



WTM/KV/CFD/CFD-SEC-3/31700/2025-26

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

Under sub-sections (1) and (4) of section 11 and section 11B of the Securities and Exchange Board of India Act, 1992

In the matter of Synoptics Technologies Limited

In respect of:

Noticee No.	Name of Noticee	PAN/ Registration No.
1.	Synoptics Technologies Limited	AAMCS4502L
2.	First Overseas Capital Limited	INM000003671
3.	Jatin Shah	AONPS5463E
4.	Jagmohan Manilal Shah	ABWPS9290B
5.	Janvi Jatin Shah	AYAPS9827K

(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee no. and collectively as “Noticees”, unless the context specifies otherwise)

BACKGROUND

1. Pursuant to receipt of complaints alleging irregularities in the bidding process of the Initial Public Offer (IPO) of equity shares by Synoptics Technologies Limited (**STL / Company**) on the SME Platform of NSE Ltd. (NSE) in June-July 2023, Securities and Exchange Board of India (**SEBI**) conducted a preliminary examination in the matter.



2. Based on the preliminary findings of the examination, SEBI issued an interim order dated May 06, 2025 ("Interim Order") vide which the following directions were issued against the Company (*Noticee no. 1*) its promoters (*Noticee nos. 3, 4 and 5*) and First Overseas Capital Limited (**FOCL** / *Noticee no. 2*), the Lead Manager to the issue:

"49.

- (a) *Noticees 1, 3, 4 and 5 are restrained from buying, selling or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders. If the Noticees have any open position in any exchange-traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 7 days from the date of this order. The Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this Order.*
 - (b) *Noticee 2 shall not take up any new assignment relating to merchant banking activities in the securities market till further directions from SEBI.*
 - (c) *In respect of any pending assignments where Noticee 2 is already engaged as a Lead Manager as on date of this Order, the issuer shall appoint a Monitoring Agency to monitor the use of proceeds irrespective of the issue size."*
3. The observations and the *prima facie* findings of examination by SEBI recorded in the Interim Order are summarized in subsequent paragraphs.

OBSERVATIONS AND PRIMA FACIE FINDINGS IN THE INTERIM ORDER

4. STL, incorporated in 2008, is engaged in trading in Information Technology (IT) products and providing IT networking solutions. The Company came out with



an IPO of equity shares and got listed on the SME Platform of NSE Ltd. (NSE) on July 13, 2023. FOCL acted as the Lead Manager to the issue. The IPO raised INR 54.04 Crore out of which INR 35.08 Crore was through a fresh issue of shares and the remaining (INR 18.96 Crore) was through an offer for sale of shares made by two promoters (*Noticee nos. 3 and 4*).

5. As per disclosures made in the Red Herring Prospectus (RHP) filed by the Company, issue-related expenses amounted to INR 80 Lakh, of which INR 50 Lakh was to be paid from the proceeds of the fresh issue, while the remaining INR 30 Lakh was to be met by the selling shareholders under the offer for sale. Net of these expenses, the Company was projected to receive INR 34.58 Crore from the public issue, to be utilized for the objects specified in the RHP. The objects of the issue, as disclosed in the RHP, are given below:

Object	Amount (INR Crore)
Repayment of Borrowings	5.00
Working Capital	17.58
Investment in Strategic Acquisition/ Joint Venture	5.30
General Corporate Purpose	6.70
Total	34.58

6. SEBI examined the utilization of the IPO proceeds to ascertain whether funds raised in the IPO were used for the objects disclosed in the RHP.
7. The issue proceeds were deposited into an escrow account maintained with Fort Branch, Mumbai, of HDFC Bank, the Banker to the issue, on July 12, 2023. It was further noted that a total of INR 19 Crore from the issue proceeds was transferred out of the escrow account on July 12, 2023 - a day prior to the listing of the shares of the Company and the grant of trading approval. This was a deviation from the Public Issue Account Agreement dated May 08, 2023 (Escrow Agreement), entered between STL, HDFC Bank, FOCL and Bigshare (the Registrar to the Issue), which required transactions to be effected “*following the receipt of the listing and trading approvals*”.



8. Examination of these transactions revealed that the transfers were effected based on an instruction issued by FOCL to HDFC Bank on July 12, 2023 through a Form - *Annexure A2*. It was stated in the instruction issued by FOCL that the said payments pertained to *'amounts due from the Company as Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses'*.
9. The details of bank accounts and other transfer details mentioned in the instruction issued by FOCL to HDFC Bank are given in the Table below:

Beneficiary Name	Amount (in Rs.)	Beneficiary's Bank Name	Beneficiary Account No.	Beneficiary Bank Address	IFSC Code
Dev Solutions	60000000	Mehsana Urban Co-Operative Bank Ltd	00441101000690	S G Highway, Ahmedabad	MSNU0000044
CN IT SOLUTION	60000000	Bandhan Bank Limited	11230001316400	Maninagar, Ahmedabad	BDBL0001895
ABS TECH SERVICES	70000000	Indusind Bank Ltd	256359928904	Bopal Ahmedabad	INDB0000676

