

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/DP/2025-26/31819]**

**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**

**Kreo Capital Private Limited
(PAN: AAQCA7346A)**

In the matter of Kreo Capital Private Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an inspection of Kreo Capital Private Limited (hereinafter referred to as '**Noticee**') on June 13, 2024. The Noticee is a SEBI-registered merchant banker having Registration Number: INM000012689. The period covered in the inspection was April 01, 2022 to April 30, 2024 (hereinafter referred to as '**Inspection Period**')
2. The observations of inspection were shared with the Noticee for its comments vide letter and email dated July 16, 2024. Taking into the account the comments of the Noticee dated July 22, 2024 and August 03, 2024 on the said observations of inspection, a Post Inspection Analysis was prepared. The said Post Inspection Analysis observed certain non-compliances of SEBI (Merchant Bankers) Regulations, 1992, (hereinafter referred to as '**Merchant Bankers Regulations**'), Master Circular dated September 26, 2023 for Merchant Bankers and other Circulars by the Noticee. Accordingly, SEBI initiated adjudication proceedings against the Noticee.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed an Adjudicating Officer (hereinafter referred to as "**AO**") vide communiqué dated October 04, 2024 under section 15-I of the Securities and

Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Rules**') to inquire into and adjudge under the provisions of sections 15A(a) and 15HB of the SEBI Act, the alleged violations of the provisions of Merchant Bankers Regulations and Circulars issued thereunder, by the Noticee. Subsequently, on superannuation of the said AO, another AO was appointed vide communique dated January 24, 2025. Pursuant to reallocation of case, vide communique dated April 21, 2025, the undersigned was appointed as the AO in this matter to inquire into and adjudge the following alleged violations under the provisions of sections 15A(a) and 15HB of SEBI Act:

- (a) Regulation 28(2) read with clause 20 of Schedule III of Merchants Bankers Regulations and para 1.1 and para 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of SEBI Master Circular (SEBI/HO/CFD/PoD-1/P/CIR/2023/157) dated September 26, 2023 (hereinafter referred to as '**Master Circular dated September 26, 2023**') for merchant bankers registered with SEBI (erstwhile Circular No. MIRSD/DPS-2/MB/Cir-16/2008 dated May 06, 2008);
- (b) Regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter 1 of Master Circular dated September 26, 2023;
- (c) Regulation 13A of Merchant Bankers Regulations read with SEBI Circular No. 1 dated June 05, 1998 (hereinafter referred to as '**Circular dated June 5, 1998**').

SHOW CAUSE NOTICE, REPLY AND HEARING

- 4. A show cause notice dated October 15, 2024 (hereinafter referred to as '**SCN**') was issued to the Noticee to show cause as to why an inquiry should not be initiated against it and penalty, if any, should not be imposed upon it under the provisions of sections 15A(a) and 15HB of SEBI Act, for alleged violation of the provision mentioned in para 3 above.

5. I note that the SCN was duly served upon the Noticee by Speed Post Acknowledgement Due (herein after referred to as “**SPAD**”) and email.

6. The SCN, *inter alia*, alleged the following:

Failure to report the lending activity in the half yearly reports submitted to SEBI

6.1 During inspection, it was observed that from April 01, 2022 to April 30, 2024, Noticee had undertaken nine lending services and for the same Noticee had charged a fee of Rs. 45,11,110/-. However, Noticee failed to report the said lending services in its Half-yearly reports filed with SEBI under ‘Other Activity’ section, considering that the Noticee was generating maximum revenue from this activity. Therefore, it was alleged that Noticee failed to comply with regulation 28(2) read with clause 20 of Schedule III of Merchants Bankers Regulations and para 1.1 and para 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of Master Circular dated September 26, 2023 for merchant bankers registered with SEBI.

Failure to furnish the change in the KMP to SEBI and continued to show an advisor as a KMP

6.2 As per regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter I of Master Circular dated September 26, 2023 for merchant bankers registered with SEBI, the merchant banker is obligated to immediately intimate SEBI, details of changes that have taken place in the information that was submitted while seeking registration. Furthermore, following regulatory clarification in this regard were also noted-

(a) As per section 13.2 of SEBI FAQ dated March 14, 2023, it was clarified that a KMP has to be full time employee of the applicant;

(b) Furthermore, under section 6 of SEBI FAQ dated November 25, 2020 for registered intermediaries-update details, it was clarified that the application for update details should be filed on a real time basis but not later than 7 days from the date of changes being effective;

6.3 From Noticee's email dated June 25, 2024, it was observed that Noticee had mentioned that Mr. Anish Vishram Buche, was a SVP with the company, who was working as an employee till June 16, 2023 and post that, he was an active advisor to the Noticee. Noticee provided SI portal screen shot for the same. It is noted from the FAQ on Merchant Bankers dated March 14, 2023 that KMPs have to be full time employees with the Applicant (MB);

6.4 Hence, when Mr. Anish Vishram Buche ceased to be employee of the Noticee, Noticee was required to update the KMP details within 7 days from the effective date of change. However, from the screen shot of SEBI SI portal submitted by Noticee (vide its email dated June 25, 2024), Mr. Anish Vishram Buche was still listed as a KMP of the Noticee. Therefore, it was alleged that Noticee failed to comply with regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter 1 of Master Circular dated September 26, 2023 for merchant bankers registered with SEBI from June 17, 2023 to April 30, 2024.

