BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/JS/DP/2025-26/31781-31782]

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 BY ADJUDICATING OFFICERS), RULES, 1995

In respect of:

Sr. No.	Name of the Noticee	PAN
1	Kunvarji Finstock Private Limited	AAACK8760E
2	Dr. J. Murali Manohar	ATTPM0621R

in the matter of Mediaone Global Entertainment Limited.

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEB**I") carried out an examination with respect to open offer of Mediaone Global Entertainment Limited (hereinafter referred to as "**Target Company/Company"**) to ascertain possible violations of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as "**SAST Regulations"**), SEBI Act, 1992, ("**SEBI Act"**) and SEBI (Merchant Bankers) Regulations, 1992 (herein after referred to as "**Merchant Bankers Regulations"**).

2. Based on the findings of the examination, SEBI initiated adjudication proceedings against Kunvarji Finstock Private Limited (hereinafter referred to as **Noticee No. 1**) and Dr. J Murali Manohar (hereinafter referred to as **Noticee No. 2**), (collectively referred to as '**Noticees**') under section 15HB of SEBI Act for the following violations:

a) Regulations 27(2) and 27(5) of the SAST Regulations and regulation 13 read with clause 4 of Schedule - III of Merchant Bankers Regulations by Noticee No. 1; and
b) Regulation 25(3) of SAST Regulations by Noticee No. 2.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI had appointed an Adjudicating Officer (AO) in the matter vide communique dated September 25, 2023. Pursuant to reallocation of cases, vide communique dated April 21, 2025, SEBI appointed the undersigned as AO under section 19 of the SEBI Act read with section 15-I of the SEBI Act and with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Rules**") to inquire into and adjudge the aforesaid violations under section 15HB of SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice No. SEBI/HO/EAD-8/SKV/DD/2023 dated October 10, 2023 (hereinafter referred to as "**SCN**") was issued to the Noticees to show cause as to why an inquiry should not be initiated against them and penalty, if any, should not be imposed upon them under the provisions of section 15HB of SEBI Act, for the alleged violation of regulations 27(2) and 27(5) of the SAST Regulations and regulation 13 read with clause 4 of Schedule-III of Merchant Bankers Regulations by Noticee No. 1 and regulation 25(3) of SAST Regulations by Noticee No. 2. Vide letter dated October 31, 2023, Noticee No. 1 acknowledged receipt of the SCN. Subsequently, vide letter dated October 31, 2023, Noticee No. 2 acknowledged receipt of the SCN through email.

5. Vide email dated October 31, 2023, Noticee No.1 informed that it intends to avail the Settlement Scheme. Noticee No. 1 in its email dated November 23, 2023, informed that it had filed an application under provisions of SEBI (Settlement Proceedings)

Regulations, 2018 on November 21, 2023 for availing settlement process. However, vide letter dated March 21, 2024, it was intimated that the settlement application filed by Noticee No. 1 was rejected.

6. Vide letter dated October 30, 2023, Noticee No. 2 informed that he intends to avail the settlement process in terms of SEBI (Settlement Proceedings) Regulations, 2018 and accordingly submitted the settlement application on January 06, 2024. Vide letter dated June 12, 2024, Noticee 2 was intimated that the settlement application filed by him was rejected.

7. Thereafter, hearing notice dated April 23, 2024 was served on the Noticees through email for the hearing on May 06, 2024. Subsequently, as per the request of the Noticees, the hearing was adjourned to May 07, 2024 and then to May 13, 2024. The Authorized Representatives (AR) of the Noticee No. 1, viz., Mr. Atul Chokshi, Director, and Mr. Anish Kharidia, Company Secretary appeared before the AO and reiterated the submissions made by the Noticee No. 1 in its replies. Further, the ARs sought time until June 05, 2024 to make additional submissions. The said request of the ARs was acceded to. The ARs submitted supplementary submissions to the SCN on behalf of Noticee No. 1 on May 27, 2024. Noticee No. 2 appeared in person and reiterated the submissions made vide reply dated June 01, 2024.

8. The allegations made in the SCN are summarised as under:

   8.1 SEBI while perusing the Draft Letter of Offer (herein after referred to as "**DLOF** observed that on July 29, 2022, PPG International Limited (hereinafter referred to as "**Acquirer / PPG International Limited**") signed a Share Purchase Agreement with Shri Pathee Investment Private Limited ("**Shri Pathee**") to acquire its entire shareholding (51.32%) in the Target Company for Rs. 2/- per share, i.e., total Rs. 1.51 crore. Accordingly, on August 17, 2022, Acquirer filed DLOF with SEBI, wherein, Acquirer made an open offer to acquire 26% of Target Company and the

said Letter of Offer (**LOF)** was filed on January 03, 2023. Noticee No. 1 was the manager to the Offer.

8.2 During the course of examination, SEBI vide email dated April 28, 2023, sought information from Noticee No. 1 with respect to the details of due diligence undertaken by Noticee No. 1 of PPG International Limited along with the relevant documents relied upon by it. Accordingly, Noticee No. 1 vide its email dated May 04, 2023 submitted the following information:

a) Acquirer was incorporated as a Private Limited Company on March 28, 2022 in England;
b) Noticee 2 is the director of Acquirer and he, as a promoter, also holds 100% shares of Acquirer.

8.3 However, on perusal of data available on company house UK on <*https://find-and-update.company-information.service.gov.uk/company/14005332/persons-with-significant - control*>, it was observed by SEBI that on June 01, 2022, Noticee No. 2 ceased to be a person with significant control of Acquirer and all the shares held by Noticee No. 2 were transferred to Ms. Gheetha Ammasee. Accordingly, SEBI sought explanation from Noticee No. 1 for not examining the said issue before finalizing DLOF and LOF. Vide email dated June 25, 2023, Noticee No. 1 submitted that they had obtained information from the Acquirer and the same was verified from https://suite.endole.co.uk. Further, it was submitted that necessary clarification was also sought from the Acquirer to check the authenticity of the transaction that took place prior to the finalization of documents. Subject to these facts and circumstances, although Noticee No. 2 ceased to be a person with significant control in the acquirer firm, Noticee No. 2 was a director and authorised person of the Acquirer. Noticee No. 1 has also submitted that as a manager to the open offer, the information with respect to transfer of shares was not bought to its notice by the Acquirer. The manager to the open offer had disclosed all facts

available with it after verifying documents received from the Acquirer / third party / https://suite.endole.co.uk.

8.4 During the course of examination, SEBI observed that Noticee No. 1 in its submissions to SEBI had specified that Noticee No. 2 was the promoter of the Acquirer. SEBI also observed that Noticee No. 1 had verified the profile of the Acquirer on May 04, 2022 and the share transfer transaction took place on June 01, 2022. Since the DLOF was submitted on August 17, 2022, Noticee No. 1 should have done fresh due diligence before filing DLOF and LOF. SEBI had also observed that information related to change of ownership was available in public domain and the same required to be verified by the Noticee No.1 as a part of its obligations under the SAST Regulations and Merchant Bankers Regulations. SEBI had also observed that Noticee No. 1 had submitted a due diligence certificate in accordance with regulation 27(3) which, *inter alia*, mentioned the following:

"……. Contents of PA, DPS as well as the Draft letter of offer are true, fair and adequate and are based on "reliable" sources …."

8.5 Thus, SEBI observed that Noticee No. 1 had provided incorrect due diligence certificate, as the details regarding the promoter of the acquirer were incorrectly disclosed in the LOF.

8.6 Therefore, it was alleged that Noticee No. 1 failed to ensure that the contents of the LOF were true, fair and adequate in all material aspects, not misleading in any material particular and was based on reliable sources. It was also alleged that Noticee No. 1 had failed to exercise diligence and care.

8.7 In view of the above, it was alleged that Noticee No. 1 violated regulation 27(2) and 27(5) of SAST Regulations and regulation 13 read with clause 4 of schedule III of Merchant Bankers Regulations.