10. In this regard, it was noted that clause 3.2.3.4 (iii) of the Escrow Agreement provided as under:
- “(iii) The Lead Manager shall, following the receipt of the listing and trading approvals, provide HDFC Bank Limited, in the prescribed form (specified in Annexure A2 hereto), instructions stating the details of the payment towards the amount representing the Issue management fees, registrar fees, advisory fees and other IPO related expenses payable by the Company to various intermediaries (as applicable).”*
11. It was noted from the above that FOCL was authorised under the Escrow Agreement to issue instructions to the Banker to the Issue for release of issue-related expenses, using the format prescribed (Annexure A2) in the agreement. The instruction dated July 12, 2023, issued by FOCL to HDFC Bank was as per the format provided under Annexure A2 and in exercise of the authority granted under clause 3.2.3.4 of the escrow agreement.



12. As per the disclosures made in the RHP, issue-related expenses amounted to only INR 80 Lakh. However, the amount actually transferred was more than 23 times the disclosed figure, raising concerns about the nature, basis, and legitimacy of these payments.
13. Given this significant deviation, comments of the Company on this matter were sought. The Company in its reply submitted that the aforesaid payments were not related to issue expenses and were instead for Working Capital (payment made to Dev Solutions) and Strategic Investment/Joint Venture objects (payment made to CN IT Solution and ABS Tech Services) as disclosed in the RHP.
14. However, given that the funds were transferred directly from the escrow account on the instructions of the Merchant Banker, without being routed through the Company's bank account, and the classification of these payments as issued related expenses by FOCL, there were misgivings regarding the explanation offered by the Company. Given the same, the aforesaid transactions were examined in detail.

Object - Investment in Strategic Acquisition/ Joint Venture

15. As per the disclosures in the RHP dated June 22, 2023, INR 5.30 Crore from the issue proceeds was proposed to be utilized for "Investment in Strategic Acquisition/Joint Venture." The Company, vide submission dated June 3, 2024, made to NSE, stated that, in addition to this amount, the entire sum of ₹6.70 crore allocated for General Corporate Purposes (GCP) was also utilized for the same object. Accordingly, it was submitted that a total of ₹12 Crore from the IPO proceeds was deployed towards "Investment in Strategic Acquisition/Joint Venture." However, as noted earlier, an amount of ₹13 Crore was transferred from the escrow account to CN IT Solutions and ABS Tech Services. The said transfer of INR 13 Crore exceeded the amount of INR 12 Crore which the Company had claimed to have deployed towards strategic acquisition.



16. It was further noted that though the Company in in the RHP dated June 22, 2023, had disclosed that the target entities for the proposed strategic investment had not yet been identified, the Company transferred funds earmarked for strategic investment and general corporate purposes to the two aforementioned entities toward the object of strategic acquisition, within 20 days of the RHP filing and on the very day the IPO proceeds were credited to the issue account.
17. Further, upon examination of the agreements entered into with CN IT Solutions and ABS Tech Services, it was observed that both were executed on July 11, 2023—a day prior to the credit of IPO proceeds to the escrow account maintained with HDFC Bank.
18. It was further observed that, apart from being executed on the same day, the two agreements shared several other similarities, the details of which are given below:
 - (a) Both agreements listed the same address for CN IT Solutions and ABS Tech Services. Further, during a site visit conducted by NSE, it was found that neither of the entities was present/located at the stated address.
 - (b) Both agreements were neither registered nor notarised.
 - (c) Except for the object clause, the remaining terms and conditions in both agreements were identical and followed the same template. Notably, the amounts which the Company claimed were utilized towards strategic investment were, under the terms of these agreements, treated as earnest money deposits (EMDs), repayable after a period of three years.
 - (d) The agreements provided for developing products/ availing services from the said entities and did not appear to be in the nature of investments made by STL. The agreements contained no provisions for the transfer of ownership rights or any form of equity participation in favour of STL.



19. Further, when the Company was advised to furnish copies of Board approvals authorizing the above-mentioned strategic investments, no such approvals were provided. The Company's Managing Director (MD) (*Noticee* no. 3) was called for statement recording on April 29, 2025, and was questioned about the due diligence undertaken by the Company prior to making the said investments. In response, the MD submitted that no due diligence had been conducted prior to making the above investments.

Object – Working Capital

20. As regards INR 6 Crore transferred to Dev Solutions—classified by the Company as utilization towards working capital—it was observed that the agreement submitted in this regard followed a template similar to those executed with ABS Tech Services and CN IT Solutions.
21. In all three instances, the payments were classified as EMDs made towards the development or provision of certain services and were stated to be returnable after a period of three years. While the payments to ABS Tech Services and CN IT Solutions were classified by the Company as strategic investment, a similar payment made to Dev Solutions was classified as working capital. Further, as in the case of ABS Tech Services and CN IT Solutions, a site visit undertaken by NSE to the address of Dev Solutions, as mentioned in the agreement with STL, revealed that no such business existed at the stated location.
22. It was further noted that in the financial results of the Company for the quarter ended September 2023, the payments made to ABS Tech Services, CN IT Solutions and Dev Solutions were classified under 'loans and advances'. On the balance sheet of the Company, amount under 'loans and advances' had increased from INR 1.70 Crore to INR 21 Crore during the said period.
23. Given the above, it was *prima facie* observed that the Company was attempting to misrepresent the true nature of these transactions and, therefore, an analysis



of the bank statements of the aforementioned three entities to whom INR 19 Crore was transferred, was undertaken to trace the flow of funds.