Merchant Banker offering Lending Solutions in alleged non-compliance with SEBI Circular dated June 05, 1998.

6.5 As per regulation 13A of Merchant Bankers Regulations, no merchant banker, other than a bank or a public financial institution, who has been granted a certificate of registration under these regulations shall carry on any business other than that in the securities market.

6.6 During the inspection period, it was observed that the Noticee undertook nine loan arrangement activities. In reply to the SEBI observation letter, Noticee submitted that the services were provided to entities which are not listed (private limited companies, LLP, Individual), it was therefore alleged that this activity was not related to securities market.

6.7 Further, from the sanction letters, the following purposes of lending transactions carried out by the Noticee have been observed:

- (a) *Client-Hansa Vahan India Pvt. Ltd.:* The purpose was to provide funds for submitting tenders to various government and private authorities;

- (b) *Client-Greenium Industries Pvt. Ltd.*: The purpose was to offer financial assistance for purchasing a Nexon EV, Tata Motors;
- (c) *Client - Digvijay Shradha Infrastructure Pvt. Ltd.*: Bank Guarantees had been granted towards bid bond, security deposit, earnest money deposit, contract performance /performance guarantees, advance payment and retention money purposes, Customs, goods and services tax, electricity, insurance purposes;
- (d) *Client- Chetan Balkrishna Shah*: The purpose was to arrange Lease Rental discounting loan, loan against property;
- (e) *Client -Teqworth Solutions and Services LLP*: The purpose was to finance Mobile roll crusher amounting to Rs. 2.6 crore.
- (f) *Client- Plotus Trade link Private Limited*: The purpose were ranging from business development, personal exigency/business to purchase of Mercedes benz Model GLS Class, etc.

7. Therefore, it was alleged that Noticee failed to comply with regulation 13A of Merchant Bankers Regulations read with Circular dated June 5, 1998.
8. Vide letter dated November 06, 2024, Noticee sought inspection of the documents which was granted. The Authorised Representative of the Noticee, Mr. Rushin Kapadia, Advocate and Mr. Aryan Garg, Advocate, The Fort Circle, inspected documents on November 12, 2024. Subsequently, vide letter dated November 25, 2024, Noticee sought two weeks' time to file reply to the SCN.
9. Noticee filed its reply to the SCN on December 10, 2024, *inter alia*, submitting the following:

Response to Allegation A: Failure to report the lending activity in the half yearly reports submitted to the SEBI

- (a) *SEBI has alleged that during the inspection Period, KCPL had undertaken nine lending services for which the Noticee charged a fee of Rs. 45,11,110/- and yet the said lending services were not disclosed in its Half-Yearly*

Reports under 'Other Activity' section, considering the Noticee generated maximum revenue from the said activity.

(b) In this regard, Noticee submitted as under:

- i. It is untrue that the Noticee has earned substantial revenue from the services provided in respect of the lending solutions to its clients.*
- ii. The total revenue generated from its merchant banking activities for the FY 2022-2023 was Rs. 2,07,91,429/- and for the FY 2023-24 was Rs. 2,72,14,598/-.*
- iii. In respect of lending solutions for FY 2022-23, revenue earned was Rs. 15,62,320/-, viz., only about 7.5% of the total revenue for that financial year.*
- iv. In respect of lending solutions for FY 2023-24, revenue earned was Rs. 29,48,790, viz., only about 10.83% of the total revenue for that financial year.*
- v. Thus, it is wrong to allege that substantial revenue was earned from lending solutions.*
- vi. In any event, pursuant to observations made by the inspecting team, the Noticee shall make all the disclosures even if the revenue generated by the aforesaid activities are insignificant.*

(c) Accordingly, there is no violation of regulation 28(2) read with clause 20 of Schedule III of Merchant Bankers Regulations and paras 1.1 and 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of SEBI Master Circular dated September 26, 2023.

Response to Allegation B: Failure to furnish the change in the KMP to SEBI and continued to show and advisor as KMP

(d) SEBI has alleged that during the Inspection Period, the Noticee did not update on the SEBI's SI Portal, the KMP details within 7 days from the time

the said KMP, Mr. Anish Vishram Buche resigned from the Noticee organization on June 16, 2023.