8.8 During the course of examination, SEBI observed that Noticee No. 2 in his email dated June 25, 2023 to Noticee No. 1 had confirmed that on June 01, 2022, Noticee No. 2 had transferred the shares of PPG International Limited to Ms. Gheetha Ammasse and he was still continuing as a director, to fulfil the role as the director of PPG International Limited. It was also submitted that in accordance with the Companies Act, 2006 of the Register of Companies of England and Wales, Noticee No. 2 as the director had the authority and decision-making power concerning overall operational and management decisions. Accordingly, in accordance with his decision making authority, he pursued the acquisition of Target Company shares through an open offer.

8.9 During the course of examination, SEBI had also sought comments from Noticee No. 2. Noticee No. 2 vide reply dated July 04, 2023 submitted that as per the communication made with SEBI for the open offer of Target Company, the acquirer was PPG International Limited and he was the director and 100% shareholder of the Acquirer at that time and he had made 100% correct disclosure at that time in the open offer document.

8.10 Noticee No. 2 had also submitted that later he had transferred the shares of PPG International Limited to Ms. Gheetha Ammasse on temporary basis for personal reasons and he failed to realize that intimation in this regard should have been made to SEBI, as the Acquirer was the same name as appeared in all open offer document. In addition to this, it was submitted by Noticee No. 2 that the changes in shareholding was not required to be filed anywhere, and the same went unnoticed and change of ownership would not have changed the open offer.

8.11 Accordingly, it was observed by SEBI that disclosures made in the DLOF were not true, since the transaction of change in ownership took place on June 01, 2022 and the DLOF was submitted to SEBI on August 17, 2022 and LOF was submitted to SEBI on January 03, 2023. Hence, it was observed by SEBI that Noticee No. 2 failed to discharge his obligation under SAST Regulations.

8.12 Thus, it was alleged that Noticee No. 2 (in the capacity of sole director and decision maker of acquirer) made wrongful disclosure to the investors and failed to ensure that contents of the LOF are true, fair and adequate in all material aspects, not misleading in any material particular and are based on reliable sources.

8.13 In view of the above, it was alleged that Noticee No.2 violated regulation 25(3) of SAST Regulations.

9. The main arguments raised in the replies submitted by the Noticee No. 1 vide its letters dated October 31, 2023, April 29, 2024, May 10, 2024 and May 24, 2024 are as under:

9.1. There is a misjoinder of cause-action-identity. The acquirer was PPG International Ltd., a one person company registered in UK. The company was incorporated by Dr. J. Murali Manohar as subscriber to MOA of acquirer company. The target company was Mediaone Global Entertainment Ltd., a BSE listed company.

9.1.1. The SAST Regulations 2011 applies to:

Short title, commencement and applicability

1 (1)….

(2)….

(3) These regulations shall apply to direct and indirect acquisition of shares or voting rights in, or control over target company

9.1.2. The acquirer, i.e., PPG International Ltd. has not been made party, which has appointed the Noticee No. 1 as its merchant banker for its acquisition of shares of the target company through open offer.

9.1.3. Dr. J. Murali Manohar, Noticee No.2, was neither the acquirer nor PAC.

9.2. It is admitted position that PPG International Ltd., a UK based company was the acquirer; and in its capacity as an acquirer appointed the Noticee No. 1 as merchant banker for open offer. Therefore, the SAST Regulations are first attracted to PPG International Ltd. and consequential attraction to Kunvarji Finstock Pvt. Ltd. acting as its Manager to Open Offer.

9.2.1. The violation, if any, is first attracted to the acquirer as prescribed under regulation 25 under the title "Obligations of the acquirer". The acquirer was PPG International Ltd. No violation has been found and alleged against the acquirer PPG International Ltd.

9.2.2. The attraction of violation, if any against the Noticee No.1 as merchant banker hinges and dependent on the violation, if any, alleged against the acquirer and it in advising the acquirer.

9.2.3. As no violation has been alleged against PPG International Ltd., the question of violation of regulation 27(2) and 27(5) of SAST Regulations, 2011 against the Noticee No. 1 are not attracted at all, much less visiting and invoking the violation of regulation 13 read with Clause 4 of Schedule –III of Merchant Bankers Regulations by Noticee No. 1.

9.3. Despite taking cognizance of PPG International Ltd. as acquirer, no violation has been alleged against it and made party to the impugned enquiry, considering it has fulfilled its obligations as acquirer by furnishing the documents and ensuring and authenticating the contents for its publication. This act and conduct, create self-contradiction and establishes misjoinder of cause-action-identity.

9.3.1. It is also not placed on record how the transfer of shares took place June 01, 2022, without change in control was the only cause of examination.

9.3.2. It is also not placed on record that how the transfer of shares which took place June 01, 2022, was viewed in isolation of no change in control as the only cause of examination.

9.3.3. It is also not placed how such viewing and observing was significant rendering the incorrect disclosure of fact relating to the identity as "promoter" and or "director" of the acquirer company. The information sought for was very much available with SEBI furnished by the Noticee No. 1. The proceedings for approval of open offer continued for almost seven months. During the course of seven months long proceedings w.r.t. PPG International Ltd. and the Noticee No. 2 ,Dr. J. Murali Manohar all aspects were crystalized at its threadbare.

9.3.4. It was not in dispute that the Noticee No. 2 was the only subscriber to the memorandum of the Acquirer with one share. By being a subscriber, it is generally viewed as "promoter" in common parlance and remains so for the lifetime of the company.

9.3.5. It was also not in dispute that the Noticee No. 2, Dr. J. Murali Manohar was the sole director of the acquirer company and was having complete control on the affairs of the acquirer company.

9.3.6. It was also not in dispute that the acquirer was a one-person company registered under the Companies Act of UK. Therefore, the term "promoter" remains forever by being a subscriber to MOA. Neither the term "promoter" nor the term "director" envisages either shareholding or the voting power or significant control or controlling interest in the eyes of law.

9.3.7. In fact of the present case, the Noticee No. 2 carried two identities, i.e., that of promoter by being a subscriber to MOA and that of the sole director. As has been envisaged in law, so far as identity of the acquirer is concerned, stating of either "promoter" or "director" meets with the criteria, irrespective of shareholding or voting power. The percentage of shareholding becomes non-est / immaterial information bearing no significance on "identity" disclosed. This was discussed and clarified during personal meeting held on 27.09.2022.

9.3.8. Accordingly, on May 4, 2023, the information was furnished which was provided by the acquirer PPG International Ltd. on April 05, 2022 and duly

verified on April 05, 2022 from data available in electronic commerce. This due diligence was and is neither challenged during the course of seven months' proceedings or the impugned proceedings.

9.3.9. The alleged "also holds 100% shares of the acquirer" information was ensured and authenticated by the acquirer before publication of DLOF, LOF and PA. This publication of information has not been disputed till the issuance of the impugned SCN. So far as the present SCN is concerned, the charge and allegations are found to have been levelled merely on the basis of "also holds 100% shares of the acquirer" without observing no change in control, which bears no significance or materiality in the eyes of law much less untrue statement in light of requisition of law in respect of disclosure.

9.3.10. The documents furnished with email dated May 4, 2023, bears the source of data of electronic commerce verified by the Noticee No. 1 and the reasonable efforts and source of electronic commerce verified by the Noticee No. 1 neither is challenged nor disputed. Merely, the information "also holds 100% shares of the acquirer" in isolation of no change in control being immaterial information once the identity of the acquirer and its representative is not in dispute. The said information could be significant had there been change in control by change in position of Dr. J Murli as director of the company. It bears no significance as to misleading information or incorrect information or untrue statement in the open offer document and PA. A law envisages the "control over the acquirer" enabling the investor to form proper view while participating in the open offer.

9.3.11. Besides the identity and control of the acquirer, the exit opportunity is also being viewed and equated with current market price of the target company, which attains prominent occupation in the minds of shareholders. This aspect has not been viewed at all that whether on account of alleged information can influence the price of the scrip or not.

9.3.12. The question arises as to why SEBI has not conducted and fulfilled its obligations either before September 27, 2022 or December 16, 2022 by visiting the website. Not only that the fact as to the Noticee No. 2 remains as the director of the company subsisted and Ms. Gheetha Ammasee has not only consented to become the member of the acquirer company but has also allowed the Noticee No. 2 Dr. J. Murali Manohar to continue as the sole director of the company.

