. Regulation 27 of the MB Regulations.

18. Thus, the undersigned is of the view that it is a fit case for imposition of penalty **u/s** 15A(b) and 15HB of the SEBI Act, which reads as given below:

Section 15HB of SEBI Act: - Penalty for contravention where no separate penalty has been provided: *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.*

Section 15A - Penalty for failure to furnish information, return, etc.

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations 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;

ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

19. While determining the quantum of penalty u/s 15 A(b) and 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-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."

20. In the present matter, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee. Further, from the material available on record, it may not be possible to ascertain the exact monetary loss to the investors /clients on account of default by the Noticee. Further, as per the available records, past action has been taken by SEBI against the Noticee. Noticee was under a statutory obligation to abide by the provisions of the SEBI Act, 1992, Rules and Regulations and Circulars/directions issued thereunder etc. which it failed to do. The very purpose of the said regulations is to deter wrong doing and promote ethical conduct in the securities market. Therefore, violations, as established above, by the Noticee deserves and attracts suitable penalty.

ORDER

21. Having considered the facts and circumstances of the case, the material available on record, the submissions made by the Noticee, the factors mentioned in Section 15J of the SEBI Act, and also taking into account judgment of the Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari (2019) 5 SCC 90* and in exercise of power conferred upon the undersigned u/s 15-I of the SEBI Act r/w rule 5 of the Adjudication Rules, 1995, the following penalty is imposed u/s 15HB and 15A(b) of the SEBI Act on the Noticee:

Name of entity	**Provisions of SEBI Act**	**Penalty**
Gretex Corporate Services Limited **PAN: AACCD9875F**	15HB	Rs. 10,00,000 (Rupees Ten Lakhs Only)
	15A(b)	Rs. 5,00,000 (Rupees Five Lakhs Only)

I am of the view that the said penalty is commensurate with the violations by the Noticee.

22. 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 on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

23. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

24. 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.

25. In terms of the provisions of rule 6 of the Adjudication Rules, 1995, a copy of this order is being sent to the Noticee and also to SEBI.

AMIT KAPOOR
Digitally signed by AMIT KAPOOR
Date: 2026.01.13 16:14:41 +05'30'

PLACE: MUMBAI **AMIT KAPOOR**

DATE: January 13, 2026 **ADJUDICATING OFFICER**