- (e) Mr. Anish Vishram Buche was with organization for a period of more than 5 years. During the course of his employment, Mr. Buche played a key role of as Senior Vice President. Even after Mr. Buche's resignation, he continued to operate as an active advisor in the Noticee company. While he ceased to be an employee of KCPL, Mr. Buche was effectively performing role similar to the role performed by him prior to his resignation. As an advisor, Mr. Buche continues to interact with existing clients of KCPL and also market the services offered by KCPL. He also advises on various client issues provides strategic inputs to the Company. Mr. Buche still continues to guide and help KCPL attract and retain clients while working as an advisor and is a key figure within KCPL. As a result, though there was a designation change for him, KCPL continues its relationship with Mr. Buche, as before.*
- (f) It is in this conspectus, the Noticee inadvertently failed to update the change in KMP and his name was not removed from the list of KMPs. That being said, as soon as the discrepancy was pointed out by the SEBI, the Noticee immediately took corrective measures.*
- (g) It is therefore submitted that the Noticee has not violated regulation 9A(1)(f) of Merchant Bankers Regulations and paras 1.1 and 1.2 of Chapter I of Master Circular dated September 26, 2023.*

Response to Allegation C: Offered lending solutions as MB in breach of SEBI Circular dated June 05, 1998

- (h) It is alleged that the Noticee offered lending solutions to entities which had nothing to do with the securities market.*
- (i) In this regard, Noticee submitted as under:*

- i. *At the outset, it is incorrect to allege that the lending solutions given to private limited companies is not an activity related to securities market.*
- ii. *It is a settled law that even shares of unlisted companies are considered as securities. The Hon'ble Supreme Court in Civil Appeal No. 7445 of 2004, decided on July 15, 2013 in the matter of Bhagwati Developers v. Peerless General Finance, observed as under:-*

“We are fortified in our view from a judgment of this Court in the case of Naresh N Aggarwala & Co vs. Canbank Financial Services Ltd . and Another (2010) 6 SCC 178, wherein this court considered the term “securities” as defined under Section 2(h)(of the Regulation Act, with reference to the notification issued under Section 16(2) and held that the definition does not make any distinction between listed securities and unlisted securities.”
- iii. *Out of the said nine lending solutions, seven lending solutions were offered to companies whose shares were not listed. In so far as lending solutions given to individuals, these were pursuant to a long-term relationship with the entity and service was rendered on good faith basis. The Noticee has not even earned any substantial fees from the said lending solutions given to the clients. In any event, the so-called lending solution is merely advisory for project finance service and, in fact, may fall within the meaning of “Debt Syndication”.*
- iv. *In this context, the Noticee was under bona fide belief that the lending solutions to the said nine clients were permissible under the extant legal framework. In the circumstance, it was submitted that SEBI ought to take a holistic view on the issue. As such, the Noticee, while not agreeable with the interpretation propounded by the SEBI, has already confirmed to the inspecting team of SEBI that it shall not undertake the activity as is envisaged in the nine instances pointed out by the SEBI.*

(j) *It is a settled position of law that the purpose of inspection could be better achieved if the inspecting team at the time of the inspection were to advise the erring entity to rectify its errors. In the present case, assuming without admitting, the alleged defaults were purely procedural and did not lead to any substantial violation of law. Further, no clients of KCPL has any grievance against it. Thus, to penalise the Noticee, merely on minor procedural inadvertence observed during the inspection, is inherently excessive. Noticee relied upon the orders of Hon'ble Securities Appellate Tribunal (SAT) in the matters of Religare Securities Limited v. SEBI and UPSE Securities Limited v. SEBI.*

10. While these proceedings were underway, the Noticee filed application for settlement in the matter to settle the pending adjudication proceedings in the matter under SEBI (Settlement Proceedings) Regulations, 2018. Subsequently, the Settlement Division informed that all the said settlement application was rejected.
11. Thereafter, in the interest of natural justice, vide hearing notice dated May 16, 2025, Noticee was granted an opportunity of personal hearing on May 29, 2025.
12. The Authorised Representatives (ARs) of the Noticee, namely Mr. Rushin Kapadia, Advocate and Mr. Jaideep Singh, Advocate from The Fort Circle appeared for the hearing and reiterated the submissions made vide reply dated December 10, 2024. The ARs of the Noticee requested that a lenient view may be taken in the matter as all remedial steps have been taken by the Noticee.
13. Vide letter dated June 05, 2025, Noticee filed additional submissions stating as follows:

(a) *As regards the first aspect concerning the lending activities, the Noticee submitted as under:*

- i. *The Noticee clarified that it had not taken any exposure by way of any investment or otherwise as has been alleged in the SCN. The*

Noticee has not provided any lending and/or borrowing services to any of its clients.