9.3.13. The act and conduct of Ms. Gheetha Amasee after becoming member, remains only member and not the promoter of the acquirer company and by having controlling interest allowing the Noticee No. 2 to continue to remain in control of the affairs of the acquirer company as sole director of the company has not been appreciated in the manner in which it ought to have been appreciated in the eyes of law. Had it been so viewed and appreciated, either in the eyes of law of Companies Act, UK or Indian Companies Act, 2013, or applicable Securities Laws, neither the question of seeking explanation from

Noticee No. 1 and Noticee No.2 would have arisen nor the reason to believe the statement as untrue or misleading.

9.3.14. It shall be appreciated that "control", or "significant control" established merely by being sole director of the company. This fact has been the only fact and the only requisition in the eyes of law. The term "Control" has been envisaged in the eyes of law in the form of "voting power" or position as "director". The condition of "director" has been fulfilled and not under challenge. Therefore, compliance with the requisition of law has been fulfilled to enable to shareholders to take informed decision.

9.3.15. The change in shareholding, if at all has taken place in the acquirer company, does not change the character and identity of the Noticee No. 2 either as "promoter" or "subscriber to MOA" or "director" of the acquirer company to treat the change as untrue statement. The statement can be said to be untrue if it is proved to be its knowledge in possession of the person. In view of this position, the transfer of shares took place has no bearing on "control" of Dr. J. Murali on the acquirer company PPG International Ltd. This fact was viewed by SEBI and therefore has chosen not to inflict PPG International Ltd. as party to the proceedings but chosen Dr. J. Murali Manohar reprehensible for not disclosing change in shareholding despite remaining director consented by Ms. Gheetha Amasee.

9.3.16. So far as "control" is concerned, there was no change and therefore Dr. J. Murali Manohar was not required to intimate such change in shareholding. On account of such inconsistency in viewing change in shareholding in isolation without change in control and thereby observing change in" significant control" as "change in control" in acquirer company PPG International Ltd. is incorrect and erroneous, Noticee No.1 cannot be made liable to explain, much less its due diligence for the affairs which has a characteristic of no change in identity and control is cannot be under challenge despite change in voting power.

9.3.17. The word "promoter" of the acquirer does not envisage shareholding or voting power but envisages:

9.3.17.1. The term "promoter" is defined in ICDR Regulations, 2009 as below:

(za) "promoter" includes:

(i) the person or persons who are in control of the issuer;

(ii) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public;

(iii) the person or persons named in the offer document as promoters:

9.3.17.2. In view of the above definition, the specification of Noticee No. 2 as promoter of the acquirer company meets with the term "promoter" even without shareholding or transfer of shareholding.

9.3.17.3. As it establishes correctness of submission to SEBI on multiple occasions, the question of change in shareholding or share transfer

transaction which took place on June 01, 2022 was not required to be viewed either in DLOF or LOF. It is incorrect to view the term "control" or "promoter" or "change of ownership" conveniently and in defiance of law.

9.3.17.4. The term "change in controlling interest" or" change of ownership" has neither been defined nor made available in public domain in either SAST Regulations and Merchant Banking Regulations much less raising obligation to comply with regulation 27(3) stated in the para under reference.

9.3.17.5. *The term "promoter", "director", "significant control", "control", "change in ownership" are found to have been used and applied selectively and conveniently for a simple transaction of share transfer that took place on June 1, 2022, in complete defiance of applicable law despite admitting and appreciating "no change in control". This act and conduct of perverse and convenient viewing in defiance of applicable laws, renders the charges and allegations of violations of regulation 27 of Merchant Banker Regulations read with regulation 13 read with Schedule III of Merchant Banker Regulations and violation of regulation 27 of SAST Regulation are baseless in the eyes of law.*

9.4. The Noticee No. 2 has not provided an incorrect due diligence certificate. The Noticee No. 2 has correctly disclosed the details of the promoter of the acquirer in the DLOF and LOF. By not disclosing the share transfer took place on June 01, 2022 does not change the character or materiality of information disclosed.

9.5. The change in voting power was without change in control. This transaction of transferring shares has no bearing for the disclosure of information in the DLOF and LOF as also on the obligations of the merchant banker.

9.6. The term "promoter" and "also holds 100% shares of the acquirer" has no correlation to be viewed conjointly. The term "ceased to be a person with significant control" and the term "change of ownership" has no correlation with the term "control" as has been existed in the facts of the acquirer company PPG International Ltd., which meets with the requisition of law.

9.7. Under the circumstances and in view of the fact that there was no change in the status of Dr. J. Murali either as "promoter or "sole director establishing control" of the acquirer company, the disclosure made in the DLOF and LOF and PA are true and correct and attained finality.

9.8. It is significant and pertinent to note that the alleged transaction of change in shareholding "also holds 100% shares of the acquirer" has been viewed, observed and findings concluded in isolation of viewing and observing no change in control. Such viewing tantamount to be perverse, selective, subjective, and convenient besides being contradictory to the provision of law.

9.9. The Noticee No.1 emphatically and categorically contends and denies that it has failed to ensure that the contents of the letter of offer are true, fair, and adequate

in all material aspects, not misleading in any material particular and are based on reliable sources.

9.10. The Noticee No.1 emphatically and categorically contends and denies that it has failed to exercise diligence and care.

9.11. The Noticee No.1 emphatically and categorically contends and submits that on June 1, 2022 share transfer took place in a one person company, however, has culminated into continuing Dr. J Murali Manohar as the director of the acquirer company has no bearing on utilising the term "promoter" in the eyes of law and therefore this information is neither material nor misleading in any material particular so as to enable the shareholders to take informed decision.

9.12. In view of the above and more particularly in light of the fact that change in shareholding of acquirer company has no bearing on identity and control of Noticee No.2 as disclosed, the impugned SCN is bad in law and deserves to be dropped forthwith.

9.13. The Noticee No. 1 emphatically and categorically says and submits that on account of perversity prevailing in the viewing and observing and findings, it has not violated any provisions of any applicable laws while acting as a managers to the open offer of Mediaone Global Entertainment Ltd on behalf of the acquirer PPG International Ltd., a one person company incorporated in UK, rest apart, alleged to have violated regulation 27(2) and 27(5) of SAST Regulations and regulation 13 read with Clause 4 of Schedule III of Merchant Bankers Regulations.

10. The arguments raised in the replies submitted by the Noticee No. 2 vide his letters dated October 31, 2023 and June 01, 2024 are reproduced below:

10.1 *The entire proceedings rest on the statement under challenge that "Dr. J. Murali holds 100% share capital of the acquirer company". The said statement rests on underlying transaction entered into through SPA between Shri Pathee Investment Pvt. Ltd. as seller and the acquirer company PPG International Ltd. for acquisition of almost 51% shares in share capital of target company Mediaone Global Entertainment Ltd. The said agreement has been considered perfect and pious as neither the acquirer nor seller nor has the target company been part of the proceedings. It shall be appreciated that change in shareholding of the acquirer company has not been the requisition of law.*

10.2 It is settled law that shareholders do not have any legal interest in the assets of the company. Shri Pathee did not have legal interest in the assets of the target company, likewise the acquirer PPF International Ltd. does not get legal interest in the assets of the target company. Pursuant to this transaction, the acquisition of shares of the target company becomes the assets of the acquirer company. The shareholders of the acquirer company did not get any legal in such shares of the target company becoming the assets of the acquirer company. It is fundamental corporate philosophy that the company and its members are two distinct entities in the eyes of law. Therefore, the respective definition of the

promoter or director prescribed under law does not envisage the shareholding while recognizing the identity. Merely by transfer of shares between Dr. J Muarli and Ms. Gheetha Amasee, Dr J. Murali's status changed to a member without any legal interest in the assets of the acquirer company PPG International Ltd. However, Dr. J Murali, by being subscriber to MOA remains promoter and by continuing as sole director remains in control of the company. To view such a change in shareholding as a change in ownership of the acquirer company is contrary to the SAST Regulations as it envisages control through either voting power or directorship. Dr. J Murali was in control of the acquiring company directorship for which its shareholding or change in shareholding was of no significance in the eyes of law. Even Ms. Gheetha Amasee's membership or shareholding was also of no significance in the eyes of the law as she permitted and allowed Dr. J. Murali to continue to act as the sole director of the acquiring company.