Analysis of Bank Accounts Statements

24. The bank statements of the accounts to which funds were directed to be transferred by FOCL were scrutinized. Upon independently obtaining information from the respective banks, it was found that these bank accounts were not held by the entities to whom FOCL had directed the transfers and with whom STL had purportedly entered into agreements.
25. It was found that the bank account numbers furnished by FOCL, as belonging to the said entities were, in fact, held in the name of entirely different account holders. The details of such discrepancies noticed are provided in the Table below:

Bank Name	Bank account number	Information provided by the company	Information obtained from Banks
		Account Holder Name	Account Holder Name
Mehsana Urban Co-Operative Bank Ltd	00441101000690	Dev Solution	Sachiel Exim Private Limited
IndusInd bank Ltd	256359928904	ABS Tech Services	Transpaacific Shipping and Resources Pvt. Ltd.
Bandhan Bank Ltd	11230001316400	CN IT Solution	Dev Trading

26. It was, therefore, noted that the funds transferred to the purported bank accounts of Dev Solutions, ABS Tech Services, and CN IT Solutions, on the instructions of FOCL, were, in fact, credited to the bank accounts of Sachiel Exim Pvt. Ltd., Transpaacific Shipping and Resourcing Pvt. Ltd., and Dev Trading, respectively. The examination of the fund trail from the aforesaid accounts is still ongoing. The prima facie findings in this regard indicated that the funds were further transferred to different entities through layers (*Details provided in Annexure B to the Interim Order*).



27. As funds were found to be transferred to entities other than with whom STL had entered into agreements dated July 10, 2023 and July 11, 2023, the explanation regarding deployment of funds towards the objects of the issue furnished by the Company became untenable. As per the Interim Order, the Company misrepresented all facts to SEBI.

Summary of prima facie findings and violations alleged against Noticees

28. The prima facie observations and findings of SEBI's examination showed that the Company's IPO proceeds were diverted and mis-utilized. There appeared to be a well laid out plan of the Company and the Lead Manager, FOCL, to siphon away funds raised in the IPO. Acting under the authority granted by the Escrow Agreement, FOCL prima facie appears to have issued instructions to the Banker to the Issue for transfer of funds under the guise of meeting issue-related expenses. However, the amount so transferred ostensibly for meeting '*Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses*'—INR 19 Crore—was grossly disproportionate to the INR 80 lakh disclosed as issue expenses in the RHP, and accounted for more than 54% of the total proceeds raised by the Company through the fresh issue of shares (INR 35.08 Crore) and 35% of the total issue size (INR 54.04 Crore).
29. In view of the abovementioned facts and circumstances, it was held that STL and FOCL, *prima facie*, appeared to have violated the provisions of sub-sections (a), (b) and (c) of section 12A of the SEBI Act, 1992 and sub-regulation (1) of regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations, 2003**").
30. As a major portion of shareholding of the promoters (Notices 3, 4 and 5) of the Company was freely transferable, it was deemed necessary to restrain them from alienating or encumbering their shareholding during the pendency of



proceedings. Further, considering the role of FOCL, it was felt that FOCL's continued presence in the market posed a serious risk to investors and the orderly functioning of the capital markets.

31. In view of the above, interim directions were issued against the *Noticees* vide the Interim Order.

APPEALS BEFORE HON'BLE SAT, REPLIES TO INTERIM ORDER & PERSONAL HEARING

32. The Company and its promoters (*Noticee* nos. 1, 3, 4 and 5) filed an appeal against the Interim Order before the Hon'ble Securities Appellate Tribunal (SAT). The Hon'ble SAT disposed of the said appeal vide its order dated June 18, 2025 whereby the Hon'ble SAT, *inter alia*, accepted an undertaking submitted by the appellants that they would abide by the direction contained in Para 49(a) of the Interim Order (*refer to para 2 of this Order*) and stayed the Interim Order qua the appellants further granting them liberty to file reply before SEBI. The Hon'ble SAT further directed appellants to file reply within four weeks.
33. FOCL also filed an appeal against the Interim Order before the Hon'ble SAT. The Hon'ble SAT disposed of the said appeal vide its order dated July 31, 2025 whereby it, *inter alia*, stayed the Interim Order qua the appellant. The Hon'ble SAT vide the said order held, *inter alia*, as under:

"3. Having heard the learned senior Advocates on both sides and considered their submissions, we are of the view that the ends of justice would be met by accepting the submissions of appellant that reply will be filed within two weeks and by directing the SEBI to pass 'confirmatory order' within eight weeks from the date of appellant filing its reply. Ordered accordingly.



4. The submissions of the learned Senior Advocate for the appellant that the appellant shall not take any new assignment relating to the merchant banking as directed in 49(b) is placed on record. The order shall remain stayed qua the appellant. The appellant shall cooperate with SEBI for expeditious conclusion.”