- ii. The only reason the Noticee assisted some of its clients by giving advisory/ facilitation services to them for availing loans. In the nine instances captured in the SCN, in majority of the cases, the Noticee has advised the clients who are relationship clients.*
- iii. The Noticee has herein below provided its explanation in relation to the services that the Noticee was providing as regards each lending transaction which has been mentioned in the SCN:*

Sr. No.	Client	Relationship Client	Activity
1.	Hansa Vahan India Pvt. Ltd.		<i>The client initially engaged the Noticee for advisory services in relation to securities, which did not materialize. At the client's request and to foster business relationship with the client for advisory services, the Noticee provided assistance for the client's fund-raising activities.</i>
2.	Digvijay Sharadha Infrastructure Pvt. Ltd.	Active Infrastructures Ltd.	<i>The client is a Subsidiary of Active Infrastructure Ltd. The Noticee has acted as the book running lead manager in relation to IPO of Active Infrastructures Ltd. At the relevant time when the services were being provided, the client remained a subsidiary of Active Infrastructures, which was a private company at the time and was subsequently converted into a public company. Thus, the services which were being provided was only to the subsidiary of a listed entity. It would also be pertinent to mention that the Noticee has not given any bank guarantees as has been suggested in the SCN.</i>
3.	Chetan Balkirishna Shah	Artefacts Projects Ltd.	<i>The client is the promoter of Artefacts Projects Ltd., with</i>

			<i>whom the Noticee has a longstanding relationship. In view of the longstanding relationship the client was provided advisory services for the purposes of arranging lease rental discounting for a financial institution.</i>
4.	<i>Plotus Tradelink Pvt. Ltd., Teqworth Solutions and Services LLP & Greenium Industries Pvt. Ltd.</i>		<i>Plotus Tradelink Pvt. Ltd., Teqworth Solutions and Services LLP and Greenium Industries Pvt Ltd are entities which belongs to Gupta Groups of companies. The said Group had approached the Noticee and sought corporate advisory services for advising on restructuring of the group's and its various entities. Since merchant banking activities were provided to the said Group, the Noticee also rendered the advisory services to the clients for its lending requirements.</i>

iv. Noticee relied upon following orders of Hon'ble SAT requesting that a lenient view may be taken:

Sr. No.	Date of Order	Name of Noticee	Issues Involved	Penalty Levied by SEBI
1.	30 May 2024	Finshore Management Services Ltd.	Multiple compliance failures including lapses in due diligence, prospectus declarations, investor grievance mechanisms and Non-disclosures of Information to SEBI.	Under section 15HB of SEBI Act INR 4,00,000/- and under section 15A(a) of SEBI Act -INR 1,00,000/-
2.	21 February 2024	First Overseas Capital Ltd.	Submission of incorrect details in the Draft Letter of Offer	Under section 15HB of SEBI Act- INR 3,00,000/-
3.	24 March 2022	Axis Bank	Failure to report/submit transaction details to SEBI in perspective of 9 Public	Under section 15A(a) of SEBI Act — INR 5,00,000/-

			issues of debt of various companies wherein it had acquired securities.	
4.	22 April 2024	Tipsons Consultancy Services	Violation of various provisions of the SEBI NCS Regulations, 2021 and SEBI Merchant Bankers Regulations.	Under section 15HB of SEBI Act - INR 3,00,000/-
5.	5 May 2024	Hexa Tradex Ltd.	Violation of regulation 29 (2) of the Delisting Regulations.	Under section 15HB of SEBI Act - INR 1,00,000/-
6.	29 May 2025	Value Square Capital Private Ltd.	Misrepresenting itself as a merchant banker.	Under section 15HB of SEBI Act - INR 1,00,000/-

14. Subsequently, vide letter dated June 23, 2025, Noticee made father submissions as follows:

(a) The Securities and Exchange Board of India, in its 210 Board Meeting held on June 18, 2025, approved significant amendments to the SEBI (Merchant Bankers) Regulations, 1992. As per Paragraph 6.2 of the Press Release No. PR 33/2025 issued by SEBI, the following has been approved: "Merchant Bankers (MBs) shall be permitted to carry out activities that are not regulated by SEBI in the following respects: (a) MB may undertake activities which are within the purview of any other Financial Sector Regulator (FSR), provided it shall comply with the regulatory framework, if any, as may be specified by the respective SR; (b) MB may also undertake activities, which are not within the purview of SEBI or any other FSR, provided they are fee-based, non-fund based activities and pertain to financial services sector."

(b) The above policy statement, as approved by the SEBI Board, explicitly recognizes the ability of registered merchant bankers to undertake certain activities that were previously considered outside SEBI's regulatory purview, including those which are: (i) regulated by another FSR; or (ii)

unregulated but fee-based, non-fund-based, and in the nature of financial services,

(c) The activities undertaken by the Noticee namely, advisory and facilitation services in connection with lending transactions, were at the relevant time, undertaken in good faith as part of the Noticee's broader financial advisory practice. While such activities were previously viewed as falling outside the express scope of the SEBI (Merchant Bankers) Regulations, 1992, the subsequent decision of the SEBI Board in its meeting held on June 18, 2025 now provides regulatory clarity by expressly permitting merchant bankers to undertake (i) activities regulated by other Financial Sector Regulators (FSRs) and (ii) unregulated activities that are fee-based, non-fund based, and related to the financial services sector. In light of this clarification, it is evident that the nature of the activities previously undertaken by the Noticee aligns with the categories of permissible activities under the updated regulatory framework. While the present clarification did not exist at the time of the activities in question, the Board's decision affirms that such services are not inherently inconsistent with the regulatory objectives of SEBI and are not, in themselves, violative of the regulatory architecture. Furthermore, there has been no impact on investor protection or market integrity arising from the Noticee's conduct.