10.3 *If the contents prescribed under regulation 15 and format prescribed thereof of SAST Regulations relating to public advertisement is examined, it requires name and identity of acquirer with the controlling person / promoter of acquirer company. It does not envisage shareholding. However, the contents of public announcement envisage shareholding, if any, of the acquirer in the target company to be disclosed to enable the tendering shareholder of the target company to take informed decision especially with an objective to go for competitive bidding. Therefore, "hold 100% share capital of the acquirer company" and change therein was not required to be disclosed in eyes of law; and not intimating such change cannot become misleading or suppression or violative of law as it was neither significant information in the eyes of law nor material information for enabling tendering shareholder to take informed decision. The significance of shareholding, if at all, in the law has been the shareholding in the target company held by the acquiring company and not Dr. J. Murali's shareholding in the acquirer company.*

10.4 *The additional care was taken because Dr. Murali was one of the directors of the target company in the past till 2015. The aspect was discussed during the course of the meeting held with SEBI officials.*

10.5 *As per regulation 25 (2) of SAST Regulations, the contents are to be ensured by the acquirer. The acquirer has not been made party which has ensured the contents. By being sole director of the acquiring company, it did not automatically attract Dr. J. Murali in isolation. Therefore, it cannot be objected against the merchant banker now as it is viewed by SEBI as perfect. In the entire SAST Regulations, the word acquirer is referred, and the Regulations are only applicable to it. The merchant banker has been appointed by the acquirer company PPF International Ltd. and not by Dr. J. Murali. Therefore, there is no locus standi between the Noticee No. 1 and 2 in isolation of PPG International Ltd. In fact, the role of the merchant banker has been envisaged to strike a balance between the interest of the acquirer and the interest of tendering shareholders of the target company. So far, the role towards the acquirer*

company is concerned, it is to advise it to make proper disclosure regarding ability and capability to succeed through open offer and gain control by disclosing financial arrangements, undertaking as to not wilful defaulters, etc. Towards tendering shareholders of the target company to enable them to take informed decisions by disclosing schedule, firm financial arrangements, price, shareholding of acquire company in target company, its future plans etc. The shareholding, if any, of the member of the acquiring company is of no significance to tendering shareholders to take an informed decision as it is merely a content but not significant information in the eyes of law.

10.6 No incorrect information has been given to Dr. Murali as "promoter" of the acquirer company. Dr. Murali is occupied in the field of art and promotion of films. He is not connected with the commercial filed and therefore is neither accustomed with commercial laws nor acquainted with the procedure of securities laws. He is a law abiding person. He cannot be made party in the matter for which laws does not require him to inform. Of course, it would have been befitting on his part to disclose such change in information, but such omission cannot be viewed as violation on his part as such information was not significant in the eyes of law affecting tendering shareholders to take informed decision. The law envisages ensuring the contents by the acquirer and not by Dr. J. Murali though being director and the acquirer is not made party which appointed merchant banker.

10.7 Noticee No. 2 – Dr. J. Murali Manohar was the subscriber to MOA and director of acquiring company PPG International Limited a company incorporated and registered under England and Wales Company Act, 2006. The acquisition was made by PPG International Limited (Acquirer Company) in its body corporate status. The said M/s PPG International Limited entered into a share purchase agreement (SPA) with Shri Pathee Investment Private Limited to acquire its entire shareholding in Mediaone Global Entertainment Limited (target company) of 51.32% at the rate of Rs. 2 per share. The said agreement was executed through POA appointed by acquirer company. Pursuant to the agreement and consequent open offer, the takeover of the target company Mediaone Global Entertainment Limited was successfully completed in February 2023 and the acquirer company took control of the management of target company. It means while acting as director of PPG International Ltd., the interest of member and shareholder have been protected from the ill-effects of SPA entered into. I have not incurred any default while acting as a director of the acquirer company. The said entire process and act and conduct of acquirer company is neither in dispute nor under challenge in the impugned proceedings. Resultantly, such successful culmination of open offer deserves to be attributable to the act and conduct of Dr. J. Murli in his representative capacity. Under the circumstances, I wonder how, why and on what basis I am dragged, in isolation, in the matter merely for my representative capacity on behalf of acquirer company. I further wonder that the manager to the open offer has been obliged to be appointed by acquirer company and has been obliged to be appointed by acquirer company and has

been so appointed in representative capacity for which I am individually dragged into the impugned proceedings, which is incorrect. To my understanding, the Companies Act of UK and the Companies Act in India are two different Acts. I further understand that the process of acquisition was undertaken in India by company incorporated in UK. I wonder whether there has been creeping of regulatory arbitrage of laws of land of UK and India. Though as it may, I wonder how I am dragged in individual capacity while acting in a representative capacity more particularly when my representative capacity as Director of acquiring company PPG International Limited is neither in dispute nor under challenge. I further wonder how, why and on what basis I am dragged with manager to the open offer being Noticee 1 for its acts and deeds, if any. Therefore, at this outset I challenge the impugned SCN issued to me in its entirety.

10.8 To my understanding and to remove the ambiguity of law that has been crept in with respect to my position as director and my identity as subscriber to MOA of acquirer company, I intend to rely upon following provisions of Law of India for its true and correct interpretation:

- *Merchant Bankers Regulations 1992;*
- *SAST Regulations 2011;*
- *ICDR Regulations, 2009;*
- *Companies Act, 2013.*

10.9 I did not make any open offer of Mediaone Global Entertainment Limited and therefore deny the contents of para 1 under reference in its entirety. To clarify the same, I say that the open offer was made by PPG International Limited; a body corporate incorporated and registered in UK. I further say that I was subscriber to MOA of PPG International Limited at the time of its incorporation. I further say that I was the first director as also continuing director of PPG International Limited at the time of open offer. If further say that my identity as subscriber to the MOA and directorship of acquirer company PPG International Limited has neither been disputed nor under challenge in the impugned proceedings. What appears to be under challenge has been my shareholding/membership rights in acquirer company. The change in shareholding does not change my either of the identity as subscriber to the MOA or directorship of acquirer company. By being subscriber to the MOA, I do not become the "promoter", as has been defined in the acts of UK or India. Therefore, even assuming for a while, subscriber to the MOA as the 'promoter', it does not affect or influence the contents of DLOF or LOF or Public Announcement. However, I say that the inference drawn on the basis of such assumption to treat me as 'promoter' and to initiate proceedings on that basis is bad in law. The SAST Regulations is applicable to acquirer PPG International Limited. No violation has been ascertained against PPG International Limited. The act and conduct of PPG International Limited in respect of open offer has been concluded successfully and such act and conduct has not been ascertained as violation against PPG International Limited. Once it is admitted fact that no violations alleged against PPG International Limited, the question of

alleged violation can neither be alleged against me nor can be attributable to me in my subscriber to MOA capacity that please note.

10.10 I humbly submit with respect to para 2 that appointment of Kunvarji Finstock Private Limited by PPG International Limited as manager to the open offer pursuant to regulation 12(2) has not been under challenge. It is an admitted fact that Noticee No. 2 was not the acquirer. It is a further admitted fact that Noticee 2 was the Director of the acquirer company PPG International Limited. However, the fact that Noticee No. 2 either as "Subscriber to MOA" or as "Director" has not been crystalized while examining in the spate of impugned proceedings and therefore also SCN is bad in law. The examination was first required to be conducted against PPG International Limited. Nether the examination conducted, nor the violation has been alleged against PPG International Limited. In absence of the ascertainment of the position of Noticee No. 2 in the eyes of law neither the SAST Regulations nor Merchant Bankers Regulations become applicable. In view of this inconsistency apparent on record, the Noticee No. 2 denies any violation much less the alleged violation stated in sub-para-b of the para under reference in its entirety. Under the circumstances, the question of attracting, inviting, and invoking the provisions of section 15HB of SEBI Act does not arise at all.