34. As per the direction of the Hon'ble SAT, opportunity of inspection of documents was provided to *Noticee* nos. 1, 3, 4 and 5 on July 03, 2025.
35. *Noticee* nos. 1, 3, 4 and 5 have filed their replies vide letters dated May 22, 2025, August 06, 2025 and September 01, 2025. They have also filed post-hearing submissions dated and September 15, 2025 and September 23, 2025.
36. *Noticee* no. 2 (FOCL) has filed its reply vide letter dated August 13, 2025 and post-hearing submissions dated September 16, 2025.
37. *Noticees* were provided with opportunity of personal hearing on September 03, 2025 which was availed by them.
38. The submissions made by *Noticee* nos. 1, 3, 4 and 5 in their replies to the Interim Order are summarized below:
 - (a) *Noticees* deny that they indulged in any fraudulent and manipulative practice as alleged in the Interim Order. The alleged adverse findings against them are only on prima facie basis and based only on surmises, conjectures, assumptions and presumptions and based only on preponderance of probabilities. Great prejudice is caused to them resulting in unbearable harm, loss and damage to their clean and unblemished track record.
 - (b) STL is an IT network Solutions provider and has its presence in various locations pan India, head office in Mumbai. It serves a diverse portfolio of clients across various sectors. STL has around 300 employees pan India. STL is the authorized system integrator partner for MTNL/ BSNL. It has won several awards.



- (c) The Interim Order was issued without giving an opportunity to the *Noticees* to be heard, which was in gross violation of the basic principles of '*audi alteram partem*'. Further, measures taken by SEBI u/s 11 and 11B of the SEBI Act, 1992 ought to be remedial and preventive in nature and not penal and punitive as directed in the Interim Order. SEBI has completely misconstrued *Noticees*' role in the matter and has issued arbitrarily disproportionate directions against them.
- (d) There was no urgency so as to justify an ex-parte Interim Order. Hon'ble SAT in a catena of judgments has held that ex-parte orders are warranted only in extreme cases and such power should be exercised sparingly. Reliance is placed on various Orders passed by Hon'ble Courts and Hon'ble SAT in this regard.
- (e) FOCL has referred to an unsigned letter dated July 12, 2023 in its pleadings before the Hon'ble SAT which purportedly provided the details w.r.t. fund to be transferred to ABS Tech Service, CN IT Solutions and Dev Solutions. The affidavit filed by FOCL before Hon'ble SAT states that the same was received by Mr. Rushabh Shroff over mobile. There is no snapshot of any communication over mobile as contended by FOCL. Hence, *Noticees* request SEBI to provide them with the snapshot of communication over mobile as contended by FOCL w.r.t. said letter since the *Noticees* are unaware of any such letter.
- (f) The abovementioned letter dated July 12, 2023 suggests that it was an annexure to some letter / communication. However, there was no clarification as to what the main letter to which the letter dated July 12, 2023 was annexed. Further, there is no sign or stamp or the details of the sender in the said letter dated July 12, 2023.
- (g) Further, FOCL has also referred to an email dated July 11, 2023 purportedly sent by Mr. Dinesh Ghadshi of Synoptics to Mala of FOCL. The said email implicates to show that the Bank details pertaining to ABS Tech Service, CN IT Solutions and Dev Solutions were sent by the Company to FOCL. The *Noticees* are totally unaware of any such email and are unable to trace



the same. *Noticees* request SEBI to show them the mail in the inbox of FOCL.

- (h) The payments of INR 19 Crore to ABS Tech Service, CN IT Solutions and Dev Solutions, as referred to in the Interim Order, were made as per the instruction of Merchant Banker (FOCL). Interim Order itself holds that INR 19 Crore of the IPO funds was paid by the Merchant Banker to some third parties without ever giving the funds to the Company. The said payments were with respect to working capital and strategic acquisitions / joint venture, as disclosed in the RHP of the Company. During SEBI's examination, the *Noticees* have already submitted copies of agreements in respect of the same. The funds were given to the abovementioned three entities as earnest money deposits.
- (i) SEBI's investigation states that the funds were actually transferred by the Merchant Banker to three other parties and not the ABS Tech Service, CN IT Solutions and Dev Solutions. The *Noticees* themselves were unaware of this and were shocked to know this. Even the bank statements showed that the payments were made to the ABS Tech Service, CN IT Solutions and Dev Solutions only.
- (j) There was no change in the promoter shareholding since the Company's listing. They have also not pledged or encumbered any shares.
- (k) Jatin Shah (*Noticee* no. 3), who is a promoter of the Company, has given loans to the Company to the tune of about INR 11.27 Crore. The same shows that he is interested in the growth of the Company.
- (l) The Company is generating revenue. The Interim Order is creating stigma on the reputation of the Company affecting its future prospects and business development. The Company is having issues with its clients, market maker and banks due to the Interim Order which is causing irreparable damage to the name and reputation of the Company.
- (m) The proceedings initiated against *Noticees* be dropped and directions as issued against them be vacated.