(d) In view of the above, the Noticee submitted that the activities objected to in the SCN are now specifically recognised as permissible under the updated regulatory framework approved by the SEBI Board. The Noticee reiterated that it had not engaged in any activity that compromises the regulatory architecture or investor protection framework.

CONSIDERATION OF ISSUES AND FINDINGS

15. I have perused the charges levelled against the Noticee in the SCN, replies and submissions made by the Noticee and material available on record. The issues that arise for consideration in the instant matter are as follows:

Issue No. I Whether Noticee failed to report the lending activity in the half yearly reports submitted to SEBI and violated regulation 28(2) read with clause 20 of Schedule III of Merchants Bankers Regulations and para 1.1 and para 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of SEBI Master dated September 26, 2023 for merchant bankers (erstwhile Circular No. MIRSD/DPS-2/MB/Cir-16/2008 dated May 06, 2008)?

Issue No. II Whether Noticee failed to furnish the change in the KMP to SEBI and continued to show an advisor as a KMP and thereby violated regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter 1 of SEBI Master Circular dated September 26, 2023 for merchant bankers?

Issue No. III Whether Noticee being a registered merchant banker offered lending solutions and thereby violated regulation 13A of Merchant Bankers Regulations read with SEBI Circular dated June 05, 1998?

Issue No. IV If yes, whether the failure, on the part of the Noticee would attract monetary penalty under sections 15A(a) and 15HB of the SEBI Act?

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

16. Before proceeding further, I would like to refer to the relevant provisions which are alleged to have been violated by the Noticee. The said provisions are reproduced as under:

“Conditions of registration

9A. (1) Registration granted under regulation 8 shall be subject to the following conditions, namely:—

(f) it shall immediately intimate the Board, details of changes that have taken place in the information that was submitted, while seeking registration.”

“Merchant banker not to associate with any business other than that of the securities market.

13A.No merchant banker, other than a Bank or a Public Financial Institution, who has been granted a certificate of registration under these regulations shall after June 30, 1998 carry on any business other than that in the securities market.

Notwithstanding anything contained above, a merchant banker who prior to the date of notification of the Securities and Exchange Board of India (Merchant Bankers) Amendment Regulations, 1997, has entered into a contract in respect of a business other than that of the securities market may, if he so desires, discharge his obligations under such contract:

Provided that a merchant banker who has been granted certificate of registration to act as primary or satellite dealer by Reserve Bank of India, may carry on such business as may be permitted by the Reserve Bank of India.

Provided further that a merchant banker, who has been granted certificate of registration under these regulations, may ensure market making in accordance with Chapter XA of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009

Explanation: For the purposes of this regulation, —

(i) A “bank” shall mean a banking company as defined under section 5 of the Banking Regulation Act, 1949 (10 of 1949), and the corresponding new bank set up under the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 (5 of 1970), and the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980 (40

of 1980), State Bank of India Act, 1955 (23 of 1955) and State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959).

(ii) A “public financial institution” shall have the same meaning as assigned to the term under section 4A of the Companies Act, 1956 (1 of 1956) and shall include Industrial Development Corporations and Financial Corporations established by the Central Government or State Governments, as the case may be.”

“Disclosures to the Board

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

SCHEDULE III

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

SEBI Master Circular for merchant bankers dated September 26, 2023

Chapter 1 Registration Related matters

“1. Online Registration Mechanism for Merchant Bankers

1.1. The SEBI Intermediary Portal is available at <https://siportal.sebi.gov.in> for SEBI registered intermediaries including Merchant Bankers to submit registration applications online. SEBI Intermediary Portal includes online application for registration, processing of application, grant of final registration, application for surrender/cancellation, submission of periodical reports, requests for change of name/ address/ other details, etc. The link for SEBI Intermediary Portal is also available on SEBI website –www.sebi.gov.in.

1.2. All applications for registration / surrender / other requests are required to be made through SEBI Intermediary Portal only. The applicants are separately required to submit relevant documents viz. declarations / undertakings required as a part of

application forms prescribed in relevant regulations, in physical form, only for records without impacting the online processing of applications for registration.”

7.Regulatory Compliance and Periodic Reporting

“7.1. The Merchant Bankers are required to submit half-yearly reports to SEBI in electronic form only by e-mail within three months from the expiry of the half year. The format of the report is specified in Annexure III.”