10.11 I humbly submit with respect to para 2 that the nature of examination carried out as has been claimed has been in complete defiance of SAST Regulations, consequently, the question to enquire into and adjudge under section 15HB of SEBI Act does not arise at all. The basic premise arising out of SPAs to act, conduct and parties thereto have not been ascertained correctly. On account of such an error, the element of misjoinder of cause, action, identity and applicability of law has crept into defeating the purpose and object of appointment of your good self as learned AO at its threshold against Noticee No. 2.

10.12 I humbly submit that so far contents of para 11 is concerned, it appears to be the reproduction of communication between Noticee No. 1 and Examining Authority reproduced by Noticee No. 1 from my email dated June 23, 2023, for which I do not have any objection. However, I take this opportunity to contend and object that the said fact of my directorship / continuing directorship has not been challenged or disputed in the impugned proceedings which goes to the root of definition of control processing decision-making power on behalf of PPG International Limited in respect of open offer. The fact in itself established that there were no ill effects on account of entering into SPA thereby protecting the rights and interest of entering into SPA thereby protecting the rights and interest of acquirer company and its shareholders. This act and conduct have not been appreciated in a manner it ought to have been appreciated. By subscribing to MOA, I have acquired share in the share capital of acquirer company. The transfer of shares in the share capital of acquire company on June 1, 2022, was transfer of shares from a member to an incoming member and such change in membership in any way did not affect either the share capital or the affairs of

PPG International Limited. Change in membership rights causes change in ownership of shares and not the change in share capital or ownership of PPG International Ltd. The transfer of share in share capital of the company is a natural process taking place concurrently either in acquiring company or target company during the process of open offer. The shareholding including transfer in shareholding in the case of acquiring company has not been viewed and envisaged as a material information so far as SAST Regulation is concerned. Therefore, there is a reason to believe that the information, which is not the requirement of law, if furnished and changed therein if not furnished cannot be violative of law. The information which does not form materiality in the eyes of legislature form the perspective of intending shareholders to participate in open offer can never be said to be influencing the decision making of participating shareholders of target company in the open offer. This significant and material aspect has escaped the attention of examining authority for which I earnestly crave leave to revisit the cause, purpose, and object my examination, in isolation and set right the error committed thereto by exonerating me from the charges an allegations levelled in the SCN.

10.13 *I humbly submit that so far contents of paras 12 and 13 are concerned, the contents of communication made vide July 04, 2023 has been accepted and not under challenge. The fact of PPG International Limited as acquirer communicated by me has not been appreciated in a manner it ought to have been appreciated. I further say and submit that Annexure 9 has not been appreciated in a manner it ought to have been appreciated in as much as that even if there was unintentional error the same has not been pardoned which is quite regretful. It is a common law that unintentional, inadvertent error for which pardon is sought for deserves to be pardon, which SEBI has failed to adhere to. Without prejudice to the same, I say and submit that "100% shareholding" or transfer of 100% shareholding in acquirer company does not bear any significance or materiality so far as SAST Regulation and its contents of publication of open offer is concerned. I regretfully say and submit that not only my act of seeking pardon has been appreciated by on the contrary I have been inflicted for the cause, which is not violative in the eyes of law. Therefore, I say the SCN is not tenable and sustainable in the eyes of law.*

10.14 *I humbly submit that so far contents of para 14 is concerned, I wonder "change in ownership" took place on June 1, 2022, has been viewed in complete defiance of corporate principles. There can never be "change in ownership" but there can be "change in control" of target company and not acquirer company. On plain reading of the SAST Regulations or Companies Act, there is no such word "change in ownership". Therefore, I wonder how, why and on what basis your good self, jumped on the word "change in ownership" without "change in control" as change in ownership of acquirer company so as to view it as a substantial and material change influencing the contents and publication of open offer as a whole. The open offer concluded successfully. Admittedly, there has not been any complaint from any shareholder of target company. It is humbly submitted*

that on careful reading of SAST Regulations, the "change in control" of target company has been viewed and regulated and not "change in ownership", if any, of acquirer company has been viewed and regulated. In most humble view it is the "control" over target company is being viewed and regulated from the perspective of SAST Regulations and not the "change in ownership". Therefore, the inference drawn from my letter dated July 4, 2023, appear sot be completely contradictory to the legislative requirement and prescription of law.

10.15 I humbly submit that so far contents of para 15 is concerned, the same is denied in its entirety. The Notice appears to be addressed to me in my individual capacity and not as director of PPG International Limited. Therefore, to allege that, "Noticee No. 2 (in the capacity of sole director and decision maker of acquirer)" is fallacious and not tenable in the eyes of law. It's respectfully summited that Noticee No. 2 (in the capacity of sole director and decision maker of acquirer)" and "change in ownership" are self-contradictory while viewing the allegations against me as Noticee No. 2. The open offer has been successfully completed considering me ((in the capacity of sole director and decision maker of acquirer). In my most humble view, the confusion and dilemma prevailing in the mind of examining authority and inherited by your good self is apparent. The contents "(in the capacity of sole director and decision maker of acquirer" has been the requisition of law and is not under challenge. Therefore, it does not disturb the contents of the open offer. Therefore, there has been incorrect viewing and observing resulted into erroneous findings as to violative of law. The contents "change in ownership" has not been the requisition of law and therefore, I being Noticee No. 2 has not failed to ensure that contents of letter of offer are true, fair and adequate in all material aspects, not misleading in any material particular and are based on reliable sources. The incorrect inferences of terms and thereby viewing on the basis of assumption and presumption drawn shall not be basis for levelling chares and allegations. Therefore, I respectfully say and submit that I have not violated any provision of law in the eyes of your good self.

10.16 I humbly submit that so far contents of para 16 is concerned as explained here above, and in view of what has been contended and more particularly in light of misjoinder of cause, action entity and applicability of law as also self-contradiction in viewing and observing the identity and requisition of law, I say that I have not violated regulation 25(3) of SAST Regulations. I say that the SCN is erroneously issued to me and requires to be withdrawn immediately.

10.17 With respect to para 17 is concerned, as has been explained in para 1 to 13 hereinabove, and more particularly in light of the provision of regulation in respect of term "promoter" "control", "change in control of target company", "obligation of acquirer", "obligation of merchant banker", "contents" r/w no reference of the term "significant control", "change in ownership", "shareholding" "change in control of acquirer company" in SAST Regulations, no violation has been committed by Noticee No. 2 for SAST Regulation and therefore the para under reference deserves to be dropped forthwith. The law does not allow or

permit to observe the violations of provision of law in tis complete defiance. It should be appreciated that violation should be clear and unambiguous and in conformity with the provision of applicable laws.

10.18 I humbly submit that so far content of para 18 is concerned, the Noticee No. 2 denies any violations to have committed of SAST Regulation rest apart the alleged violation stated in para 16 and 17A of SCN and therefore, the question of imposing monetary penalties under section 15HB of SEBI Act does not arise at all.

10.19 In view of what has been stated hereinabove, the Noticee 2 states that the SCN is void ab initio and is bad in law. The Noticee No. 2 expresses its difficulties in understanding what the case is made out against it including the basis of the charges and allegations levelled against it for contemplated penal action of imposing monetary penalty. No violations of SAST Regulations have been committed by me. Though as it may, the Noticee No. 2 understands that intentional and inadvertent error deserves to be pardon as stated vide my letter dated July 04, 2023.

10.20 In further view of the aforesaid, the ends of justice would be met by discharging the Noticee No. 2 from the charges and allegations levelled in the SCN in the interest of justice and equity.

11. Pursuant to reallocation of cases, vide hearing notice dated July 14, 2025, Noticees were granted another opportunity of hearing. AR of the Noticee No. 1 appeared for the hearing on August 11, 2025 and reiterated the submissions made vide replies dated April 29, 2025 and May 24, 2024.