39. STL has also made certain submissions on the Underwriting Agreement referred to in the Interim Order. However, as SEBI has not drawn any negative inference regarding the same, the said submissions have not been summarized above.
40. Further, subsequent to the personal hearing on September 03, 2025, certain queries were raised to / documents were sought from the Company vide email dated September 04, 2025 read with email dated September 22, 2025. The Company partially replied to the same vide emails dated September 15, 2025 and September 23, 2025. The relevant contents of the same have been referred to later in this order.
41. The submissions made by FOCL (*Noticee* no. 2) in its replies to the Interim Order are summarized below:
- (a) FOCL is a public limited company and a SEBI registered Category I Merchant Banker since 2015. It was set up by a team with experience in financial services since 1973. It has also won awards in different years.
 - (b) The gravamen of the charge against FOCL is that it was part of a "well laid out plan" by STL to siphon funds from the Company. This allegation is based on mere conjectures and is not supported by any shred of evidence.
 - (c) FOCL's role was strictly defined by the Mandate Letter dated November 2, 2022, and the Public Issue Account-cum-Sponsor Bank Agreement dated May 8, 2023 ("Escrow Agreement"). FOCL acted solely upon the express, written, and irrevocable instructions of its client (STL) and in accordance with the Escrow Agreement. The following chronology of events makes this abundantly clear:
 - July 07, 2023: STL, through a formal letter, requested FOCL to "reserve Rs. 19 Crores from Public Issue Escrow account towards the payment to be made for corporate expenditure and unidentified acquisition which is in line with the objects of the issue."



- July 11, 2023: STL via an email to FOCL, provided the specific bank account details for the fund transfers to be made to ABS Tech Services, Dev Solutions, and CN IT Solutions.
 - July 12, 2023: STL issued a letter to FOCL once again providing bank details / transfer details to FOCL. The same was received by FOCL's President of Operations, Mr. Rushabh Shroff.
 - July 12, 2023: NSE gave listing and trading approval to STL. After receiving listing and trading approval, FOCL informed HDFC Bank Ltd about the said approval. Thereafter, fund transfer was effected.
- (d) The Mandate Letter under which FOCL was engaged, inter-alia, explicitly stated that FOCL would rely on the information provided by STL and would not independently verify its accuracy.
- (e) Furthermore, the Escrow Agreement itself mandated FOCL to act on STL's instructions. Clause 3.2.3.4 (vi) of the Escrow Agreement is an irrevocable instruction from STL to the Banker, countersigned by the Lead Manager (FOCL). FOCL's role was purely procedural — to transmit the client's instructions to the bank as contractually obligated. The Interim Order completely ignores this contractual framework and erroneously attributes the instruction to FOCL, when FOCL was merely a messenger acting on a clear, written mandate from its client.
- (f) There is no evidence whatsoever to suggest that FOCL was malafidely connected to STL, ABS Tech Services, CN IT Solutions, Dev Solutions, or alleged beneficiaries. Without establishing any such link, the charge of "acting in concert " is untenable and unsustainable.
- (g) The charge against FOCL is based entirely on circumstantial evidence, viz., the act of forwarding instructions received from STL to HDFC. It is settled law that suspicion, however grave, cannot take the place of proof. The Hon'ble Supreme Court and the Hon'ble SAT have repeatedly held that the standard of proof for a charge of "fraud" is high and cannot be based on conjectures and surmises.



- (h) The Interim Order proceeds on the flawed premise that FOCL had a duty to question or manage the end-use of the IPO proceeds of STL Company. This is a misinterpretation of the role of a merchant banker.
- (i) It is not within the purview of a merchant banker to question how the issue proceeds are to be utilized by the Issuer Company post-listing of the shares of the company. The merchant banker has no legal basis to do a forensic analysis and audit of the commercial decisions of the issuer company's management. Primarily, mandate with the issuer company is over once the company is listed on the exchange with due process. The same is also evident from the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).
- (j) The primary responsibility for the utilization of funds lies with the Board of Directors of the issuer company. The same has been mandated in the prospectus and disclosed to public as well.
- (k) The duty of FOCL was to conduct due diligence for the disclosures made in the RHP, which it diligently did. The RHP disclosed the objects of the issue. STL's instruction letter dated July 7, 2023, expressly stated that the reserved funds were for "corporate expenditure and unidentified acquisition which is in line with the objects of the issue." FOCL had no reason to disbelieve this written confirmation from its client.
- (l) FOCL has fully complied with its obligation to exercise due diligence, proper care and independent professional judgment while carrying out its operations, in accordance with the requirements set out in terms of the Merchant Bankers Regulations r/w ICDR Regulations.
- (m) FOCL had no knowledge of any discrepancy in the bank account details. The details were provided by STL on its official letterhead, and FOCL, as per its mandate, relied on this information. It is not the duty of a merchant banker to conduct a forensic audit of a client's payment instructions.
- (n) FOCL places reliance on various judicial pronouncements in support of its contentions.



(o) The proceedings initiated by the Interim Order are liable to be dropped as qua FOCL, and the interim directions ought to be vacated immediately.