C. Other Activities

Nature of service rendered	No. of transactions undertaken during the half year ended March / Sep	Value (in ₹ crores) of transactions undertaken during the half year ended March / Sep
Private placement of securities		
Corporate Advisory Services (Takeover, acquisitions, disinvestment)		
Managing/ advising on International Offerings of Debt/ Equity		
International Financial Advisory Services		
Others (specify the activity type along with brief description)		

SEBI Circular No. MIRSD/DPS-2/MB/Cir-16/2008 dated May 06, 2008

“2. Currently, the Merchant Bankers are submitting the half-yearly reports in hard copy. It has now been decided that beginning from the half year ended September 30, 2008, the Merchant Bankers shall submit the half-yearly reports to SEBI in electronic form only and the submission of such reports in hard copy shall be dispensed with. Henceforth, the Merchant bankers are advised to submit the half-yearly reports for the period ended March 31 and September 30 in the prescribed format to e-mail id mb@sebi.gov.in in pdf and excel format. Thus, Merchant Bankers shall submit two files by e-mail – one file in pdf format and the other in excel format on a half-yearly basis.”

SEBI Circular No. 1 dated June 05, 1998

Part A

“Activities that Merchant Bankers can undertake: With effect from July 01, 1998, a merchant banker shall undertake only those activities which are relating to Securities market and which do not require registration/ granted exemption from registration as an NBFC from RBI. In particular, a merchant banker may undertake the following activities:

- *Managing of Public Issue of Securities.*
- *Underwriting connected with the aforesaid Public Issue Management Business*
- *Managing/advising on International Offerings of Debt/Equity i.e. GDR, ADR, bonds and other instruments*
- *Private Placement Securities*
- *Primary or Satellite dealership of Government Securities*
- *Corporate Advisory Services related to Securities Market e.g. take-overs, acquisitions, Disinvestment.*
- *Stock-broking*
- *Advisory services for Projects*
- *Syndication of rupee term loans*
- *International Financial Advisory Services*

Registered Category I merchant bankers who were permitted under the SEBI (Merchant Bankers) Regulations 1992 to carry on underwriting and portfolio management activities may continue to carry on these activities till the expiry of their existing certificate of registration.”

17. Based on the perusal of the material available on record and giving regard to the facts and submissions of the Noticees and circumstances of the case, I record my findings in the following paragraphs.

Issue No. I Whether Noticee failed to report the lending activity in the half yearly reports submitted to SEBI and violated regulation 28(2) read with clause 20 of Schedule III of Merchants Bankers Regulations and para 1.1 and para 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of SEBI Master

Circular dated September 26, 2023 for merchant bankers (erstwhile circular no. MIRSD/DPS-2/MB/Cir-16/2008 dated May 06, 2008)?

18. It was alleged in the SCN that from April 01, 2022 to April 30, 2024, Noticee had undertaken nine lending services and for the same Noticee had charged a fee of Rs.45,11,110/-. Therefore, it was alleged that the Noticee failed to report the said lending services in its Half-yearly reports filed with SEBI under 'Other Activities' section, considering that the Noticee was generating maximum revenue from this activity.
19. In this regard, Noticee submitted that it is untrue that it had earned substantial revenue from the services in respect of the lending services to its clients. Noticee submitted that revenue earned for the lending solutions during FY 2022-23 was 7.5% of the total revenue and in FY 2023-24 was 10.83% of the total revenue.
20. In this regard, I note that regulation 28(2) of the Merchant Bankers Regulations do not provide any monetary limit for such half yearly disclosures. It merely states that a merchant banker is required to disclose other activities, number of transactions undertaken during the half year and value of such transactions undertaken during the half year. Master Circular dated September 26, 2023 at Annexure III provides for a specific format with two sections, i.e., Section I (Activity Report) and Section II (Redressal of Investor Grievances). In Section I, 'Activities' are divided in to three groups, i.e., A. Issue Management, B. Underwriting and C. Other Activities. The format of the 'Other Activities' as provided in Master Circular dated September 26, 2023 is reproduced below:

C. Other Activities

Nature of service rendered	No. of transactions undertaken during the half year ended March / Sep	Value (in ₹ crores) of transactions undertaken during the half year ended March / Sep
Private placement of securities		
Corporate Advisory Services (Takeover, acquisitions, disinvestment)		
Managing/ advising on International Offerings of Debt/ Equity		
International Financial Advisory Services		
Others (specify the activity type along with brief description)		

21. Thus, it can clearly be seen from Master Circular dated September 26, 2023 that the obligation is to report all its activities which are specifically identified and not identified, i.e., '*Others (specify the activity type along with brief description)*'. Besides, the said Master Circular does not make any distinction between significant or insignificant revenue rather mandates disclosure of the '*Value (in ₹ crores) of transactions undertaken during the half year ended March/Sep*'. Therefore, any "Other Activities" irrespective of the revenue are required to be disclosed in the Half yearly report. However, Noticee, admittedly, did not disclose such transactions in the Half yearly report.
22. Therefore, I am of the opinion that by failing to report the lending activity in the half yearly reports submitted to SEBI, Noticee has violated regulation 28(2) read with clause 20 of Schedule III of Merchants Bankers Regulations and para 1.1 and para 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of SEBI Master Circular (SEBI/HO/CFD/PoD-1/P/CIR/2023/157) dated September 26, 2023 for merchant bankers registered with SEBI (erstwhile Circular No. MIRSD/DPS-2/MB/Cir-16/2008 dated May 06, 2008).