12. However, Noticee No. 2 did not appear for the hearing. Subsequently, vide final hearing notice dated September 02, 2025, Noticee No. 2 was granted another opportunity of being heard, however, Noticee No. 2 failed to appear for the hearing. Therefore, the matter is proceeded with on the basis of the replies submitted by Noticee No. 2.

CONSIDERATION OF ISSUES AND FINDINGS

13. The issues that arise for consideration in the instant matter are:

Issue No. I Whether Noticee No. 1 failed to ensure that the contents of the letter of offer are true, fair and adequate in all material aspects and not

misleading in any material particular, and are based on reliable sources and failed to exercise due diligence and care and thereby violated regulation 27(2) and 27(5) of SAST Regulations and regulation 13 read with Clause 4 of Schedule III of Merchant Bankers Regulations?

Issue No. II Whether Noticee No. 2 (in the capacity of sole director and decision maker of acquirer) made wrongful disclosure to the investors and failed to ensure that the contents of the letter of offer are true, fair and adequate in all material aspects, not misleading in any material particular and are based on reliable sources and thereby violated regulation 25 (3) of SAST Regulations?

Issue No. III If yes, whether the failure, on the part of the Noticees would attract monetary penalty under section 15HB of the SEBI Act?

Issue No. IV If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in section 15J of the SEBI Act?

14. Before proceeding further, I would like to refer to the relevant provisions of the SAST Regulations and Merchant Bankers Regulations:

Regulation 25(3) of SAST Regulations:

"*The acquirer shall ensure that the contents of the public announcement, the detailed public statement, the letter of offer and the post-offer advertisement are true, fair and adequate in all material aspects and not misleading in any material particular, and are based on reliable sources, and state the source wherever necessary."*

Regulation 27(2) of SAST Regulations:

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

Regulation 27(5) of SAST Regulations:

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

Regulation 13 of Merchant Bankers Regulations*:*

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

Clause 4 of Schedule III of Merchant Bankers Regulations*:*

"*A merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment."*

15. First of all, I would like to deal with the preliminary objection of Noticee No. 1. Noticee No. 1 submitted, *inter alia,* that the Acquirer was not made a party to these proceedings, which had appointed Noticee No. 1 as its merchant banker for acquisition of shares of the Target Company through open offer. Noticee No. 1 had also submitted that as no violation has been alleged against Acquirer, the question of violation of regulation 27(2) and 27(5) of SAST Regulations against the Noticee No. 1 are not attracted at all, much less visiting and invoking the violation of regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations by Noticee No. 1. The merchant banker was appointed by the Acquirer and not by Noticee No. 2.

16. In this regard, I note that the violations alleged in the SCN against the Noticees are specific to the role played by each Noticee in the open offer. The role and responsibility of a merchant banker is distinct from the that of the Acquirer. The Merchant Bankers Regulations and especially the SAST Regulations lay down the unique role of a merchant banker acting as 'manager to the open offer'. From ensuring compliance with the SAST Regulations while exercising independent due diligence, the responsibilities of the manager to the open offer is multifarious. In this regard, it is pertinent to note the order of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in the matter of Corporate Professionals Capital Pvt. Ltd. v. SEBI (Appeal No. 606 of 2019) wherein Hon'ble SAT explained the role and responsibilities of the manger to the open offer vide order dated July 5, 2022 as under:

> *"6. In furtherance to the aforesaid provisions, Regulation 27(5) of the SAST Regulations requires a manager to the open offer to exercise diligence, care and professional judgment to ensure compliance with these regulations. Regulation 27(5) of the SAST Regulations is extracted hereunder:-*
>
> > *"27(5). The manager to the open offer shall exercise diligence, care and professional judgment to ensure compliance with these regulations."*
>
> *7. The aforesaid indicates the obligations of the merchant banker appointed for the purpose. One of the reasons for appointing the merchant banker for the purpose of public offer is, that the merchant banker, being a professional body, is required to ensure regulatory compliance with reference to the public offer and, therefore it is expected to carry out utmost care and compliance with the regulations applicable to the public offer. Therefore, a merchant banker's responsibility is to ensure that the corporate entity is acting in accordance with the norms laid down and in case of violation bring the said violation to the notice of the regulator for appropriate action. The Code of Conduct prescribes that a merchant baker shall all times exercise due diligence and ensure proper case and exercise independent professional judgment."*

17. Thus, the role of the manger to the open offer is unique and distinct from that of the Acquirer and Noticee No.1 cannot avoid its responsibilities as merchant banker by contending that the Acquirer was not made a party to the proceedings.

18. In this connection, I further note that regulation 25(3) and 27(2) of SAST Regulations are almost identical where these regulations mandate that the contents of the public announcement, the detailed public statement, the letter of offer and the post-offer advertisement are true, fair and adequate in all material aspects and not misleading in any material particular, and are based on reliable sources. Though they are identical regulations, the former casts the responsibly on the Acquirer and the latter is applicable to the merchant banker. The only difference in these regulations is that in case of merchant banker, the regulation casts an additional responsibility of '*and are in compliance with the requirements under these regulations*" which is absent in the case of Acquirer.

19. The purpose of imposing similar obligations on the acquirer and merchant banker while providing separate regulations for the client and its manger to the open offer is a clear indication that these obligations are independent of each other. As observed in the Report of Takeover Regulations Advisory Committee dated July 19, 2010, it was felt necessary to ensure that there is complete clarity for the merchant banker in respect of his own role as well as the responsibility of the clients to enable him to comply with the regulatory requirements. Therefore, regulation 27 was recommended with the following intent:

> *"15.3 The Committee recommends that the merchant banker would be expected to demonstrate the application of due skill, care and diligence in the discharge of professional duties cast on him and the obligations of the merchant banker ought to be construed accordingly. It is perhaps likely that despite following best practices and full application of diligence, skill and care, an acquirer could end up defaulting under the Takeover Regulations. In such circumstances, the Committee believes that, in the least, the expectation from a merchant banker would be a demonstration of the bona fide efforts undertaken by him in professionally and diligently discharging the role envisaged for the merchant banker under the regulations."*

20. From the foregoing, it is evident that it was the legislative intent that the obligations of the merchant banker acting as manger to the open offer is a standalone one

unaffected by the conduct of its client(Acquirer). In view of the above, I am of the opinion that Noticee No. 1, cannot be absolved of the culpability of the alleged violations on the ground that the Acquirer was not charged in the SCN. Therefore, I find no merit in the aforesaid contention made by Noticee No. 1.

Issue No. I: Whether Noticee No. 1 failed to ensure that the contents of the letter of offer are true, fair and adequate in all material aspects and not misleading in any material particular and are based on reliable sources and failed to exercised due diligence and care and thereby violated regulation 27(2) and 27(5) of SAST Regulations and regulation 13 read with Clause 4 of Schedule III of Merchant Bankers Regulations?

21. It was alleged in the SCN that Noticee No. 1 being manager to the open offer, failed to make true disclosures in the LOF and therefore, failed exercise due diligence and care.

22. Noticee No. 1 informed that vide letter dated April 04, 2022, it was appointed by the Acquirer as manager to the open offer in respect of open offer to acquire 38,27,200 shares representing 26.00% of the paid up share capital of Target Company.

23. From the disclosures made by the Noticee No. 1 in the Detailed Public Statement (DPS) and LOF, following is observed with respect to the shareholding of the acquirer.

DPS

iii. Dr. Murali Manohar holds 100% share capital of the Acquirer Company.
iv. Dr. Murali Manohar, aged about 65 years is the director of Acquirer Company. He is residing at No 4, Kilpauk, Green Road, II Street, Kilpauk, Chennai - 600010.

LOF

4.3 Dr. J Murali Manohar holds 100% share capital of the Acquirer Company.

4.4 Dr. J Murali Manohar, aged about 65 years is the director of Acquirer Company. He is residing at No 4, Kilpauk, Green Road, II Street, Kilpauk, Chennai - 600010.