42. Further, subsequent to the personal hearing on September 03, 2025, certain queries were raised to / documents were sought from FOCL vide email dated September 04, 2025. FOCL partially replied to the same vide letter dated September 16, 2025. The relevant contents of the same have been referred to later in this order.

CONSIDERATION OF ISSUES AND FINDINGS

43. At the outset, I note that the scope of the present proceedings before me at this stage, when detailed investigation in the matter is yet to be concluded, is limited to considering whether *Noticees* have been able to effectively rebut the *prima facie* findings recorded in the Interim Order. With these fetters in mind, I now proceed to consider the issues.
44. I have considered the *prima facie* findings recorded in the Interim Order and the submissions made by *Noticees* in their replies and during personal hearing.
45. I note that the *prima facie* findings of examination by SEBI have given rise to allegations of diversion of IPO proceeds by the Company, in complicity with the merchant banker, FOCL.
46. The sum and substance of the abovementioned allegations is that the Company raised a total of INR 54.04 Crore through its SME IPO out of which a total of INR 19 Crore was purportedly paid to three entities, viz., ABS Tech Services, CN IT Solutions and Dev Solutions. The payments were released by the Bank on the instructions of the merchant banker, FOCL, which issued such instructions to HDFC Bank vide a letter dated July 12, 2023. It was stated in the instruction issued by FOCL that the said payments pertained to '*amounts due from the Company as Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses*'. As per disclosures made in



the RHP, issue-related expenses amounted to only INR 80 Lakh, whereas the said letter showed that INR 19 Crore was paid as “*Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses.*”

47. Even further, it was found that the bank accounts mentioned against the names of the abovementioned three entities were not held by those entities to whom FOCL had directed the transfers. The bank account numbers furnished by FOCL as purportedly belonging to the said entities were, in fact, held in the name of entirely different account holders.
48. I note that the Company and its promoters (*Noticee* nos. 1, 3, 4 and 5) have contended that the abovementioned payments were indeed meant for ABS Tech Services, CN IT Solutions and Dev Solutions. According to the Company, the said payments were with respect to working capital and strategic acquisitions / joint venture, as disclosed in the RHP of the Company. The Company had also furnished to SEBI copies of agreements in respect of the same. The Company has further submitted that the funds were given to the abovementioned three entities as earnest money deposits. However, the Company has expressed surprise regarding the fact that the payments were actually made to three entirely different entities than the entities with which it had agreements.
49. The Company, in its submissions, has implied that it was the merchant banker, FOCL, which was responsible for issuing directions to the bank for releasing payment to entities other than for whom such payments were meant. Before coming to the issue of whether the Company was aware of real recipients of the payments or not, I proceed to look into the Company's claims that the payments of INR 19 Crore purportedly meant for ABS Tech Services, CN IT Solutions and Dev Solutions was with respect to working capital and strategic acquisitions / joint venture, as disclosed in the RHP of the Company. In this regard, I note the following:



- (a) As per the Interim Order, the Company vide submission dated June 03, 2024, made to NSE, stated that a total of INR 12 Crore was utilized out of IPO proceeds towards “Investment in Strategic Acquisition / Joint Venture.” However, the Interim Order has pointed out that an amount of INR 13 Crore was transferred from the escrow account of the Company to CN IT Solutions and ABS Tech Solutions. Though the Interim Order has pointed out the mismatch between amount disclosed in submissions to NSE (INR 12 Crore) and the amount paid as “Investment in Strategic Acquisition / Joint Venture”, the Company has failed to provide any explanation in this regard.
- (b) The Interim Order has noted that as on the date of filing of RHP (June 22, 2023), STL had disclosed that the target entities for the proposed strategic investment had not yet been identified. However, within 20 days of filing of RHP and on the same day the IPO Proceeds were credited to the escrow account, funds earmarked for strategic investment and general corporate purposes were transferred to the two aforementioned entities toward the object of strategic acquisition. The Company has not given any explanation for the hurry in transfer of large amounts of INR 13 Crore to CN IT Solutions and ABS Tech Services, even though the Interim Order has flagged this aspect.
- (c) Further, the Interim Order notes that all the three payments totalling INR 19 Crore were shown as earnest money deposits returnable after three years. While the payments to ABS Tech Services and CN IT Solutions were classified by the Company as strategic investment, a similar payment made to Dev Solutions was classified as working capital. This divergence in classification of similar payments has not been explained by the Company even after being pointed out in the Interim Order.
- (d) The Interim Order has pointed out that site visits to the addresses of ABS Tech Services, CN IT Solutions and Dev Solutions, as mentioned in the agreement with STL, revealed that no such business existed at the stated location, raising serious concerns about the nature and authenticity of the



payments made. The Company has failed to address this finding in its replies to the Interim Order.

(e) The Interim Order has noted various issues / discrepancies regarding copies of agreements provided by the Company which were purportedly executed with CN IT Solutions, ABS Tech Services and Dev Solutions. The Company has not addressed any of the said issues / discrepancies. Further, though the Interim Order has categorically recorded a finding that when the Company was advised to furnish copies of Board approvals authorizing the above-mentioned strategic investments, no such approvals were provided. The MD of the Company admitted in his recorded statement to SEBI that no due diligence had been conducted prior to making the above investments. The Company has not rebutted this observation and has failed to provide any explanation in this regard.