Issue No. II Whether Noticee failed to furnish the change in the KMP to SEBI and continued to show an advisor as a KMP and thereby violated regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter 1 of Master Circular dated September 26, 2023?

23. It is alleged in the SCN that Noticee failed to update the list of KMPs even when its Senior Vice President, Mr. Anish Vishram Buche ceased to be an employee.
24. In this regard, while admitting the alleged violation, Noticee stated that Mr. Buche continued to act as active advisor to the Noticee after his resignation. Noticee further submitted that Mr. Buche continued to guide and help Noticee attract and retain clients while working as an advisor. Therefore, Noticee inadvertently failed to update the change in KMP.
25. As per the clause 13 of the FAQs on Application for registration with SEBI as a merchant banker, the applicant (merchant banker) shall have minimum two persons designated as KMPs and the KMPs have to be full time employees of the applicant. Noticee, as per regulation 9A was required to immediately intimate SEBI, details of changes that have taken place in the information that was submitted, while seeking registration, i.e., change in KMP here, which it admittedly failed. Therefore, I find that the Noticee violated regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter 1 of SEBI Master Circular dated September 26, 2023.

Issue No. III Whether Noticee being a registered merchant banker offered lending solutions and thereby violated regulation 13A of Merchant Bankers Regulations read with SEBI Circular No. 1 dated June 05, 1998?

26. It is alleged in the SCN that the Noticee offered lending solutions to entities which had nothing to do with the securities market in violation of regulation 13A of Merchant Bankers Regulations.

27. It was submitted by the Noticee that it is incorrect to allege that lending solutions given to private limited companies is not an activity related to securities market as shares of unlisted companies are also considered as securities. In this regard, Hon'ble Supreme Court in the matter of Naresh N Aggarwala & Co. v. Canbank Financial Services Ltd., had held that section 2(h) of Securities Contracts (Regulation) Act, 1956 (**SCRA**) does not make any distinction between *marketable* listed securities and *marketable* unlisted securities. Therefore, the distinguishing factor for shares to qualify as securities defined under section 2(h) of the SCRA is the marketability/free transferability.
28. In this context, reference is drawn to the judgment of Hon'ble Supreme Court in the matter of Bhagwati Developers (P.) Ltd. v. Peerless General Finance & Investment Co. Ltd. wherein it was observed that *"the expression "marketable" has been equated with the word saleable. In other words, whatever is capable of being bought and sold in a market is marketable. The size of the market is of no consequence. In other words, the number of persons willing to purchase such shares would not be decisive. One cannot lose sight of the fact that there may not be any purchaser even for the listed shares. In such a case can it be said that even listed shares are not marketable? In our opinion what is required is free transferability. Subject to certain limited statutory restrictions, the shareholders possess the right to transfer their shares, when and to whom they desire. It is this right which satisfies the requirement of free transferability. However, when the statute prohibits or limits transfer of shares to a specified category of people with onerous conditions or restrictions, right of shareholders to transfer or the free transferability is jeopardized and in that case those shares with these limitations cannot be said to be marketable."*
29. Hon'ble Court further held that that provisions of the SCRA shall apply to all the securities which are marketable. Therefore, owing to the free transferability of the securities of a public company, the securities market as envisaged under securities laws does not bring shares of private company in its ambit as claimed by the Noticee.

30. Noticee further submitted that SEBI in its Board Meeting dated June 18, 2025 had approved the amendments in Merchant Bankers Regulations to allow the registered merchant bankers to undertake certain activities that were previously considered outside SEBI's regulatory purview and its activities would be permissible once the said amendment comes to force. In this regard, from a combined reading of the Board Memorandum placed in SEBI's Board Meeting dated June 18, 2025 and the Board decision, it is noted that SEBI is in favour of allowing merchant bankers to undertake non-fund based activities pertaining to financial services sector on fee-basis.
31. It was further decided that if such activities fall under the purview of a Financial Sector Regulator (hereinafter referred to as "**FSR**") or Authority, the merchant banker shall comply with the regulatory framework, if any, as may be specified by the respective FSR or Authority for the matters relating to policy, eligibility criteria, risk management, investor grievance or dispute handling mechanism, inspection, enforcement and claims. The activities (other than SEBI regulated activities), may be undertaken by the merchant banker at arms' length basis through one or more Separate Business Units, ensuring that these activities are segregated and ringfenced from the SEBI regulated activities.
32. I note that the Noticee has undertaken the activity of providing lending solutions, arranging loans, etc. The said activities by very nature pertains to financial services sector. It is also observed that the Noticee had not used its funds for lending, thus, such activity is a non-fund based activity and Noticee had also charged fee for the same. Therefore, I agree to the contention of the Noticee that providing lending solutions, arranging loans, etc., may qualify as permissible activities under the proposed amendment to the Merchant Bankers Regulations.
33. In this regard, I note that the Hon'ble Supreme Court in its various judgments had observed that when a provisions is enacted for the benefit of a class of persons, the provision may be given a retrospective operation to effectuate the legislative intent of conferring the benefit unless such retrospectivity would prejudicially affect vested

rights or impose unjustified burden. The benefit of such an amendment is often applied to all cases or proceedings that are pending on the date of the amendment. In this regard, reference is drawn to the ruling of Hon'ble Supreme Court in the matter of Commissioner of Income Tax v. Vatika Township Private Limited¹, in which it was observed that :

“If a legislation confers a benefit on some persons but without inflicting a corresponding detriment on some other person or on the public generally, and where to confer such benefit appears to have been the legislators object, then the presumption would be that such a legislation, giving it a purposive construction, would warrant it to be given a retrospective effect.”

34. Thus, from the above, it can clearly be seen that a beneficial amendment has to be given retrospective effect. In present case, the proposed amendment in the Merchant Bankers Regulations has allowed the merchant bankers to undertake other activities which are regulated by other FSR or Authority and the 'other activities' of the Noticee referred above would be permissible activities as per the proposed amendment to the Merchant Banker Regulations. In this regard, it is noted that SEBI Board had approved the said amendments as evident from the decision of the Board Meeting dated June 18, 2025 and it is only a matter of time that the said amendment would be notified. Therefore, given the circumstances, I am inclined to take a lenient view as far as the alleged violation of regulation 13A of the Merchant Banker Regulations and Circular No. 1 dated June 05, 1998, is concerned.

Issue No. IV If yes, whether the failure, on the part of the Noticee would attract monetary penalty under sections 15A(a) and 15HB of the SEBI Act?

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

¹ MANU/SC/0810/2014

35. From the previous paragraphs, I note that it is established that the Noticee has violated regulation 28(2) read with clause 20 of Schedule III of Merchants Bankers Regulations and para 1.1 and para 1.2 of Chapter 1 and para 7.1 of Chapter II read with Annexure III of SEBI Master Circular dated September 26, 2023 (erstwhile Circular No. MIRSD/DPS-2/MB/Cir-16/2008 dated May 06, 2008), regulation 9A(1)(f) of Merchant Bankers Regulations read with para 1.1 and para 1.2 of Chapter 1 of SEBI Master Circular (dated September 26, 2023). The said violations are liable for penalty under section 15A(a) of SEBI Act, however, section 15HB is not attracted as discussed above.
36. In view of the foregoing, I am convinced that the Noticee is liable for monetary penalty under sections 15A(a) of SEBI Act. The text of section 15A(a) of SEBI Act is reproduced as under:

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

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

37. While determining the quantum of penalty under sections 15A(a) of the SEBI Act, following factors stipulated in section 15J of the SEBI Act are taken into account:

“Factors to be taken into account by the adjudicating officer

15J 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.”*

38. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, and suffered by the investors as a result of its failure. However, Noticee has relied upon the observations of Hon'ble SAT in the matter of UPSE Securities Limited v. SEBI (Appeal No. 109 of 2011 decision dated July 25, 2011) and Religare Securities Limited v. SEBI (Appeal no. 23 of 2011 decision dated June 16, 2011) to contend that the purpose of carrying out inspection is not punitive.
39. In this regard, reliance is placed on the order of Hon'ble SAT in the matter of UPSE Securities Limited (supra) observed that for serious lapses, it would always be open to SEBI to take penal action in accordance with law. Further, in Religare Securities Limited (supra), the Hon'ble SAT had observed that *"This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent."*
40. Noticee has also relied upon the orders of SEBI, as mentioned in para 13(a)(iv) of the extant order, requesting lenient view on imposition of monetary penalty and the said orders are taken into account.
41. Due regard is given to the fact that these non-compliances were observed during an inspection, the Noticee promptly rectified the violations with respect to change in KMP and that the other activities undertaken by the Noticee *per se* are not illegal, while deciding the quantum of penalty.

ORDER

42. Having considered all these 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 penalty of Rs.2,00,000/- (Rupees Two Lakh only) under

section 15A(a) of SEBI Act on the Noticee, viz., Kreo Capital Private Limited for the violations as specified in this order.

43. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticee.
44. Noticee 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.
45. In terms of the provisions of rule 6 of Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Date : November 28, 2025
Place : Mumbai

JAI SEBASTIAN
ADJUDICATING OFFICER