24. I note from the SCN that Noticee No. 1 in reply to queries from SEBI, submitted that it had obtained information from the Acquirer and the same was verified from *https://suite.endole.co.uk*. Clarifications were sought from the Acquirer to check the authenticity of the transaction that took place prior to finalization of documents and based on these facts and circumstances, Noticee No. 2 was a director and authorised person of the Acquirer. Noticee No. 1 also submitted that as manager to the open offer, the information with respect to transfer of shares was not brought to its notice by the Acquirer. It had disclosed all facts available with it after verifying documents received from the Acquirer / third party / *https://suite.endole.co.uk*.

25. I note that during the course of examination, Noticee No. 1 had submitted that Noticee No. 2 holds 100% shares of the Acquirer and the said information was authenticated by the Acquirer before publication of DLOF, LOF and PA. As observed by SEBI, Noticee No. 1 had verified the profile of the Acquirer on May 04, 2022, however, the share transfer took place on June 01, 2022 and the DLOF was submitted on August 17, 2022. Hence, the submission of Noticee No. 1 that the Acquirer information was ensured and authenticated by the Acquirer before publication of DLOF, LOF and PA does not hold merit as fresh due diligence was required to be done before filing of DLOF and LOF.

26. I further observe from the numerous correspondences with Noticee No. 1 during the examination that it maintained the stand that Noticee No. 2 is holding 100% of the shareholding of Acquirer, which was factually incorrect.

27. I note that in terms of regulation 27(2), the manager to the open offer shall ensure that the contents of the public announcement, the detailed public statement and letter of offer and the post-offer advertisement are true, fair, and adequate in all material aspects, not misleading in any material particular, are based on reliable sources, state the source wherever necessary and are in compliance with the requirement under the SAST Regulations. Further, regulation 27(5) of SAST Regulations, stipulates that the manager to the open offer is required to exercise diligence, care and professional judgment to ensure compliance with the SAST Regulations. In terms of regulation 13 of Merchant Bankers Regulations, the Merchant Banker is required to abide by the Code of Conduct specified in Schedule III of the of Merchant Bankers Regulations. Further, clause 4 of Schedule III of Merchant Bankers Regulations requires a merchant banker to exercise due diligence, ensure proper care and exercise independent professional judgment.

28. The goal of the due diligence is to independently review, investigate and verify information about the company and its business to ensure the information contained in the offer document is accurate and that the offer document includes all information about the company's business operations, shareholding pattern, financial condition and prospects that would be material to investors. Typically, the merchant banker prepares a comprehensive due diligence checklist to cover all categories of due diligence review. The initial checklist gets supplemented in due course of the due diligence process, based on the review of documents. I note that SEBI had observed that Noticee No. 1 had verified the profile of the Acquirer on May 04, 2022. The share transfer transaction took place on June 01, 2022 and the DLOF was submitted on August 17, 2022. There was two month's gap between the SEBI observations and submission of DLOF. Therefore, the initial checklist of due diligence should have been supplemented by Noticee No. 1 and disclosed prior to filing of DLOF and LOF.

29. Further, Noticee No. 1 submitted that the information with respect to transfer of shares was not brought to its notice by the Acquirer and it disclosed all facts subject to

verification received form the Acquirer / third party / *https://suite.endole.co.uk.* However, the information relating to change in shareholding was available in public domain. Hence, it was the obligation of Noticee No. 1 to verify the same. Without doing a fresh due diligence, Noticee No. 1 had submitted a due diligence certificate under regulation 27(3) stating that the "…*Contents of PA, DPS as well as the Draft letter of offer are true, fair and adequate and are based on "reliable" sources*…." I note that Noticee No. 1 was required to make efforts to find out material developments that would affect the interest of the investors. It is on the faith that the manager to the open offer had exercised due diligence while making the necessary disclosures, the investor decides as to whether remain invested in a particular company or exit the company. In the present case, the entire shareholding was transferred from one person to another which was a material change in the eye of law, and, therefore, the same was required to be disclosed by Noticee No. 1 in the DPS, DLOF and LOF.

30. Noticee No. 1 had also submitted that SEBI did not fulfil its obligations by visiting the website and verifying the details of the shareholding of the Acquirer. I note that Noticee No. 1 by virtue of being the manager to the open offer was entrusted with the responsibility of conducting due diligence under regulation 27 (5) of the SAST Regulations and not SEBI. I further note that it is the merchant banker who is responsible for verification of the contents of a prospectus or the letter of offer, hence the contention of Noticee 1 is not tenable.

31. Noticee No. 1 had also contented that there was no change in control as the transferring of shareholding did not have any bearing on the DLOF and LOF. In this regard, it is important to refer to the contents of the DPS and DLOF. The due diligence certificate provided by Noticee No. 1 stated the following : *"…Contents of PA, DPS as well as the Draft letter of offer are true, fair and adequate and are based on "reliable" sources."*

32. I note that the question in the present matter is not to ascertain as to who is in the control of the Acquirer rather to ascertain the information provided in the LOF is true, fair and accurate or not. Noticee No. 2 had transferred 100% of his shareholding to Ms. Gheetha Ammasee June 01, 2022. However, the DLOF filed in the month of August 2022 and LOF filed in January 2023, maintained that Noticee No. 2 held 100% shareholding of the Acquirer. I am of the opinion that transfer of 100% shareholding of Noticee No. 2 was a material information and was required to be disclosed in the DLOF and later in LOF. An investor perusing the DLOF, would have understood that Noticee No. 2 is the sole shareholder of the Acquirer, whereas in fact Noticee No.2 had 'nil' shareholding in the Acquirer.

33. Further, as stated above I note that the SCN did not allege that Noticee No. 1 had failed to disclose the change in control rather the allegation is that fair, true and adequate disclosure was not made in the LOF. However, the contention of Noticee No.1 is that the change in shareholding had no effect and it was immaterial as the control still remained with Noticee No.2. For the sake of argument, the said claim of Noticee No.1 is examined to ascertain whether Noticee No.2 was in control of Acquirer while making LOF. In this regard, reference is drawn to the law governing the Acquirer and Noticee No.2, i.e., Companies Act 2006 of United Kingdom. I note that section 255 of the Companies Act 2006 of United Kingdom, reads as under:

"255 Director "controlling" a body corporate

(1) This section defines what is meant by references in this Part to a director "controlling" a body corporate.

(2) A director of a company is taken to control a body corporate if, but only if—

(a)he or any person connected with him—

(i) is interested in any part of the equity share capital of that body, or

(ii) is entitled to exercise or control the exercise of any part of the voting power at any general meeting of that body, and

(b) he, the persons connected with him and the other directors of that company, together—

(i) are interested in more than 50% of that share capital, or

(ii) are entitled to exercise or control the exercise of more than 50% of that voting power."

34. Therefore, in the absence of shareholding by Noticee No.2, it needs to be established that persons connected with him were interested in the equity share capital or entitled to exercise control or voting power in the Acquirer. However, Noticee No.1 has not brought any material on record to show that despite transfer of 100% shareholding to Ms. Gheetha Ammasee, Noticee No.2 had still retained control of Acquirer.

35. In addition, reference is drawn to clause 4 of Part 2 of the Articles of Association of the Acquirer as forwarded by Noticee No. 1 vide email dated May 04, 2023 to SEBI which reads as follows:

> "**Shareholders' reserve power**
> 4 (1) *The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action"*.

36. Hence, as per the Articles of Association of the Acquirer, the shareholder has authority over the director of the Acquirer which is a single member company under the United Kingdom laws. Given these facts, the submission of the Noticee No. 1 that there was no change in control does not hold true as it appears that with the transfer of shares, Noticee No. 2 was no longer in control of the Acquirer.

37. However, irrespective of the fact of change of control of the Acquirer, the statement made by Noticee No. 1 as reproduced in paragraph 23 above that Noticee No.2 was holding 100% shares of Acquirer is factually incorrect. Thus, by failing to ensure that the contents of the LOF are true, fair and adequate in all material aspects and not misleading in any material particular and are based on reliable sources, Noticee No.1 had failed to exercise due diligence and care.