50. All the above mentioned observations reinforce the prima facie findings recorded in the Interim Order that the Company had siphoned of funds raised through the IPO by making payments to sham entities. The Company has failed to rebut these findings.
51. As regards the issue of payments being credited to entities entirely different from the names of three entities mentioned in FOCL's letter dated July 12, 2023 to HDFC Bank, I note that the Company has attempted to distance itself from the said payments by putting the blame on the merchant banker, FOCL. In this regard, the Company has raised questions regarding the genuineness of an email dated July 11, 2023 purportedly sent by Dinesh Ghadshi from STL (email id: dinesh.ghadshi@synoptics.co.in) to email id mala@focl.in (with cc to jigar.shah@synoptics.co.in and cs@synoptics.co.in), wherein the party names and account numbers to which INR 19 Crore were to be sent were mentioned. The Company has also raised doubt about the authenticity of a letter dated July 12, 2023, purportedly sent by STL to FOCL through mobile communication.
52. Post the personal hearing on September 03, 2025, STL vide emails dated September 04, 2025 read with email dated September 15, 2025 was, inter alia,



asked to state whether the abovementioned email dated July 11, 2023 was forged. The Company was also asked to file an affidavit confirming that it did not issue the said email. The Company responded to the same vide submissions dated September 15, 2025 and September 23, 2025 wherein, it has not specifically claimed that the email dated July 11, 2023 and letter dated July 12, 2023 were forged. However, the Company has filed an affidavit from the MD of the Company stating that there is no record of the said email dated July 11, 2023 in the aforementioned email ids of STL and its database. Thus, the Company has evaded directly answering the question. There is a possibility that the said email is not available in the database for the reason that it has been deleted. The Company is obliged to present the true facts before the quasi-judicial authority which it has tried to avoid.

53. Further, pursuant to personal hearing on September 03, 2025, FOCL, vide email dated September 04, 2025 was, *inter alia*, asked to provide snapshot of the mobile communication as referred to above, copy of the main letter / communication to which the letter dated July 12, 2023 was annexed; and complete details of email dated July 11, 2023. FOCL has failed to provide the abovementioned details / documents in its response dated September 16, 2025 to SEBI. As regards the snapshot of mobile communication, as referred to above, FOCL has stated that the letter dated July 12, 2023 was sent by STL on the mobile of Rushabh Shroff (President of Operations of FOCL). However, it has further stated that due to a malware attack on his electronic device, Mr. Shroff is unable to retrieve the specific chat screenshot from over two years ago.
54. I note that the circumstances surrounding the events suggest that the Company was aware of the real recipient of funds. The same is evident from the fact that though there was a long period between July 12, 2023 (when the payment of INR 19 Crore was made) and the Interim Order (issued on May 06, 2025), there is no evidence to suggest that the Company made any efforts to follow up with the three entities (CN IT Solutions, ABS Tech Services and Dev Solutions)



regarding the progress / developments of the works for which huge payments of INR 19 Crore were purportedly made. It is quite surprising that the said entities, even after not receiving any payment, did not raise the issue to the Company. The lack of any apparent follow-up action on part of the parties on both sides raises serious concerns regarding the genuineness of the transactions and reinforces the *prima facie* findings recorded in the Interim Order. The Company vide email dated September 03, 2025 was specifically asked, inter alia, to the following question:

According to you, Rs. 19 Crore of the Company's funds have not gone to the right entities, viz., ABS Tech Services, Dev Solutions and CN IT Solutions. What action have you taken in the last two years in this regard? Please provide the details of any communication you had with the entities, viz., ABS Tech Services, Dev Solutions and CN IT Solutions who, according to you, were the intended recipient of Rs. 19 Crore.

55. In respect of the abovementioned query, the Company in its response dated September 15, 2025 has merely stated, inter alia, that – *“In response to the query of what action have we taken, we submit that we are following up with the Merchant Banker as to what can be the action that can be taken in the peculiar fact of the case.”*
56. The Company's failure to provide record of any action taken in this regard further strengthens the *prima facie* finding in the Interim Order that the transactions were not genuine. No company will sit idle for such a long time when such a large amount has been paid to a wrong destination.
57. Now, coming to the role of FOCL, as alleged in the Interim Order, I note that FOCL has contended that it issued the payment instructions to HDFC Bank on July 12, 2023 as per the instructions of the Company. As regards the payment instructions to HDFC Bank referring to the payments as '*Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses*', FOCL in its reply dated August 13, 2023 did not address this



issue and merely harped on its contention that the payment instructions were as per the mandate from the Company. It has contended that the Mandate Letter under which FOCL was engaged, inter-alia, explicitly stated that FOCL would rely on the information provided by STL and would not independently verify its accuracy. I note that while FOCL in its reply dated August 13, 2023 has primarily contended that it was not within its purview to question how the issue proceeds were to be utilized by the Company post listing of the shares of the Company, FOCL took an entirely new line of argument in the post hearing submissions dated September 16, 2025 wherein, it contended for the first time that it inadvertently used a wrong format for issuing payment instructions to the HDFC Bank which described the payments as '*Issue management fees, underwriting and selling commissions, Registrar fees, and other IPO related expenses*'.