38. Hon'ble SAT in its order in the matter of Keynote Corporate Services Ltd. v. SEBI[1], discussed the due diligence requirement of a merchant banker, wherein the merchant banker had argued that the due diligence cannot extend to the information which was

[1] Appeal No. 84 of 2012, Date of order February 19, 2014

never brought forward by the company. Hon'ble SAT made the following observations in this regard:

> *"Appellant had failed to ensure that adequate disclosures were made in Prospectus of ESL and thus failed to facilitate investors to take an informed decision for making an investment in IPO of ESL. Appellant's plea that the information regarding ICDs was withheld from Appellant by ESL cannot be accepted. BRLM, in carrying out its functions is generally expected to act in an independent and professional manner and should not rely only on issuer company to provide them with updates, if any. Due diligence on part of Merchant Banker does not mean passively reporting whatever is reported to it but to find out everything that is worth finding out. It is about making an active effort to find out material developments that would affect interest of investors. It is on faith that intermediary has conducted due diligence with utmost sincerity that investing public goes forward and decides to invest in a particular company."* (Emphasis supplied)

39. Further, Hon'ble SAT in the matter of Corporate Strategic Allianz Ltd. v. SEBI[2], observed the following regarding the role of a merchant banker:

> "*No lapse of accuracy could be tolerated in this regard in as much as it is on the strength of the disclosures made in the prospectus that the investors take a decision to invest. The prospectus requires that full and fair disclosure of the state of affairs of the Company should be disclosed and that the Merchant Banker is required to conduct due diligence in respect of the disclosures. A Merchant Banker … plays a fiduciary role by coordinating the activities of the Company, the Regulatory Bodies, and the Investors. The Merchant Banker is required to present the Company's information to the investors in a fair, concise and unambiguous form. By not furnishing full disclosures and in fact allowing false information to creep in the disclosures has misled the investors. Thus, we are of the opinion that the appellant did not exercise due diligence and did not disclose fairly in the offer document."*

40. As held by Hon'ble SAT in the aforesaid orders, Noticee No.1 here had also failed to furnish full disclosure and allowed false information with respect to shareholder of the Acquirer to be part of the LOF and thus failed to exercise due diligence as mandated under the Merchant Bankers Regulations.

[2] Appeal No. 224 of 2017 Date of Order March 29, 2019

41. In view of the foregoing, I am of the opinion that Noticee No.1 had failed to ensure that the contents of the LOF were true fair and adequate in all material aspects, not misleading in any material particular and based on reliable sources and it also failed to exercise diligence and thus violated regulation 27(2) and 27(5) of the SAST Regulations and regulation 13 and clause 4 of Schedule III of Merchant Bankers Regulations.

Issue No. II Whether Noticee No. 2 (in the capacity of sole director and decision maker of acquirer) made wrongful disclosure to the investors and failed to ensure that the contents of the letter of offer are true, fair and adequate in all material aspects and not misleading in any material particular, and are based on reliable sources and thereby violated regulation 25 (3) of SAST Regulations?

42. It was alleged in the SCN that Noticee No. 2, failed to disclose the change in shareholding to the investors in LOF.

43. It is observed that vide email dated June 25, 2023 Noticee No.2 informed that he had transferred the shares of Acquirer to Ms. Gheetha Ammasse. However, he continued as director to fulfil the role of full-time director of Acquirer. As outlined in the Companies Act 2006 of the United Kingdom, he confirmed that he had the authority and decision-making power concerning overall operational and management decisions of Acquirer.

44. Further, he submitted that in accordance with his decision-making authority, he had pursued the acquisition of Target Company through an open offer. Noticee No.2 mainly contended that Acquirer made the acquisition in its capacity as a body corporate. The change in shareholding does not change either his identity as subscriber to the MOA or directorship in Acquirer. He further submitted that transfer of shares of Acquirer on June 01, 2022 was a transfer of shares from a member to an incoming member and such change in membership did not affect either the share capital or the affairs of Acquirer.

45. Noticee No. 2 also contended that he remained director in control as per the Companies Act 2006 of the Register of Companies of England and Wales. I note that this contention is already dealt in paras 33-36 above.

46. Another argument taken up the Noticee No. 2 was that as per regulation 25(3) of the SAST Regulations, the contents of the LOF are to be ensured by the Acquirer and no liability can be fastened on him.

47. In this regard, I note that the SCN had alleged that Noticee No. 2 being sole director and decision maker of the Acquirer, is responsible under regulation 25(3) of SAST Regulations for wrongful disclosure of the shareholding of the Acquirer. I have perused regulation 25(3) of the SAST Regulations. It states that the acquirer shall ensure the contents of the public announcement, DPS and LOF are true, fair and adequate. Regulation 2(1)(a) of the SAST Regulations, defines acquirer as:

"acquirer" means any person who, directly or indirectly, acquires or agrees to acquire whether by himself, or through, or with persons acting in concert with him, shares or voting rights in, or control over a target company;

48. Acquirer is defined in SAST Regulations as a person who acquires or agrees to acquire. In this present case, as observed above, PPG International Limited was the sole acquirer who acquired the shares of Target Company and not Noticee No.2. However, Noticee No.2 is charged here as the sole director and decision maker of the Acquirer and not as acquirer/persons acting in concert with the Acquirer.

49. In my opinion, regulation 25(3) clearly mandates that onus is on the acquirer to make true, fair and adequate disclosures. The onus on the acquirer cannot be fastened on the director who is in-charge of taking decisions. Both the acquirer and director are separate persons in the eye of law. As director, Noticee No. 2 was acting on behalf of the Acquirer to execute the open offer. Acquirer is a separate juristic person and

director of the Acquirer will not fall within the ambit of regulation 25(3) of the SAST Regulations in the given circumstances. Therefore, I am unable to hold Noticee No. 2 accountable for the violation of SAST Regulations.

50. Therefore, I am of the opinion that violation of regulation 25(3) of the SAST Regulations is not established against the Noticee No. 2.

Issue No. III **If yes, whether the failure, on the part of the Noticee No. 1 would attract monetary penalty under Section 15HB of the SEBI Act?**

Issue No. IV **If yes, what would be the monetary penalty that can be imposed upon the Noticee No. 1 taking into consideration the factors stipulated in Section 15J of the SEBI Act?**

51. In view of the abovementioned observations and findings and having considered all the facts and circumstances of the case, the material available on record including the submissions of the Noticee No. 1, I find that Noticee No. 1 failed to ensure that the contents of the letter of offer were true, fair and adequate in all material aspects, not misleading in any material particular and based on reliable sources, failing to exercise diligence and care thereby violating regulation 27(2) and 27(5) of SAST Regulations and regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations.

52. The aforesaid violations, makes the Noticee No. 1 liable for imposition of penalty under Section 15HB of the SEBI Act.

"Penalty for contravention where no separate penalty has been provided.

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

53. While determining the quantum of penalty under 15HB of SEBI Act, the following factors stipulated in section 15J of the SEBI Act are taken into account:

"Factors to be taken into account while adjudging quantum of penalty by the Adjudicating Officer

15J. While adjudging quantum of penalty under 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."

54. In the present matter, it is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee No. 1. Further, from the material available on record, it is not possible to ascertain the exact monetary loss to the investors /clients on account of default by Noticee No. 1. As regard the repetitive nature of default, there is nothing on record to show that the nature of default by Noticee No. 1 is repetitive. However, I cannot ignore the fact that as a SEBI registered Intermediary, Noticee No.1 was under a statutory obligation to abide by the provisions of SAST Regulations and Merchant Banker Regulations, which it failed to do. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

55. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose a monetary penalty of Rs. 3,00,000/- (Rupees Three Lakh) on Noticee No. 1, i.e., Kunvaji Finstock Private Limited under section 15HB of SEBI Act for the violation of regulation 27(2) and 27(5) of the SAST Regulations and regulation 13 and clause 4 of Schedule III of Merchant Bankers Regulations. The adjudication proceedings initiated against Noticee No. 2 is hereby disposed of without imposition of any penalty.

56. I am of the view that the said penalty is commensurate with the violations committed by Noticee No. 1.

57. Noticee No. 1 shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

58. In terms of rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.11.07 17:35:14 +05'30'

Date : November 07, 2025
Place : Mumbai

JAI SEBASTIAN
ADJUDICATING OFFICER