58. FOCL, in its submissions dated September 16, 2025, has contended that Para 3.2.3.4 (vi) of the Escrow Agreement expressly and unequivocally authorized FOCL to issue payment instructions to the bank towards objects of the IPO for issue of payment instructions to the Bank, as per the Escrow Agreement. I note that the said clause reads as under:

*"The Lead Manager shall have the right, [subject to listing and trading approvals] to give specific instructions as per **Annexure B2** to the Banker(s) to make payment to specific parties prior to release of funds to the company from the public issue account. The instructions in form of **Annexure B2** issued by the Lead Manager shall be binding on the Banker(s) to the Issue irrespective of any contrary claim or instructions from any party including the Lead Manager or Company, itself. This provision is an irrevocable instruction from the Company counter signed by the Lead Manager, to the Banker(s) to the Issue to debit the Public Issue Account as per the details contained in **Annexure B2**."*

59. On a perusal of the abovementioned clause, I find it baffling that on one hand, FOCL is claiming that it was not within its purview to question how the issue



proceeds were to be utilized by the Company post listing of the shares of the Company, on the other hand, FOCL had the full authority under the abovementioned Clause to release payments to third parties which was binding on the bank, irrespective of any contrary claim or instructions from any party including the Lead Manager or the Company itself. The abovementioned Clause implies that the Lead Manager had full authority as to which third parties the issue proceeds were to be paid. In such a scenario, FOCL cannot claim that it was not within its purview to question as to how the issue proceeds were to be utilized by the Company. It is equally baffling that both the Company and FOCL acted to release payment from escrow account itself in a hurry, without transferring the issue proceeds to the Company's account. This, *prima facie*, is suggestive of a collusion between FOCL and the Company regarding utilization of issue proceeds.

60. Further, during the personal hearing on September 03, 2025, FOCL was specifically asked that if it was contending to have acted on the advice of the Company, it must furnish the evidences which could then be forwarded to the Company for its comments, since the Company had raised doubts regarding the authenticity of email dated July 11, 2023 and letter dated July 12, 2023 purportedly issued by the Company to FOCL. However, FOCL has failed to file the same. Thus, there appears to be a clear case of non-cooperation from FOCL and lack of clear answers from STL. Thus, all *Noticees* have avoided giving proper co-operation to the authority in its efforts to find the true facts.
61. I note that while the investigation in this matter is in progress and the comprehensive findings are yet to emerge, the *Noticees*, including the Company and FOCL, have failed to satisfactorily rebut the *prima facie* findings recorded in the Interim Order. They have not cooperated fully, have been changing their submissions and have been contradicting each other. FOCL even has failed to submit proof of documents (screenshot of mobile communication pertaining to receipt of letter dated July 12, 2023) included in affidavit filed before the Hon'ble SAT.



62. I further note that FOCL has submitted that the reply filed by *Noticee* nos. 1,3,4 and 5 was not shared with it whereas, the reply filed by it was shared with *Noticee* nos. 1,3,4 and 5. In this regards, it may be seen that the reason for sharing the reply of FOCL with *Noticee* nos 1,3,4 and 5 were on account of the affidavit filed by FOCL before the Hon'ble SAT which stated that FOCL had received letter dated July 12, 2023 over phone. Hence, there was the requirement of sharing this affidavit with *Noticees* 1, 3, 4 and 5 so as to seek clarification and ascertain the correct facts. It was in this context that after the personal hearing, FOCL was specifically asked to provide the screenshot of the mobile communication through which the said letter was received by FOCL. However, as stated above, FOCL failed to provide the same. Since the Company and FOCL are contradicting each other, the matter needs to be examined in detail, which shall be done during the ongoing investigation.
63. The *Noticees* have cited a number of judicial pronouncements to drive home their point that SEBI should issue ex-parte interim directions only in cases of urgency. For this, it is noted that detailed reasons have been given in the Interim Order and that has already been challenged before the Hon'ble SAT. In these proceedings, I am only required to confirm or vacate or modify the Interim Order. In view of the detailed reasoning above, I am of the view that the Interim Order dated May 06, 2025 needs to be confirmed.

ORDER

64. In view of the above, I, in exercise of the powers conferred upon me under sub-sections (1) and (4) of section 11 and sub-section (1) of section 11B read with section 19 of the SEBI Act, 1992, hereby confirm the directions issued vide the Interim Order dated May 06, 2025.
65. The observations made in the present Order are tentative in nature, pending detailed investigation. The detailed investigation shall be carried out without being influenced by any of the directions passed or any observation made either



in the Interim Order or in the present Order. Based on the outcome of the detailed investigation, appropriate action shall be taken in accordance with law.

66. This Order shall take effect immediately and shall be in force until further orders.
67. A copy of this order shall be served upon *Noticees*, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

DATE: OCTOBER 03, 2025

PLACE: MUMBAI

KAMLESH C. VARSHNEY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA