



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/JS/VC/2026-27/32796)**

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

In respect of:

Swaraj Shares & Securities Private Limited

PAN: AAGCS8286D

SEBI Reg. No.: INM000012980

In the matter of Swaraj Shares & Securities Private Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted inspection of Swaraj Shares & Securities Private Limited, merchant banker (hereinafter referred to as “**Noticee**”). Inspection of Noticee was conducted from July 09, 2025 to July 11, 2025 and the period of inspection was from April 01, 2022 to March 31, 2025 (hereinafter referred to as “**Inspection Period**”).
2. Based on the findings of inspection, SEBI initiated adjudication proceedings against Noticee under section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) for alleged violation of the following provisions:
 - (a) Regulation 27(2), (3) and (5) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as “**SAST Regulations**”);
 - (b) Regulation 13 read with clause 1, 3, 4, 6, 7 and 20 of Schedule III of SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as “**Merchant Bankers Regulations**”);
 - (c) Regulation 245 (3) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as “**ICDR Regulations**”);



- (d) Regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations;
- (e) Point (e) under instructions of Part A to Schedule VI of ICDR Regulations read with regulations 245(2)(b) and (3) of ICDR Regulations;
- (f) Regulation 3(4) and (5) and Schedule C of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as **"PIT Regulations"**); and
- (g) Regulation 9A of the PIT Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

3. Pursuant to re-allocation of the matter from erstwhile Adjudicating Officer (hereinafter referred to as **"AO"**), the undersigned was appointed as AO vide communiqué dated July 09, 2026, under section 19 of the SEBI Act read with section 15-I of the SEBI Act and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquire into and adjudge the alleged violations of aforesaid provisions by Noticee under the provisions of section 15HB of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice bearing Ref. No. SEBI/HO/EAD-2/JS/VC/23287-88/2026 dated September 07, 2026 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of the provisions of rule 4(1) of the Rules, requesting Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed upon it under section 15HB of the SEBI Act for the alleged violations.
5. The SCN dated September 07, 2026, *inter alia*, alleged the following:

A. Findings related to first open offer in the matter of G. D. Trading and Agencies Limited (by Ira Ramesh Mishra)

*Ms. Ira Ramesh Mishra ("Acquirer") had entered into a Share Subscription Agreement with the promoters of G. D. Trading and Agencies Limited (now known as RRP Semiconductors Limited) (hereinafter referred to as **"Target Company"**) for acquisition of 74,500 equity shares, representing 74.50% of the voting share capital of the Target Company, for an aggregate consideration of ₹8,94,000/-. The said acquisition was proposed to result in a change in control and management of the Target Company and thereby triggered the open offer obligation. In relation to the said open offer, it was observed that Noticee had become aware, during December 2023, of the existence of the restraint order passed by BSE*



against the Target Company vide Notice No. 20170821-27 dated August 21, 2017, whereby the selling promoter shareholders, i.e., the Target Company and Ceres Company Private Limited, had been restrained from accessing the securities market for the period from August 23, 2017 to August 22, 2027. Despite being aware of this crucial information, Noticee did not bring this fact to the notice of SEBI in its due diligence certificate submitted by it vide email dated January 11, 2024 and resultantly, made untrue statement and suppressed a material fact in the documents furnished to SEBI in relation to the open offer. Such information was material for enabling the public shareholders of the Target Company to appreciate the regulatory risks associated with the open offer and to take an informed decision to sell/ tender their shares. In this connection, the following was observed:

- (a) Noticee failed to disclose the BSE's restraint order to SEBI and/or to the investors, despite having knowledge of the material restriction imposed on the Target Company for raising further capital from the securities market;
- (b) The aforesaid non-disclosure had impacted SEBI's regulatory assessment and undermined the adequacy and fairness of disclosures in the letter of offer disseminated to the investors at large; and
- (c) Failure to update disclosures and escalate the issue to SEBI after becoming aware of the material regulatory information constituted suppression of a material fact and submission of untrue statement to SEBI, which reflected inadequate due diligence on the part of the Noticee.

Therefore, it was alleged that Noticee had violated the provisions of regulation 27(2), (3) and (5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations.

B. Findings related to second open offer in the matter of G. D. Trading and Agencies Limited (by R. K. Chodankar)

Mr. R. K. Chodankar ("Acquirer") had entered into a Share Subscription Agreement dated April 23, 2024 with the existing promoter of G. D. Trading and Agencies Limited ("Target Company") for acquisition of 1,01,50,000 preferential shares constituting 74.50% of the expanded voting share capital of the Target Company for an aggregate consideration of ₹12,18,00,000/-. The said acquisition of equity shares carrying voting rights, accompanied with acquisition of control, pursuant to which the Acquirer was to become the promoter of the Target Company, had triggered the open offer obligation under regulations 3(1) and 4 of the SAST Regulations. In relation to the said open offer, it was observed that the triggering event itself, namely the preferential issue of shares by the Target Company to the Acquirer, was undertaken during the subsistence of the restraint operating against the Target Company, which had been restrained from accessing the securities market from August 23, 2017 to August 22, 2027. It was further observed that, despite being aware of the said restraint since December 2023, Noticee proceeded with the open offer process and filed the draft letter of offer dated April 30, 2024 without adequately examining or questioning the validity and regulatory permissibility of the underlying triggering transaction. In this connection, the following was observed:

- (a) Noticee proceeded with the open offer process even though the triggering event, namely the preferential issue of shares by the Target Company to the Acquirer, was undertaken during the subsistence of the restraint imposed on the Target Company



from accessing the securities market, thereby proceeding on the basis of a non-compliant and invalid underlying transaction;

- (b) Noticee failed to promptly and adequately disclose to SEBI and the investors about the subsisting restraint order operating against the Target Company, and disclosed the said material fact for the first time only in the draft letter of offer dated April 30, 2024, thereby resulting in delayed and inconsistent disclosure of material regulatory information, which indicates selective and inconsistent disclosure, undermining the Noticee's duty to ensure full and fair disclosure to the investors; and
- (c) Noticee failed to assess the legal validity and regulatory permissibility of the triggering transaction and, by proceeding with the open offer without examining whether the underlying preferential issue was compliant with the applicable legal and regulatory framework, failed to exercise due diligence, proper care and independent professional judgment expected of a merchant banker.

Therefore, it was alleged that Noticee had violated the provisions of regulation 27(2), (3) and (5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations.

C. Findings related to IPO of Micropro Software Solutions Limited

In relation to the Initial Public Offer (IPO) of Micropro Software Solutions Limited, the following was observed:

(a) Objects of the issue- working capital requirements:

It was noted that one of the stated objects of the issue was to meet the working capital requirements of the issuer company. In this regard, the following was observed:

- (i) Noticee relied upon the estimates, projections and justifications provided by the company and did not conduct independent due diligence with respect to the assessment of the company's additional working capital requirements;
- (ii) The material submitted by Noticee, including annexures relating to utilization of issue proceeds, working capital holding levels and justification of such holdings, indicated that the underlying estimates had been prepared by the company and Noticee merely relied on and forwarded such material without carrying out independent verification;
- (iii) Although the stock exchange had specifically sought the rationale for the increase and decrease in working capital requirements, the Noticee, in its response, merely furnished data and failed to provide any proper rationale or independent analysis in support of the projected requirement;
- (iv) Discrepancies in the computation of net working capital requirement were not identified or examined by Noticee. In particular, while the computation stated that cash and cash equivalents had not been considered as part of current assets for the purpose of calculating net working capital requirement, however, the table forming part of the same computation had, in fact, included cash and cash equivalents in such calculation, thereby indicating failure on the part of Noticee to verify even the basic accuracy and consistency of the material submitted to the stock exchange;
- (v) In this regard, the final disclosure incorporated in the prospectus stated that 'Cash and Cash equivalents have not been considered as part of the current assets in the computation of net working capital requirements', whereas the underlying



computation included cash and cash equivalents in such calculation. Therefore, the undertaking furnished by Noticee regarding incorporation of the revised objects section in the offer document was incorrect;

- (vi) It was also observed that, if cash and cash equivalents were excluded from the computation, the projected net working capital requirement could be met through internal accruals/ existing net worth and no additional funds from IPO were required. It raised doubt as to whether any IPO proceeds were genuinely required for the stated working capital object, however, Noticee failed to examine or question the same; and
- (vii) The disclosures in the offer document that the projected working capital requirement for FY 2024 and FY 2025 was lower than the actual working capital requirement for FY 2023, however, the offer document did not provide adequate justification for raising funds through the IPO towards working capital despite such reduction in the projected requirement.

Therefore, it was observed that Noticee failed to exercise due diligence, ensure proper care, exercise independent professional judgment, and failed to satisfy itself about all aspects of the issue, including the genuineness of the working capital object and the veracity and adequacy of disclosures made in the draft offer document and the offer document.

(b) Discrepancies in the underwriting agreement:

It was observed that, as per clause 2.1 of the underwriting agreement, the issue was underwritten only to the extent of 94.98%, whereas regulation 260(1) of the ICDR Regulations mandates that an IPO shall be underwritten to the extent of 100%. Despite the said discrepancy in the underwriting agreement, the prospectus disclosed that the issue was 100% underwritten, and the lead manager submitted an undertaking under regulation 260(4) of the ICDR Regulations stating that the issue had been fully underwritten. Thus, Noticee failed to ensure compliance with the underwriting requirements prescribed under the ICDR Regulations and also failed to ensure that the disclosures made in the prospectus with respect to the underwriting arrangement were true, accurate and complete.

(c) Discrepancies in the addendum to RTA agreement:

It was observed that the issuer company had entered into an addendum agreement dated October 23, 2023 with the Registrar to the Issue ("RTA"). However, the said addendum was executed on plain paper and did not appear to bear the requisite stamp duty. Since the RTA agreement formed part of the material contracts in relation to the issue, it was incumbent upon the Noticee to examine the same and satisfy itself as to its proper execution, completeness and enforceability. By failing to identify and address the deficiency in the said addendum during the due diligence process, Noticee failed to properly scrutinize a material contract relating to the issue.

In view of the above findings, it was observed that Noticee had failed to exercise due diligence, ensure proper care, exercise independent professional judgment and failed to satisfy itself about all aspects of the issue, including the veracity and adequacy of disclosures made in the draft offer document and the offer document. Therefore, it was alleged that Noticee had violated the provisions of regulation 245(3) of the ICDR



Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

D. Findings related to IPO of Shoora Designs Limited

With respect to the IPO of Shoora Designs Limited, the following was observed:

(a) Objects of the issue- working capital requirements:

It was noted that one of the stated objects of the issue was to meet the working capital requirements of the issuer company. In this regard, the following was observed:

- (i) Noticee relied upon the estimates, projections and justifications provided by the company and did not conduct independent due diligence with respect to the assessment of the company's additional working capital requirements. It was observed that the projected working capital figures for FY 2024 and FY 2025 as provided in the annexures to the reply submitted to the stock exchange did not match the figures disclosed in the prospectus;
- (ii) The mismatch between the figures submitted to the stock exchange and those disclosed in the prospectus indicates that Noticee failed to verify even the apparent inconsistencies in the working capital disclosures, let alone undertake independent due diligence with respect to the justification and estimation of the working capital requirement;
- (iii) The projected working capital requirement disclosed in the prospectus reflected an abrupt and substantial increase from the actual working capital levels of the preceding FY [i.e., an increase of more than 100%, from ₹15.52 crore as on March 31, 2023 (actual) to ₹35.06 crore as on March 31, 2024 (projected)], without adequate verification or proper disclosure of the reasons for such increase;
- (iv) It was observed from the working capital computation disclosed in the prospectus that loans and advances (including long term) had been included as part of current assets for the purpose of computing net working capital requirement. Since working capital is ordinarily computed with reference to current assets and current liabilities, the inclusion of long-term loans and advances in such computation rendered the basis of the working capital assessment incorrect. However, Noticee failed to identify or examine the same while conducting due diligence in respect of the issue object; and
- (v) No disclosure was made in the offer document with respect to the details of the projected loans and advances, therefore, Noticee failed to ensure adequacy of disclosures in this regard;

Thus, it was observed that Noticee failed to exercise due diligence, ensure proper care, exercise independent professional judgment, and satisfy itself about all aspects of the issue, including the genuineness of the working capital object and the veracity and adequacy of disclosures made in the draft offer document and the offer document.

In view of the above, it was alleged that Noticee had violated the provisions of regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

(b) Forward looking statements in the offer document:

It was observed that the offer document contained forward looking statements and projections which could not be substantiated. In particular, while the offer document disclosed that the funds proposed to be raised through the IPO were to be utilized in the



FY 2024, projections related to working capital requirements for the FY 2025 were nevertheless disclosed. It was also observed that the offer document had stated that funding of the working capital requirements of the company would lead to a consequent increase in profitability, which amounted to an unsubstantiated projection regarding future profitability. Therefore, it was observed that Noticee failed to ensure that the offer document did not contain forward looking statements incapable of substantiation and failed to exercise due diligence, proper care and independent professional judgment with respect to the veracity and adequacy of such disclosures.

Therefore, it was alleged that Noticee had violated the provisions of Point (e) under instructions of Part A to Schedule VI of ICDR Regulations read with regulations 245(2)(b) and (3) of ICDR Regulations and regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

(c) Basis of issue price:

It was observed that discrepancies existed in the disclosures made in the prospectus under the section related to the basis of issue price. In particular, the weighted average return on net worth ("RoNW") as disclosed in the prospectus was not consistent with the figures derived from the underlying data set out therein, as under:

As derived from the Restated Financial Information of our Company:

Table-1

Particulars	RoNW %	Weight
Financial Year ended March 31, 2021 (Post Bonus)	(100.00%)	3
Financial Year ended March 31, 2022 (Post Bonus)	88.67%	2
Financial Year ended March 31, 2023 (Post Bonus)	7.22%	1
Weighted Average	19.24%	

Notes: RoNW is calculated by dividing the profit or (loss) for the respective years by the shareholders funds as on the last date of the respective years.

The weighted average RoNW% comes out to -19.24% $[((-100 \times 3) + (88.67 \times 2) + (7.22 \times 1)) / 6]$. However, the company has disclosed it as positive 19.24%. Therefore, it was observed that the weighted average RoNW disclosed in the prospectus was incorrect and did not correspond to the actual weighted average based on the figures and weights stated in the same section. Thus, the prospectus contained inaccurate disclosures in a material section concerning the basis of issue price, and Noticee failed to exercise due diligence, ensure proper care and satisfy itself about the veracity and adequacy of such disclosures in the draft offer document and the offer document.

(d) Our business section:

It was observed that there was a discrepancy in the disclosures made in the "Our Business" section of the prospectus. In particular, the narrative portion stated that the revenue from operations for the year ended March 31, 2023 was ₹105.59 lakh (approx.), whereas the corresponding table in the same section disclosed the revenue from operations for the same period as ₹210.59 lakh (approx.). Therefore, it was observed that the prospectus contained inconsistent financial disclosures within the same section, and the Noticee failed to exercise due diligence, ensure proper care and satisfy itself about the veracity and adequacy of disclosures made in the draft offer document and the offer document.



(e) Key industry regulations and policies:

It was observed that under the section “Key Industry Regulations and Policies”, the issuer company had not specifically disclosed certain SEBI regulations applicable to it, including the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) and the ICDR Regulations. In the absence of such disclosure in the relevant section, the offer document did not contain complete particulars of the applicable regulatory framework governing the issuer company. Thus, it was observed that Noticee failed to satisfy itself about all aspects of the issue, including the veracity and adequacy of disclosures made in the draft offer document and the offer document.

In view of the above findings under (c) basis of issue price, (d) our business section and (e) key industry regulations and policies, it was alleged that Noticee had violated the provisions of regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

E. Findings related to Structured Digital Database

During inspection, Noticee was unable to demonstrate the working of the software/ platform for maintaining the Structured Digital Database (“SDD”). It was observed that Noticee had not implemented the SDD in accordance with the PIT Regulations, had not maintained a separate restricted list and had not maintained documents substantiating periodic review of internal controls and checks, etc. Accordingly, it was observed that Noticee failed to maintain the SDD and adequate internal controls in accordance with the PIT Regulations. Therefore, it was alleged that Noticee had violated the provisions of regulation 3(4) and (5) and Schedule C of the PIT Regulations read with regulation 9A of the PIT Regulations.

6. Vide letter dated October 05, 2026, Noticee submitted its reply to the SCN. The relevant extracts of the Noticee’s reply are as under:

A. First Open Offer in the matter of G.D. Trading and Agencies Limited (by Ira Ramesh Mishra)

The first open offer triggered pursuant to secondary acquisition of existing shares from the promoter shareholders of G.D. Trading and Agencies Limited (“Target Company”) by the acquirer (Ms. Ira Ramesh Mishra). The underlying transaction had been executed before Noticee’s engagement as manager to the offer and did not involve any fresh issuance of shares or raising of funds by the Target Company. Noticee was not involved in negotiating or executing the transaction, its role was limited to undertaking the prescribed due diligence and ensuring appropriate disclosures in the offer documents.

The restraint order referred to in the SCN pertained to the compulsory delisting of Shree Vindhya Paper Mills Limited (“SVPML”) and was not passed against the Target Company. The Target Company’s connection arose from its position as a promoter of SVPML, while one of its promoters was also a director of SVPML. The existence of the order, by itself, did not render the secondary acquisition unlawful. Further, point 13 of SEBI’s Delisting FAQs clarifies that restrictions under regulation 34 do not extend to buying, selling or dealing in securities, providing relevant interpretive context.

During the due-diligence process, the disclosures were made in the draft letter of offer based on the confirmations received from the company. However, as part of continuous diligence



process, information relating to the compulsory delisting matter was available only on BSE's "Watch Out Investors" portal. The clarifications were sought from the target company. However, the responses provided by the Target Company were also inconclusive and did not provide a definitive basis for determining the applicability and materiality of the matter for disclosure in the Letter of Offer.

It is also relevant that SEBI processed the open offer without highlighting any discrepancy concerning the past action relating to SVPML. The matter was subsequently disclosed in the Draft Letter of Offer filed with SEBI on April 30, 2024. While Noticee acknowledged its independent due-diligence and disclosure obligations, these circumstances are relevant to assessing the nature of the omission.

Noticee acknowledged the discrepancy and regretted that the matter was not specifically disclosed earlier. The omission was inadvertent and there was no intention to suppress information or mislead SEBI or investors. Noticee undertakes to exercise enhanced diligence in similar matters in future, including adopting a cautious approach to disclosure wherever uncertainty exists regarding the applicability or materiality of regulatory orders.

In view of the above, the circumstances be considered in their entirety and the allegations relating to the first open offer be dropped.

B. Second Open Offer in the matter of G.D. Trading and Agencies Limited (by R. K. Chodankar)

The Noticee submitted that the allegations against it need to be examined with reference to its specific role and statutory obligations as manager to the open offer, distinct from the underlying preferential allotment undertaken by the Target Company. Noticee was not involved in negotiating, structuring, advising upon or executing the preferential allotment. Its engagement commenced subsequently, in its capacity as manager to the open offer.

The preferential allotment (hereinafter referred as "triggering transaction") was undertaken independently by the Target Company and Noticee had no role in its execution or implementation. The obligation to make the Open Offer arose pursuant to the triggering transaction and Noticee was engaged to discharge its responsibilities as manager to the open offer under the SAST Regulations.

Noticee's role in managing the Open Offer should not be construed as an endorsement, approval or facilitation of the underlying preferential allotment. Its conduct is required to be assessed with reference to the specific obligations imposed upon it under the SAST Regulations, including due diligence, appropriate disclosures and compliance with the applicable regulatory framework.

Accordingly, the fact that Noticee acted as manager to the open offer following the triggering transaction does not, by itself, establish a violation of the SAST Regulations. Noticee discharged its responsibilities in relation to the Open Offer and its conduct ought to be assessed independently of the Target Company's responsibility for undertaking the preferential allotment.

As acknowledged in the SCN itself, the information concerning the restraint order was disclosed in the offer documents. Accordingly, the fact of disclosure is not in dispute. This disclosure was made in discharge of its responsibility to ensure that relevant information was brought to the attention of SEBI and investors. The allegation, therefore, needs to be



considered in the context of the actual disclosure made and the specific nature of the alleged lapse, without treating the matter as one of concealment or complete non-disclosure.

The disclosure of the restraint order was consistent with its obligation to ensure transparency in the Open Offer process. The disclosure, however, is not relied upon as automatically establishing compliance with every aspect of its statutory obligations, but as a relevant fact in assessing the allegation made against it.

C. IPO of Micropro Software Solutions Limited

(a) Object of the issue – working capital requirements

Noticee submitted that the allegation relating to the working capital requirement may be considered in light of the specific requirements prescribed under the ICDR Regulations applicable at the relevant time.

Where long-term working capital constituted an object of the issue, the applicable provisions specifically required disclosure of, inter alia, the basis of estimation of the working capital requirement and relevant assumptions, reasons for raising additional working capital supported by relevant facts and figures, projected working capital requirements, details of current assets and current liabilities, existing working capital, and the envisaged sources of finance. The requirement was thus to undertake diligence in relation to the basis, assumptions and supporting information underlying the working capital requirement and to ensure appropriate disclosure thereof.

In the present case, Noticee undertook diligence in relation to the proposed working capital requirement on the basis of the Restated Financial Statements, management-certified working capital assessment, bank statements and historical working capital utilisation available during the IPO process. The rationale and supporting material relating to the proposed requirement were examined in the course of the issue process.

Importantly, the working capital requirement was also specifically examined during the in-principle approval process. Stock exchange raised queries concerning the working capital requirement, including the rationale for the projected requirement, and the company furnished responses and supporting justification to the queries so raised. Noticee considered the said information and responses in the course of finalisation of the relevant disclosures.

Accordingly, it is not correct to characterise the process as one where Noticee simply adopted an unsupported estimate of the company without examination. The assessment undertaken by Noticee was based upon the financial information and supporting material available to it, the Company's certified working capital assessment, historical utilisation and the explanations and justification furnished during the regulatory review process.

As regards the observation concerning the treatment of cash and cash equivalents, the issue needs to be considered with reference to the actual working capital computation, the underlying financial statements and the contemporaneous working papers and correspondence available at the relevant time. The SCN identifies an inconsistency between the statement contained in the offer document regarding the treatment of cash and cash equivalents and the computation referred to therein. However, the existence of such an inconsistency, by itself, does not establish that Noticee failed to undertake due diligence unless the circumstances demonstrate that the inconsistency was apparent from the material available to Noticee and was not examined in the course of its diligence.



Its diligence was undertaken to the best of its knowledge, experience and professional expertise, having regard to the information and supporting documents available during the IPO process and the clarifications furnished in response to the regulatory queries. Noticee had no reason, on the basis of the material available to it at the relevant time, to disregard the working capital assessment and supporting justification furnished by the Company.

With regard to the observation that the working capital requirement could allegedly have been met from internal accruals and existing net worth, such observation is required to be assessed on the basis of the contemporaneous financial position, projected requirements and assumptions forming the basis of the issue and not solely by comparing the proposed requirement with cash and net worth on an isolated basis. The relevant issue for assessment of Noticee's conduct is whether, based on the information available at the relevant time, the working capital requirement and the basis thereof were examined with the requisite diligence and appropriately disclosed.

Similarly, the fact that the projected working capital requirement differed from the historical working capital requirement does not, by itself, establish a failure of due diligence. The projected requirement was based on the Company's projected business requirements and assumptions, which were subjected to examination and were also specifically queried during the stock exchange's in-principle approval process.

The obligations under the ICDR Regulations and the MB Regulations require the lead manager to exercise due diligence, proper care and independent professional judgment. Noticee does not dispute this obligation. The question, however, is whether, on the facts and contemporaneous record of this issue, Noticee failed to discharge that obligation.

In the present case, Noticee examined the relevant financial information and supporting documents, considered the historical working capital utilisation, obtained and considered the Company's working capital assessment and supporting justification and participated in addressing the specific queries raised by the stock exchange in relation to the working capital requirement. The contemporaneous conduct of Noticee therefore demonstrates that the working capital requirement was subjected to examination as part of the IPO due-diligence process.

In view of the above, the material on record does not establish that Noticee merely relied upon the Company's projections without undertaking due diligence or that it failed to exercise proper care and independent professional judgment. The allegation under regulation 245(3) of the ICDR Regulations read with regulation 13 and clause 4 of Schedule III of the MB Regulations may therefore be dropped.

(b) Discrepancies in the underwriting agreement

The observation regarding the underwriting arrangement appears to proceed primarily from the percentage referred to in clause 2.1 of the underwriting agreement, without considering the provisions of the agreement as a whole. Clause 2.1 of the underwriting agreement are as follows:

2.1 Following will be the underwriting obligations:



Name of Underwriter	No. of shares Underwritten	Price (Rs.)	Amount Underwritten (Rs. in Lakh)	% of the Total Issue Size Underwritten
<i>Swaraj Shares and Securities Private Limited</i>	36,00,000	81.00/-	2916.00	94.98%

Excludes: Market Maker Reservation Portion which are to be subscribed by the Market Maker in its OWN account in order to claim compliance with the requirements of Regulation 261 of the ICDR Regulations, 2018, as amended.

The underwriting agreement, when read in its entirety, contemplated 100% underwriting of the issue. In particular, clause F of the recitals and clause 7 expressly recorded the underwriting of 100% of the issue, including the market maker reservation portion. Accordingly, the contractual arrangement was intended to comply with the requirement of regulation 260(1) of the ICDR Regulations applicable to SME issues.

The reference in clause 2.1 to the exclusion of the market maker reservation portion needs to be read in the context of the separate regulatory requirement relating to subscription by the market maker to the market maker reservation portion under regulation 261 of the ICDR Regulations. The said reference was not intended, in the overall scheme of the agreement, to represent that only 94.98% of the issue was to be underwritten.

Thus, the percentage referred to in clause 2.1 cannot be considered in isolation from the express provisions contained in the recitals and clause 7, which specifically recorded the 100% underwriting arrangement. The agreement, read as a whole, evidences the intention and arrangement for complete underwriting of the issue.

Noticee's undertaking that the issue was fully underwritten was made with reference to the executed underwriting agreement and its operative provisions, including the express stipulation of 100% underwriting. Therefore, there was no intention to make an incorrect statement or to misrepresent the nature of the underwriting arrangement.

It is further submitted that the SCN does not allege that the underwriting arrangement recorded in clause F of the recitals and clause 7 was incapable of being enforced, nor does it establish that any portion of the issue was in fact left without the requisite underwriting or subscription arrangement. The observation is principally based on the interpretation of the percentage appearing in clause 2.1.

In these circumstances, the presence of the reference to 94.98% in clause 2.1, when read together with the specific treatment of the market maker reservation portion and the express provisions recording 100% underwriting elsewhere in the same Agreement, cannot by itself establish a failure on the part of Noticee to comply with regulation 260(1) of the ICDR Regulations or to exercise the requisite due diligence, care and professional judgment.

Accordingly, the allegation that Noticee failed to ensure compliance with the underwriting requirements or made an incorrect disclosure/undertaking is not established and may be dropped.

(c) Discrepancies in the addendum to RTA agreement

The observation relates to an addendum dated October 23, 2023 to the agreement entered into by the company with its RTA, which, as observed in the SCN, was executed on plain



paper and did not bear apparent stamp duty. It was alleged that, since the RTA agreement constituted a material contract relating to the issue, Noticee was required to examine the same and satisfy itself as to its proper execution, enforceability and adequacy and that the failure to identify the absence of stamp duty constituted a failure of due diligence.

The underlying RTA arrangement and the execution of the said addendum were matters between the company and the RTA, and Noticee was not a party to the execution of the addendum. Noticee nevertheless examined the issue-related agreements and documents made available to it in the course of the IPO due-diligence process.

The observation in the SCN is specifically with respect to the absence of apparent stamp duty on the addendum. The fact that an agreement or addendum is executed on plain paper does not, by itself and without examination of the applicable stamp law and the nature and terms of the instrument, establish that the underlying RTA arrangement was invalid or unenforceable. The legal consequence, if any, of the manner of stamping of the document is a matter to be determined with reference to the applicable stamp law and the nature of the instrument.

Further, the SCN does not allege that the RTA was not duly appointed, that the RTA was not capable of performing its functions in relation to the issue or that the absence of apparent stamp duty resulted in any failure in the conduct or completion of the IPO. The observation is confined to the execution formalities of the addendum.

Noticee's diligence has to be assessed in the context of the actual documents available to it, the scope of its role as lead manager and the specific requirements applicable to the issue at the relevant time. The mere fact that a deficiency in the execution formalities of an agreement was subsequently noticed cannot, by itself, establish that Noticee failed to exercise due diligence, unless it is established that the relevant deficiency was apparent from the material available to Noticee and that Noticee failed to undertake the diligence required of it in relation to the same.

Without prejudice to the above, Noticee acknowledged that the absence of apparent stamp duty on the addendum could have been specifically identified and escalated during the due-diligence process. Noticee has accordingly strengthened its internal review procedures to ensure that, in future IPO assignments, material agreements and their amendments are specifically checked for execution formalities, including applicable stamping requirements, irrespective of whether Noticee is itself a party to such agreements.

In the circumstances and particularly considering that the observation concerns an execution formality of an agreement between the company and its RTA and does not establish any resulting failure in the RTA's role or the IPO process, the observation, by itself, does not establish a failure by Noticee to exercise the due diligence, care and professional judgment required under the applicable ICDR Regulations and MB Regulations. The allegation may therefore be dropped.

D. IPO of Shoora Designs Limited

(a) Object of the issue – working capital requirements

The observations relating to the assessment and disclosure of the working capital requirements of the company may be considered in the context of the information and supporting material available at the relevant time, the regulatory queries raised during the



IPO process and the diligence undertaken by Noticee in discharge of its obligations as lead manager.

The working capital requirement disclosed in the Prospectus was based on the company's internal business plan, proposed operational expansion and the corresponding anticipated funding requirements. Noticee conducted its diligence on the basis of the restated financial statements, management-certified internal working capital assessments, bank statements and historical working capital utilisation.

The Prospectus also expressly disclosed that the fund flow requirement was based on the prevailing circumstances of the company's business and that the estimates could require revision from time to time having regard to financial and market conditions, competition, interest rate fluctuations and other external factors. The disclosure further recognised that such factors could entail rescheduling of the proposed utilisation of Net Proceeds and changes in allocation, subject to applicable laws. Thus, the projected requirement was inherently forward-looking and was based on the business circumstances and assumptions prevailing at the relevant time.

Importantly, the basis and justification for the working capital requirement were specifically examined during the regulatory process. Detailed queries were raised by BSE in relation to the working capital requirement and the company furnished its explanations and justification in response thereto. The information and justification furnished in response to the regulatory queries were subsequently incorporated in the Prospectus.

In particular, with regard to the query concerning the amounts of ₹65 lakh for FY 2024 and ₹68 lakh for FY 2025 shown under "Loans and Advances (including Long Term)" in current assets, the company clarified in its response dated July 11, 2023 that the said amounts represented advances to suppliers for procurement of raw materials. These were trade advances forming part of the operating cycle and were not loans or long-term financial assets.

The company further clarified that the expression "including long term" was inadvertent and that the actual working capital requirement disclosed in the Prospectus was computed solely on the basis of current assets and current liabilities. Thus, the underlying computation did not treat long-term loans or advances as current assets merely by virtue of the expression appearing in the description.

Accordingly, the observation concerning the expression "Loans and Advances (including Long Term)" needs to be considered in the context of the actual nature of the underlying amounts and the computation undertaken, rather than solely on the basis of the descriptive expression used in the disclosure. The contemporaneous record demonstrates that the underlying amounts were identified as trade advances to suppliers and that the working capital requirement was computed with reference to current assets and current liabilities.

The projected working capital requirement was necessarily forward-looking and was based on the company's anticipated business operations and future requirements. A subsequent variation between projected and historical working capital requirements, by itself, cannot establish that the projection was unsupported or that Noticee failed to exercise professional judgment, particularly when the requirement was examined against the company's business plan, financial information, historical utilisation and supporting material, and was also subjected to regulatory queries during the IPO process.



Noticee acknowledged that, as lead manager, it was required to exercise due diligence, care and professional judgment in relation to the disclosures contained in the offer document. Noticee submitted that, in the present case, it discharged these responsibilities on the basis of the information and supporting material available at the relevant time and, importantly, the working capital requirement was further examined in the course of the regulatory process.

In view of the above, the allegation that Noticee failed to undertake adequate diligence or exercise independent professional judgment in relation to the working capital requirement is not borne out by the contemporaneous record. Noticee therefore requested that the observation may be considered in the aforesaid factual and regulatory context and that the allegation against it may be dropped.

(b) Forward looking statements in the Offer Document

The observation relating to the disclosure of the projected working capital requirement for FY 2025 may be considered in the context in which the disclosure came to be included in the Prospectus.

The draft Prospectus did not contain any projection of working capital requirement for FY 2025. During the process of obtaining in-principle approval, a specific query was raised by BSE seeking details in relation to the amounts of ₹65 lakh and ₹68 lakh shown under “Loans and Advances” for FY 2024 and FY 2025, respectively, including the persons to whom such amounts were proposed to be extended and the purpose thereof.

In response to the said regulatory query, the company furnished the requisite clarification. Pursuant to the same, the reference to the working capital requirement for FY 2025 was incorporated in the Prospectus. Accordingly, the disclosure was made in response to the regulatory query and clarification sought during the in-principle approval process and was not an independently introduced or voluntary projection by Noticee.

The relevant disclosure needs to be considered in conjunction with the explanation furnished to the regulator regarding the nature of the underlying amounts. As stated in the response to BSE, the amounts represented advances to suppliers for procurement of raw materials and were intended to form part of the company’s operating cycle. The company had also clarified that the expression “including long term” was inadvertent and that the actual working capital requirement disclosed in the Prospectus was computed solely on the basis of current assets and current liabilities.

Thus, the inclusion of the FY 2025 working capital requirement in the Prospectus arose in the course of addressing a specific regulatory clarification sought by BSE and was accompanied by the explanation furnished in response thereto. The fact that the figure appeared in the Prospectus should therefore not, by itself, be construed as an independent forward-looking projection introduced by Noticee without any underlying basis or regulatory context.

Noticee acted in good faith and in discharge of its professional responsibilities on the basis of the information and explanations furnished by the company and the regulatory queries raised during the IPO process. Noticee therefore requested that the observation relating to the alleged forward-looking statement may be considered in the aforesaid factual context and the allegation against it may be dropped.



(c) Basis of issue price

The observation relating to the disclosure of Return on Net Worth (“RoNW”) in the basis of issue price section of the Prospectus may be considered in the context of the underlying financial information and the calculation methodology disclosed therein.

The RoNW disclosed in the Prospectus was derived from the financial information forming part of the restated financial statements and the corresponding figures disclosed for the relevant financial years. The underlying financial figures were duly available in the restated financial statements forming part of the Prospectus.

The discrepancy in the weighted-average RoNW arose on account of inadvertent typographical and clerical errors in the tabular disclosure, including transposition of the weighting order. The error was therefore in the presentation/calculation of the weighted average in the relevant disclosure and did not arise from any incorrect underlying financial figure in the Restated Financial Statements.

Upon correcting the inadvertent errors and applying the appropriate figures with the correct corresponding weights, the weighted-average RoNW works out to positive 16.50%. Thus, the corrected calculation itself does not result in a negative weighted-average RoNW of 19.24%, as referred to in the observation, but results in a positive weighted-average RoNW of 16.50%.

RoNW was disclosed as one of the parameters forming part of the basis of issue price and, accordingly, Noticee acknowledged that the relevant calculation and disclosure ought to have been appropriately cross-checked before finalisation of the Prospectus. The discrepancy was inadvertent and there was no intention to misstate the financial performance of the company or to mislead investors.

Noticee has accordingly taken note of the oversight and has strengthened its verification and cross-checking procedures to ensure that the figures, weights and resulting calculations disclosed in the basis of issue price are duly reconciled with the underlying audited and restated financial information before finalisation of future offer documents.

In view of the above, the discrepancy was an inadvertent computational and clerical error in the presentation of the RoNW calculation, while the underlying financial information was duly reflected in the restated financial statements. The corrected calculation also results in a positive weighted-average RoNW of 16.50%. The observation may therefore be considered in the aforesaid factual context and the allegation against Noticee be dropped.

(d) Our business section:

The observation relating to the disclosure of revenue from operations in the “Our Business” section may be considered in the context of the corresponding financial information contained in the Prospectus.

It was acknowledged that, in the narrative portion of the Prospectus, the revenue from operations for the year ended March 31, 2023 was inadvertently stated as ₹105.59 lakh (approximately) instead of the correct figure of ₹210.59 lakh (approximately). However, the correct figure of ₹210.59 lakh was accurately reflected in the financial table appearing immediately thereafter in the Prospectus.



Accordingly, the discrepancy was confined to the narrative reference to the revenue figure and did not result in the correct financial information being absent from the Prospectus. The audited financial information forming part of the Prospectus contained the correct figure, which was also reflected in the financial table accompanying the relevant section.

Noticee acknowledged that the inconsistency between the narrative and tabular disclosures ought to have been identified during the review and cross-checking process. The error was inadvertent and clerical in nature, and there was no intention to misstate the financial performance of the company or to mislead investors.

Noticee has accordingly strengthened its verification and cross-checking procedures to ensure that all narrative and tabular disclosures are appropriately reconciled with the audited financial statements before finalisation of future offer documents.

In view of the above, the correct audited revenue figure was duly available and disclosed in the Prospectus, and the discrepancy arose only from an inadvertent error in the narrative portion. Therefore, the observation may be considered in the aforesaid factual context.

(e) Key industry regulations and policies

Noticee acknowledged the observation regarding the non-inclusion of certain SEBI regulations applicable to the company, including the LODR Regulations and the ICDR Regulations, under the specific section titled “Key Industry Regulations and Policies” in the Prospectus.

While the aforesaid regulations were not specifically enumerated under that particular section, the Prospectus contained specific disclosures regarding the applicability of the relevant SEBI regulatory framework at other appropriate places in the document.

In this regard:

(i) The applicability of the LODR Regulations and the PIT Regulations, as amended, upon listing of the equity shares was specifically disclosed on Page 121 of the Prospectus, which stated:

“The provisions of the SEBI (LODR) Regulations will be applicable to our Company immediately upon the listing of Equity Shares. We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, as amended, on listing of Equity Shares.”

(ii) The applicability of the ICDR Regulations was specifically disclosed on Page 187 of the Prospectus, which stated:

“Our Company shall comply with all requirements of the SEBI (ICDR) Regulations, as amended from time to time. Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.”

(iii) The requirement relating to compliance with SEBI disclosure and accounting norms was also specifically stated on Page 187 of the Prospectus:

“Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.”

Further, the section titled “Other Regulations” on Page 104 contained an overarching disclosure regarding compliance by the company with the Companies Act and other applicable statutes prescribed by the Centre or the State for its day-to-day operations.



Accordingly, the relevant SEBI regulatory requirements were not absent from the Prospectus as a whole. The observation relates specifically to their non-inclusion under the particular section titled “Key Industry Regulations and Policies”, whereas their applicability was expressly disclosed elsewhere in the Prospectus.

Noticee acknowledged that inclusion of the relevant SEBI regulations under the specific section could have made the disclosure more comprehensive and appropriately consolidated. Noticee has accordingly reviewed its internal processes and shall strengthen its verification and cross-checking procedures to ensure that applicable regulatory requirements are appropriately identified and reflected in the relevant sections of future Offer Documents.

In view of the above, the allegation of failure to exercise due diligence or to satisfy itself regarding the veracity and adequacy of the disclosures is not made out. The relevant regulatory requirements were disclosed in the Prospectus, although not consolidated under the specific section referred to in the observation. Accordingly, the charge in this regard may be dropped.

E. Structural Digital Database

The SDD system has been duly implemented and is actively maintained with the support of ProCS Solutions. The SDD has been continuously used for recording instances of Unpublished Price Sensitive Information (“UPSI”) and the details of persons with whom such UPSI is shared, in accordance with the PIT Regulations and the applicable circulars.

The observation regarding the inability to demonstrate the functioning of the SDD during the inspection should not be construed as absence or non-implementation of the SDD. The system was in place and being used for the intended purpose. Noticee is in a position to demonstrate the functioning of the SDD and provide the relevant system records and supporting information to SEBI, as may be required.

As regards the observations concerning a separate restricted list and records evidencing periodic review of internal controls and checks, it may be considered in the context of the actual functionality and records maintained in the SDD system. Noticee is committed to ensuring that the SDD and the associated internal control framework remain fully aligned with the requirements of the applicable PIT Regulations and circulars.

Noticee has also reviewed its internal processes relating to the maintenance, periodic review and documentation of the SDD and shall strengthen the corresponding controls and record-keeping to ensure that the functioning of the system, including periodic checks and reviews, is demonstrably documented and readily available for regulatory inspection.

In view of the above, the SDD was duly implemented and actively used for recording UPSI-related information and that the observation regarding its demonstration or documentation during inspection, by itself, does not establish failure to maintain an SDD. Noticee therefore requested that the charge in this regard may be dropped.

7. Vide notice of hearing dated October 08, 2026, an opportunity of personal hearing on October 21, 2026 was granted to the Noticee. On said date, authorised representatives of Noticee, viz., Mr. Raj Kumar Agarwal, promoter director and Ms.



Bhavna Agarwal (hereinafter referred to as “**ARs**”), attended the personal hearing in person and reiterated the submissions made by Noticee vide letter dated October 05, 2026. It was also submitted that the alleged discrepancies had occurred while the Noticee was under the control of certain KMPs at Mumbai, while the promoter director was based in Kolkata. He is now in control of the operations of Noticee at Mumbai and working with a more linear team.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have carefully perused the charges levelled against Noticee in the SCN, its reply, submissions made during personal hearing and material available on record. The issues that arise for consideration in the present case are as follows:
 - I. Whether Noticee failed to disclose to SEBI and/or investors the subsisting BSE restraint order against G. D. Trading and Agencies Limited in relation to the first open offer by Ira Ramesh Mishra, despite being aware of the same, and thus made an untrue statement and suppressed a material fact in the documents furnished to SEBI and thereby violated regulations 27(2), 27(3) and 27(5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations?
 - II. Whether Noticee, in relation to the second open offer by R. K. Chodankar in the matter of G. D. Trading and Agencies Limited, proceeded with the open offer process despite the underlying triggering transaction having been undertaken during the subsistence of the restraint imposed on the Target Company, failed to promptly and adequately disclose the same to SEBI and investors, and failed to assess the legal validity and regulatory permissibility of the triggering transaction and thereby violated regulations 27(2), 27(3) and 27(5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations?
 - III. Whether Noticee, in relation to the IPO of Micropro Software Solutions Limited, failed to exercise due diligence, ensure proper care, exercise independent professional judgment and satisfy itself about all aspects of the issue, including the genuineness of the working capital object, compliance with underwriting requirements, proper scrutiny of the RTA addendum agreement, and the



veracity and adequacy of disclosures made in the draft offer document and the offer document and thereby violated regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?

- IV. Whether Noticee, in relation to the IPO of Shoora Designs Limited, failed to exercise due diligence, ensure proper care, exercise independent professional judgment and satisfy itself about all aspects of the issue, including the genuineness of the working capital object and the veracity and adequacy of disclosures made in the draft offer document and the offer document and thereby violated regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?
- V. Whether Noticee failed to ensure that the offer document in the IPO of Shoora Designs Limited did not contain forward-looking statements incapable of substantiation and thereby violated point (e) under the Instructions of Part A to Schedule VI of the ICDR Regulations read with regulations 245(2)(b) and 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?
- VI. Whether Noticee failed to verify the correctness and adequacy of disclosures in the prospectus of Shoora Designs Limited relating to the basis of issue price, the “Our Business” section and the applicable key industry regulations and policies and thereby violated regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?
- VII. Whether Noticee failed to implement and maintain the Structured Digital Database, maintain a separate restricted list, and maintain documents evidencing periodic review of internal controls and checks in accordance with the PIT Regulations and thereby violated regulations 3(4) and 3(5) read with Schedule C and regulation 9A of the PIT Regulations?
- VIII. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?



IX. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

9. Before proceeding further, it is pertinent to refer to the provisions allegedly violated by the Noticee, as under:

SAST Regulations:

“Obligations of the manager to the open offer.

27.

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

(3) The manager to the open offer shall furnish to the Board a due diligence certificate along with the draft letter of offer filed under regulation 16.

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

Merchant Bankers Regulations:

“Code of conduct.

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

“Code of conduct for merchant bankers:

1. A merchant banker shall make all efforts to protect the interests of investors.

3. A merchant banker shall fulfil its obligations in a prompt, ethical, and professional manner.

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

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

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

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



ICDR Regulations:

“Disclosures in the draft offer document and offer document

245.

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

b) disclosures specified in Part A of Schedule VI;

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

Schedule VI - Disclosures in the offer document, abridged prospectus and letter of offer

“Part A – Disclosures in offer document/letter of offer

(e) There shall be no forward-looking statements that cannot be substantiated.”

PIT Regulations:

“Communication or procurement of unpublished price sensitive information.

3. (4) For purposes of sub-regulation (3), the board of directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the purpose of sub-regulation (3), and shall not otherwise trade in securities of the company when in possession of unpublished price sensitive information.

(5) The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.

Provided that entry of information, not emanating from within the organisation, in structured digital database may be done not later than 2 calendar days from the receipt of such information.”

“Institutional Mechanism for Prevention of Insider trading.

9A. (1) The Chief Executive Officer, Managing Director or such other analogous person of a listed company, intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in these regulations to prevent insider trading.

(2) The internal controls shall include the following:



- (a). *all employees who have access to unpublished price sensitive information are identified as designated person;*
 - (b). *all the unpublished price sensitive information shall be identified and its confidentiality shall be maintained as per the requirements of these regulations;*
 - (c). *adequate restrictions shall be placed on communication or procurement of unpublished price sensitive information as required by these regulations;*
 - (d). *lists of all employees and other persons with whom unpublished price sensitive information is shared shall be maintained and confidentiality agreements shall be signed or notice shall be served to all such employees and persons;*
 - (e). *all other relevant requirements specified under these regulations shall be complied with;*
 - (f). *periodic process review to evaluate effectiveness of such internal controls.*
- (3) *The board of directors of every listed company and the board of directors or head(s) of the organisation of intermediaries and fiduciaries shall ensure that the Chief Executive Officer or the Managing Director or such other analogous person ensures compliance with regulation 9 and sub-regulations (1) and (2) of this regulation.*
- (4) *The Audit Committee of a listed company or other analogous body for intermediary or fiduciary shall review compliance with the provisions of these regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.*
- (5) *Every listed company shall formulate written policies and procedures for inquiry in case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information, which shall be approved by board of directors of the company and accordingly initiate appropriate inquiries on becoming aware of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information and inform the Board promptly of such leaks, inquiries and results of such inquiries.*
- (6) *The listed company shall have a whistle-blower policy and make employees aware of such policy to enable employees to report instances of leak of unpublished price sensitive information.*
- (7) *If an inquiry has been initiated by a listed company in case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information, the relevant intermediaries and fiduciaries shall co-operate with the listed company in connection with such inquiry conducted by listed company."*
10. The issues raised in this matter are dealt in the following paragraphs.

Issue I. Whether Noticee failed to disclose to SEBI and/or investors the subsisting BSE restraint order against G. D. Trading and Agencies Limited in relation to the first open offer by Ira Ramesh Mishra, despite being aware of the same, and thus made an untrue statement and suppressed a material fact in the documents furnished to SEBI and thereby violated regulations 27(2),



27(3) and 27(5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations?

11. The SCN alleged that, in relation to the open offer triggered pursuant to the proposed acquisition by Ms. Ira Ramesh Mishra of 74,500 equity shares, representing 74.50% of the voting share capital of G. D. Trading and Agencies Limited, Noticee had become aware during December 2023 of the restraint order passed by BSE vide Notice No. 20170821-27 dated August 21, 2017 against the Target Company and Ceres Company Private Limited, restraining them from accessing the securities market from August 23, 2017 to August 22, 2027. However, despite such knowledge, Noticee allegedly failed to disclose the said restraint order to SEBI and/or investors in the due diligence certificate submitted vide email dated January 11, 2024 and thereby made an untrue statement and suppressed a material fact in the documents furnished to SEBI in relation to the open offer. It was further alleged that such non-disclosure affected SEBI's regulatory assessment, undermined the adequacy and fairness of disclosures in the letter of offer disseminated to investors and reflected inadequate due diligence on the part of Noticee.
12. In response, Noticee submitted that the first open offer arose from a secondary acquisition of existing shares by Ms. Ira Ramesh Mishra and did not involve any fresh issue of shares or fund-raising by the Target Company. Noticee contended that it was engaged only as manager to the offer after execution of the underlying transaction and was not involved in negotiating or executing the acquisition. Noticee further submitted that the restraint order referred to in the SCN was not passed against the Target Company but pertained to the compulsory delisting of Shree Vindhya Paper Mills Limited, with the Target Company being connected only in its capacity as a promoter of that company. Noticee stated that the existence of the order did not, by itself, render the secondary acquisition unlawful and also relied on SEBI's delisting FAQs for interpretive context. Noticee further submitted that, during the due diligence process, disclosures were based on confirmations received from the Target Company and that, although information regarding the compulsory delisting matter was available on BSE's "Watch Out Investors" portal, the clarifications sought from the Target Company were inconclusive and did not provide a definitive basis for assessing its applicability or materiality for disclosure. Noticee



also pointed out that SEBI processed the open offer without raising any discrepancy on this aspect and that the matter was subsequently disclosed in the draft letter of offer filed on April 30, 2024. While acknowledging the omission, Noticee submitted that the same was inadvertent and without any intention to suppress information or mislead SEBI or investors.

13. In this regard, it is noted that Noticee has admitted that the existence of the restraint order came to its knowledge during the due diligence process and that the same was not specifically disclosed in the due diligence certificate furnished to SEBI in relation to the first open offer. In the circumstances, Noticee furnished an incomplete and inaccurate disclosure to SEBI by omitting a material regulatory fact in relation to the said open offer. Such information was material for enabling the public shareholders of the Target Company to appreciate the regulatory risks associated with the open offer and to take an informed decision whether to tender their shares. It is further noted that, even if the restraint order pertained to compulsory delisting proceedings concerning Shree Vindhya Paper Mills Limited, the fact remains that the Target Company and its promoter shareholders were connected with the said order and Noticee itself considered the matter significant enough to seek clarifications from the Target Company. Once such information had come to Noticee's knowledge and in the absence of any definitive clarification negating its relevance, Noticee should have adopted a cautious approach and disclosed the same to SEBI and the investors at the appropriate stage. The subsequent disclosure made in the draft letter of offer filed on April 30, 2024 also reinforces that the matter was in fact material for disclosure. Therefore, the plea that the omission was inadvertent or based on inconclusive clarifications cannot absolve Noticee of its due diligence and disclosure obligations.
14. As regards the contention of Noticee that the underlying transaction was a secondary acquisition executed prior to its engagement as manager to the offer and did not involve any fresh issue of shares or fund-raising by the Target Company, it is noted that the same does not dilute or absolve Noticee of its obligation, as manager to the offer, to make full, true and fair disclosure of all material regulatory information relevant to the open offer and to the decision-making of investors. Even if Noticee was not involved in negotiating or executing the transaction, its role as manager to



the offer necessarily required it to undertake independent due diligence and ensure full, true and fair disclosure of all material facts in the offer documents and in its communications with SEBI. Furthermore, the submission that the restraint order did not, by itself, render the secondary acquisition unlawful, and the reliance placed on Point 13 of SEBI's Delisting FAQs, do not assist Noticee in the present matter, since the issue here is not confined to the legality of the acquisition per se, but relates to non-disclosure of a material regulatory restraint having a bearing on the Target Company and investor decision-making in the context of the open offer. Similarly, the fact that SEBI processed the open offer without specifically highlighting any discrepancy concerning the past action relating to SVPML does not dilute Noticee's independent duty of due diligence and disclosure, nor can it cure the omission in the due diligence certificate and the related offer documents. Once Noticee had become aware of the restraint order and had considered it necessary to seek clarifications in relation thereto, it was incumbent upon it to disclose the same to SEBI and the investors in a timely and appropriate manner. Therefore, the aforesaid submissions of Noticee are not acceptable and the allegation in this regard stands established.

15. In view of the above, I hold that Noticee violated the provisions of regulation 27(2), (3) and (5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations.

Issue II. Whether Noticee, in relation to the second open offer by R. K. Chodankar in the matter of G. D. Trading and Agencies Limited, proceeded with the open offer process despite the underlying triggering transaction having been undertaken during the subsistence of the restraint imposed on the Target Company, failed to promptly and adequately disclose the same to SEBI and investors, and failed to assess the legal validity and regulatory permissibility of the triggering transaction and thereby violated regulations 27(2), 27(3) and 27(5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations?

16. It was alleged in the SCN that, in relation to the open offer triggered pursuant to the Share Subscription Agreement dated April 23, 2024 entered into by Mr. R. K.



Chodankar for acquisition of 1,01,50,000 preferential shares constituting 74.50% of the expanded voting share capital of G. D. Trading and Agencies Limited, Noticee proceeded with the open offer process despite the triggering event, namely the preferential issue of shares by the Target Company to the Acquirer, having been undertaken during the subsistence of the restraint operating against the Target Company from accessing the securities market from August 23, 2017 to August 22, 2027. The SCN further alleged that, despite being aware of the said restraint since December 2023, Noticee filed the draft letter of offer dated April 30, 2024 without adequately examining or questioning the validity and regulatory permissibility of the underlying triggering transaction. It was further alleged that Noticee failed to promptly and adequately disclose the subsisting restraint order to SEBI and the investors, and disclosed the said material fact for the first time only in the draft letter of offer dated April 30, 2024, thereby resulting in delayed and inconsistent disclosure of material regulatory information. Accordingly, the SCN alleged that Noticee failed to exercise due diligence, proper care and independent professional judgment expected of a merchant banker.

17. In response to above allegation, Noticee submitted that the allegations must be examined with reference to its limited role and statutory obligations as manager to the open offer, distinct from the underlying preferential allotment undertaken independently by the Target Company. Noticee contended that it was neither involved in negotiating, structuring, advising upon nor executing the triggering transaction, and that its engagement commenced only thereafter for discharging responsibilities under the SAST Regulations in relation to the open offer. Noticee further submitted that its role in managing the open offer should not be construed as endorsement, approval or facilitation of the underlying preferential allotment and that its conduct ought to be assessed independently of the Target Company's responsibility for undertaking the said transaction. Noticee also pointed out that the restraint order was in fact disclosed in the offer documents, as acknowledged in the SCN itself, and therefore the matter cannot be treated as one of concealment or complete non-disclosure. According to Noticee, such disclosure was made in discharge of its obligation to ensure transparency in the open offer process and is a relevant circumstance in assessing the allegation.



18. In this regard, it is noted from the records that Noticee had conducted a search on the www.watchoutinvestors.com on December 21, 2023 and had thereby become aware that the Target Company and Ceres Company Private Limited, along with Shree Vindhya Paper Mills Limited, had been restrained from accessing the securities market for the period from August 23, 2017 to August 22, 2027. However, despite such knowledge, Noticee proceeded with the open offer process arising out of the preferential issue of shares by the Target Company to Mr. R. K. Chodankar and filed the draft letter of offer without adequately examining or questioning the legal validity and regulatory permissibility of the underlying triggering transaction. It is further noted from the disclosures filed by the company on the stock exchange website that BSE, vide order dated April 08, 2025, revoked the earlier listing approval granted in respect of the equity shares issued through the said preferential allotment. It is also noted that, although RRP Semiconductor Limited subsequently challenged the said revocation before the Hon'ble Securities Appellate Tribunal and the Hon'ble SAT, vide order dated May 02, 2025, directed maintenance of status quo, the matter remains sub-judice and the final outcome is still pending. These subsequent developments further reinforce that the underlying triggering transaction warranted careful scrutiny from the standpoint of due diligence and regulatory permissibility.
19. As regards the contention of Noticee that its role was limited to that of manager to the open offer and that it was not involved in negotiating, structuring, advising upon or executing the underlying preferential allotment, it is noted that the same does not absolve it of its obligations under the SAST Regulations. Once Noticee accepted the mandate as manager to the open offer, it was incumbent upon it to exercise due diligence, apply independent professional judgment and independently satisfy itself about the legal validity and regulatory permissibility of the transaction giving rise to the open offer obligation. The role of manager to the open offer cannot be viewed in isolation from the legality and regulatory compliance of the very transaction on the basis of which the open offer was initiated. It is further noted that the open offer by R. K. Chodankar arose pursuant to a preferential issue of shares by the Target Company itself during the subsistence of the said restraint. Such preferential issue directly involved issuance of fresh shares by the Target Company and, therefore, squarely required scrutiny as to whether the underlying triggering transaction was



legally valid and regulatory permissible in light of the restraint on accessing the securities market. However, despite being aware of the subsisting restraint, Noticee proceeded with the open offer process and filed the draft letter of offer without adequately examining or questioning the validity and permissibility of the underlying preferential issue. In these circumstances, the contention of Noticee that its role was confined merely to acting as manager to the open offer does not absolve it of its obligation to exercise due diligence and independent professional judgment with respect to the very transaction that triggered the open offer obligation. Further, the plea that its conduct should be assessed independently of the Target Company's responsibility for undertaking the preferential issue is also not acceptable, since the charge against Noticee is not for execution of the allotment itself, but for proceeding with the open offer process without adequately assessing the regulatory permissibility of the triggering transaction and without ensuring timely and complete disclosure of the material restraint order to SEBI and the investors. Therefore, the submissions made by Noticee are untenable.

20. In view of the above, I hold that Noticee violated the provisions of regulation 27(2), (3) and (5) of the SAST Regulations and regulation 13 read with clauses 1, 3, 4, 6, 7 and 20 of Schedule III of the Merchant Bankers Regulations.

Issue III. Whether Noticee, in relation to the IPO of Micropro Software Solutions Limited, failed to exercise due diligence, ensure proper care, exercise independent professional judgment and satisfy itself about all aspects of the issue, including the genuineness of the working capital object, compliance with underwriting requirements, proper scrutiny of the RTA addendum agreement, and the veracity and adequacy of disclosures made in the draft offer document and the offer document and thereby violated regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?

21. In relation to the IPO of Micropro Software Solutions Limited, the allegations relating to the (a) objects of the issue- working capital requirements, (b) discrepancies in the underwriting agreement, and (c) discrepancies in the addendum to the RTA agreement are dealt with separately in the following paragraphs.



(a) Objects of the issue- working capital requirements

22. The SCN alleged that Noticee had failed to undertake independent due diligence and merely relied upon and forwarded the estimates, projections and justifications provided by the issuer company. It was further alleged that Noticee failed to provide any proper rationale or independent analysis when the stock exchange specifically sought clarification on the movement in working capital requirements and also failed to identify discrepancies and inconsistencies in the computation and disclosure of net working capital requirement, particularly regarding inclusion of cash and cash equivalents despite a contrary statement in the prospectus. It was also observed that, if cash and cash equivalents were excluded, the projected working capital requirements could have been met through internal accruals or existing net worth, thereby casting doubt on the genuineness of the stated working capital object, which Noticee failed to examine. Further, the offer document allegedly did not provide adequate justification for raising IPO funds towards working capital despite projected requirements for FY 2024 and FY 2025 being lower than the actual requirement for FY 2023. Accordingly, it was alleged that Noticee had failed to exercise due diligence, ensure proper care, exercise independent professional judgment and satisfy itself about the genuineness of the working capital object and the veracity and adequacy of disclosures made in the offer documents.
23. In reply to the above allegation, Noticee submitted that the allegation must be assessed in light of the ICDR requirements applicable at the relevant time, which required diligence in relation to the basis, assumptions and supporting information underlying the working capital requirement and appropriate disclosure thereof. Noticee contended that, in the present case, it undertook such diligence on the basis of the restated financial statements, management-certified working capital assessment, bank statements and historical working capital utilization available during the IPO process, and examined the rationale and supporting material relating to the proposed requirement. Noticee further submitted that the working capital requirement was specifically examined during the in-principle approval process, that the stock exchange had raised queries on the projected requirement and the company had furnished responses and supporting justification, which were considered by Noticee in finalizing the relevant disclosures. Noticee denied that it



had merely adopted unsupported estimates of the company without examination and asserted that its assessment was based on the financial information and supporting material available at the relevant time. As regards the inconsistency relating to treatment of cash and cash equivalents, Noticee submitted that such inconsistency, by itself, does not establish failure of due diligence unless it is shown that the inconsistency was apparent from the material available to it and remained unexamined. Noticee further contended that it had no reason, on the basis of the material then available, to disregard the company's working capital assessment and supporting justification. It was also submitted that the observation that the working capital requirement could have been met from internal accruals and existing net worth or the projected requirement differed from historical levels, cannot by itself establish lack of due diligence, since such matters must be assessed with reference to the contemporaneous financial position, projected business requirements and assumptions forming the basis of the issue.

24. In this regard, it is noted that, although Noticee had contended that it examined the restated financial statements, management-certified working capital assessment, bank statements, historical utilization and the responses furnished during the in-principle approval process, it failed to place any documentary evidence on record to demonstrate that it had undertaken any independent due diligence in this regard. For instance, in response to the stock exchange's query regarding the projected working capital requirement of the company, Noticee had merely submitted the working capital holding level for FY 2021, which was only a data point provided by the company. Likewise, when the stock exchange had specifically sought a detailed rationale for the fluctuations in the working capital requirement, Noticee, in its reply, had merely forwarded the company's data relating to trade receivables instead of furnishing any independent professional assessment or reasoned analysis. These documents merely reflected transmission of data and did not demonstrate any independent due diligence undertaken by Noticee. It is also noted that, in response to the stock exchange queries, Annexure X submitted by Noticee, containing year-wise utilization of the net proceeds for the objects of the issue, was based on details provided by the company itself. Similarly, Annexures XI and XII submitted to the stock exchange, containing working capital holding levels and justification thereof,



expressly reflected that such estimates and justification had been made by the management of the company. These documents, therefore, indicate that Noticee had merely adopted and forwarded the issuer company's estimates, projections and justifications without conducting any meaningful independent verification or analysis of the additional working capital requirement.

25. Further, the plea of Noticee that the inconsistency regarding the treatment of cash and cash equivalents in the offer document did not establish a failure of diligence unless it was apparent from the available material is untenable, as the inconsistency was neither minor nor immaterial, but an overt contradiction that directly compromised the correctness of the disclosures. While the prospectus explicitly stated that cash and cash equivalents were excluded from current assets, the underlying calculations actually included the same. Identifying such glaring contradictions is a foundational element of the due diligence expected from a merchant banker. This discrepancy also rendered inaccurate the undertaking furnished by Noticee regarding incorporation of the revised objects section in the offer document. It is further noted that the fact that exclusion of cash and cash equivalents could have enabled the projected working capital requirement to be met through internal accruals or existing net worth, coupled with the fact that the projected requirement for FY 2024 and FY 2025 was lower than the actual working capital requirement for FY 2023, were matters that ought to have prompted closer scrutiny by Noticee of the genuineness of the working capital object and the adequacy of disclosures. However, no such scrutiny is borne out from the record. In view of the above findings, it is held that the material available on record does not support the plea that Noticee had exercised the requisite due diligence, proper care and independent professional judgment. Therefore, the submissions made by Noticee do not merit acceptance.

(b) Discrepancies in the underwriting agreement

26. It was alleged that, although clause 2.1 of the underwriting agreement provided that the issue was underwritten only to the extent of 94.98%, the prospectus disclosed that the issue was 100% underwritten and Noticee also submitted an undertaking under regulation 260(4) of the ICDR Regulations stating that the issue had been fully underwritten. Accordingly, it was alleged that Noticee had failed to ensure



compliance with the underwriting requirements under regulation 260(1) of the ICDR Regulations and further failed to ensure that the disclosures in the prospectus relating to the underwriting arrangement were true, accurate and complete.

27. In response to the above allegation, Noticee submitted that the observation regarding the underwriting arrangement was based on an isolated reading of clause 2.1 of the underwriting agreement, which referred to underwriting of 94.98% of the issue while expressly excluding the market maker reservation portion. Noticee contended that the agreement, when read as a whole, contemplated 100% underwriting of the issue, and pointed out that clause F of the recitals and clause 7 expressly recorded full underwriting, including the market maker reservation portion, in accordance with regulation 260(1) of the ICDR Regulations applicable to SME issues. Noticee further submitted that the exclusion mentioned in clause 2.1 was only in the context of the separate regulatory requirement under regulation 261 concerning subscription by the market maker and was not intended to mean that only 94.98% of the issue was underwritten. Accordingly, Noticee argued that its undertaking that the issue was fully underwritten was based on the underwriting agreement read in its entirety and was not intended to misstate or misrepresent the underwriting arrangement. Noticee also submitted that the SCN does not establish that any part of the issue was in fact left without underwriting or that the arrangement was unenforceable, and therefore the mere presence of the 94.98% figure in clause 2.1 could not, by itself, establish non-compliance or lack of due diligence.
28. In this regard, it is noted that clause 2.1 of the underwriting agreement referred to underwriting of 94.98% of the issue while excluding the market maker reservation portion, whereas other parts of the agreement relied upon by Noticee to contend that the issue was intended to be 100% underwritten. Thus, the record reflects an inconsistency and lack of clarity in the underwriting documentation itself. In terms of regulation 260(1) of the ICDR Regulations, the issue is required to be underwritten to the extent of 100% and the said requirement does not admit of any exception. In such circumstances, even if the agreement is read as intending to cover the entire issue including the market maker reservation portion, it was incumbent upon Noticee, particularly when Noticee itself was also the underwriter, to ensure that the underwriting arrangement was set out in clear, consistent and unambiguous terms



and that the agreement, prospectus disclosures and undertaking furnished under regulation 260(4) of the ICDR Regulations were in complete conformity with the regulatory requirement. The explanation of Noticee that the exclusion of the market maker reservation portion in clause 2.1 was only in the context of compliance with regulation 261 of the ICDR Regulations does not cure the evident inconsistency in the agreement, particularly when the prospectus and undertaking represented the issue as being fully underwritten. Further, the absence of any allegation that part of the issue was actually left unsubscribed does not absolve Noticee, since the charge relates to failure to ensure compliance with the regulatory requirement of full underwriting and failure to ensure true, accurate and complete disclosure in the prospectus. The presence of said inconsistency demonstrates failure on the part of Noticee to exercise due diligence, ensure proper care, exercise independent professional judgment expected of a merchant banker. Therefore, the submissions made by Noticee are not acceptable.

(c) Discrepancies in the addendum to the RTA agreement

29. It was alleged that the addendum agreement dated October 23, 2023 entered into between the issuer company and the registrar to the issue was executed on plain paper and did not appear to bear the requisite stamp duty. Since the said agreement formed part of the material contracts relating to the issue, Noticee was required to examine and satisfy itself as to its proper execution, completeness and enforceability. Accordingly, it was alleged that, by failing to identify and address the deficiency in the addendum during the due diligence process, Noticee had failed to properly scrutinize a material contract relating to the issue.
30. In response, Noticee submitted that the observation relates only to an addendum dated October 23, 2023 between the issuer company and the RTA, to which Noticee was not a party, and that the underlying RTA arrangement and execution of the addendum were matters between those parties. Noticee contended that execution of the addendum on plain paper and absence of apparent stamp duty do not, by themselves, establish that the arrangement was invalid or unenforceable, as the legal consequence would depend on the applicable stamp law and nature of the instrument. Noticee further submitted that the SCN does not allege that the RTA was not duly appointed, was incapable of performing its functions, or that the absence of



apparent stamp duty caused any failure in the IPO process, the observation being confined only to execution formalities of the addendum. Noticee argued that its diligence must be assessed in the context of the documents available to it, the scope of its role as lead manager and the applicable requirements at the relevant time, and that a subsequently noticed deficiency in execution formalities does not by itself establish failure of due diligence unless it was apparent from the material available and remained unexamined. Without prejudice, Noticee acknowledged that the absence of apparent stamp duty could have been specifically identified and escalated during due diligence and submitted that it has since strengthened its internal review procedures in this regard. Accordingly, Noticee contended that the observation, by itself, does not establish failure to exercise due diligence, care and professional judgment under the applicable regulations.

31. In this regard, it is noted that Noticee has admitted that the absence of apparent stamp duty on the addendum could have been specifically identified and escalated during the due diligence process, which itself reinforces that the deficiency was capable of being noticed upon proper scrutiny. It is further noted that the addendum to the RTA agreement formed part of the material contracts relating to the issue and, therefore, it was incumbent upon Noticee, as lead manager, to examine the same and satisfy itself as to its proper execution, completeness and enforceability, irrespective of whether Noticee was itself a party to the agreement. Since such document may not be enforceable unless proper stamp duty is paid thereon, the execution formalities of the said addendum assumed significance from the standpoint of due diligence. In that view, the RTA agreement and its addendum, being part of the material contracts, ought to have been duly scrutinized by Noticee. Accordingly, the contention that execution on plain paper and absence of apparent stamp duty do not, by themselves, establish invalidity or unenforceability does not assist Noticee in the present matter, since the charge is not that Noticee was required to finally determine the legal consequence of the deficiency, but that it failed to identify and flag an apparent deficiency in execution formalities in a material contract. It is also noted that the absence of any allegation regarding failure in the RTA's functioning or in the IPO process does not absolve Noticee, since the obligation of due diligence extends to scrutiny of material issue documents and



agreements during the issue process itself and is not contingent upon any subsequent failure in performance. Therefore, the material available on record establishes that Noticee failed to properly scrutinize a material contract relating to the issue. Therefore, the submissions made by the Noticee are not acceptable.

32. In view of the above findings, I hold that Noticee violated the provisions of regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

Issue IV. Whether Noticee, in relation to the IPO of Shoora Designs Limited, failed to exercise due diligence, ensure proper care, exercise independent professional judgment and satisfy itself about all aspects of the issue, including the genuineness of the working capital object and the veracity and adequacy of disclosures made in the draft offer document and the offer document and thereby violated regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?

33. In relation to the IPO of Shoora Designs Limited, the SCN alleged that Noticee failed to exercise due diligence, proper care and independent professional judgment with respect to the working capital object of the issue. In particular, it was alleged that Noticee relied upon the estimates, projections and justifications furnished by the issuer company without undertaking independent due diligence as to the company's additional working capital requirements. It was further alleged that Noticee failed to identify mismatches between the projected working capital figures submitted to the stock exchange and those disclosed in the prospectus, failed to verify the abrupt and substantial increase in projected working capital requirement from the preceding financial year, and failed to examine the incorrect inclusion of loans and advances, including long-term items, as part of current assets in the working capital computation. It was also alleged that the offer document did not contain adequate disclosure regarding the projected loans and advances. Accordingly, the SCN alleged that Noticee failed to satisfy itself about the genuineness of the working capital object and the veracity and adequacy of disclosures made in the draft offer document and the offer document.



34. With respect to the above allegations, Noticee submitted that the observations regarding the working capital requirement must be assessed in light of the information and supporting material available at the relevant time, the forward-looking nature of the projections, the regulatory queries raised during the IPO process and the diligence undertaken by Noticee as lead manager. Noticee contended that the working capital requirement disclosed in the prospectus was based on the company's internal business plan, proposed operational expansion and anticipated funding requirements, and that its diligence was carried out on the basis of the restated financial statements, management-certified internal working capital assessments, bank statements and historical working capital utilization. Noticee further submitted that the prospectus itself disclosed that the fund flow estimates were based on prevailing business circumstances and could require revision depending on financial, market and other external factors. It was also submitted that the basis and justification for the working capital requirement were specifically examined during the regulatory process, that BSE had raised detailed queries on the same and that the company's explanations and supporting justification were furnished in response and subsequently incorporated in the prospectus.
35. As regards the disclosure under "Loans and Advances (including Long Term)", Noticee submitted that the company had clarified, vide response dated July 11, 2023, that the amounts represented advances to suppliers for procurement of raw materials, forming part of the operating cycle, and were not long-term financial assets. Noticee further contended that the phrase "including long term" had been used inadvertently and that the actual working capital computation in the prospectus was based only on current assets and current liabilities. According to Noticee, the projected working capital requirement, being inherently forward-looking, could not be discredited merely because it differed from historical levels, particularly when it had been examined with reference to the company's business plan, financial information, historical utilization and supporting material, and had also been subjected to regulatory scrutiny during the IPO process. Accordingly, Noticee argued that the contemporaneous record does not establish any failure on its part to undertake adequate diligence or exercise independent professional judgment.



36. In this regard, it is noted that Noticee has made bald assertions that the working capital requirement was assessed on the basis of the company's internal business plan, restated financial statements, management-certified assessments, bank statements, historical working capital utilization and responses furnished during the regulatory process, however, Noticee has failed to place any documentary evidence on record to demonstrate that it had in fact undertaken any independent due diligence in this regard. As regards the allegation that the projected working capital figures for FY 2024 and FY 2025 provided in the annexures to the reply submitted to the stock exchange did not match the figures disclosed in the prospectus, Noticee has not furnished any explanation for such discrepancy. The absence of any explanation or reconciliation on this aspect reinforces the inference that Noticee failed to verify even the apparent inconsistencies in the working capital disclosures, let alone undertake independent due diligence with respect to the justification and estimation of the working capital requirement.
37. With regard to the allegation that the projected working capital requirement disclosed in the prospectus reflected an abrupt and substantial increase from the actual working capital levels of the preceding financial year [i.e., an increase of more than 100%, from ₹15.52 crore as on March 31, 2023 (actual) to ₹35.06 crore as on March 31, 2024 (projected)], Noticee merely stated that the projected requirement, being inherently forward-looking, could not be discredited merely because it differed from historical levels. Such a reply is superficial in nature and the substantial increase in the projected working capital requirement remains unsupported by any credible rationale, justification or documentary evidence. It is further noted that the explanation offered by Noticee in respect of the item "Loans and Advances (including Long Term)" does not satisfactorily address the deficiency. While Noticee claimed that these amounts represented advances to suppliers for procurement of raw materials forming part of the operating cycle and were not long-term financial assets, it failed to furnish any documentary evidence in support of such assertion. In the absence of corroborative material, the said explanation cannot be accepted. In view of the above, the material available on record indicates that Noticee acted as a passive conduit, merely relying on and forwarding the estimates, projections and justifications provided by the issuer company without undertaking any meaningful



independent verification or professional assessment of the projected requirement. Therefore, the submissions made by Noticee are untenable.

38. In view of the above, I hold that Noticee violated the provisions of regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

Issue V. Whether Noticee failed to ensure that the offer document in the IPO of Shoora Designs Limited did not contain forward-looking statements incapable of substantiation and thereby violated point (e) under the Instructions of Part A to Schedule VI of the ICDR Regulations read with regulations 245(2)(b) and 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?

39. It was alleged that the offer document contained forward-looking statements and projections incapable of substantiation. In particular, the offer document disclosed that the IPO proceeds were proposed to be utilized in FY 2024, it nevertheless included projections relating to working capital requirements for FY 2025. It was further observed that the offer document stated that funding of the working capital requirements of the company would lead to a consequent increase in profitability, which amounted to an unsubstantiated projection regarding future profitability. Therefore, it was alleged that Noticee failed to ensure that the offer document did not contain forward looking statements incapable of substantiation and failed to exercise due diligence, proper care and independent professional judgment with respect to the veracity and adequacy of such disclosures.
40. In response to the above allegations, Noticee submitted that the disclosure relating to the projected working capital requirement for FY 2025 must be viewed in its proper context. Noticee contended that the draft prospectus did not originally contain any projection for FY 2025 and that the said disclosure came to be included only after BSE, during the in-principle approval process, raised a specific query regarding the amounts shown under “Loans and Advances” for FY 2024 and FY 2025 and sought details of the persons to whom such amounts were proposed to be extended and the purpose thereof. In response to the said regulatory query, the company furnished



the requisite clarification and, pursuant thereto, the reference to the FY 2025 working capital requirement was incorporated in the prospectus. Accordingly, Noticee argued that the disclosure was made in response to a regulatory clarification sought by BSE and was not an independently introduced or voluntary projection by Noticee. Noticee further submitted that the disclosure must be read along with the explanation furnished to BSE that the amounts represented advances to suppliers for procurement of raw materials forming part of the company's operating cycle and that the expression "including long term" had been used inadvertently, while the actual working capital requirement had been computed only on the basis of current assets and current liabilities. Noticee contended that the inclusion of the FY 2025 figure in the prospectus, therefore, arose in the course of addressing a specific regulatory clarification and should not by itself be construed as an unsupported forward-looking projection introduced without basis or context. Noticee also submitted that it acted in good faith and in discharge of its professional responsibilities on the basis of the information and explanations furnished by the company and the regulatory queries raised during the IPO process.

41. In this regard, it is noted that the contention of Noticee that the working capital projections for FY 2025 were included only because BSE had raised a specific query during the in-principle approval process, reflects a fundamentally misconceived understanding of its regulatory role. A query raised by the stock exchange is a regulatory mechanism to seek clarifications or scrutinize discrepancies, it cannot, by itself, justify the inclusion of projections relating to working capital requirements for FY 2025 in the offer document. The said query merely sought clarification regarding the amounts shown under loans and advances and did not require Noticee to incorporate projections relating to FY 2025 working capital requirement in the prospectus. It is further noted that the query raised by BSE regarding the amounts shown under loans and advances for FY 2024 and FY 2025 was entirely distinct from, and did not warrant, the inclusion of forward-looking statements in the Prospectus. Therefore, the regulatory clarification sought by BSE had no direct nexus with the inclusion of a forward-looking projection for FY 2025 in the offer document. Therefore, the said justification put forth by Noticee is not tenable.



42. In respect of the statement that funding of the working capital requirements of the company would lead to a consequent increase in profitability, it is also noted that Noticee has failed to address the core allegation and has submitted no response in this regard. The absence of any response on this aspect indicates that Noticee has no justification to offer for the said disclosure. Linking capital deployment directly to future profit growth, without any clear, independently verified financial model or objective empirical basis, constitutes an unsubstantiated forward-looking statement. Noticee has not furnished any specific explanation or supporting material to justify such disclosure. By including such speculative and forward-looking statement in the offer document, Noticee failed to ensure that the offer document did not contain forward looking statements incapable of substantiation and failed to exercise due diligence, proper care and independent professional judgment with respect to the veracity and adequacy of such disclosures. Therefore, the submissions made by Noticee are not acceptable.
43. In view of the above, I hold that Noticee violated the provisions of Point (e) under instructions of Part A to Schedule VI of ICDR Regulations read with regulations 245(2)(b) and (3) of ICDR Regulations and regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

Issue VI. Whether Noticee failed to verify the correctness and adequacy of disclosures in the prospectus of Shoora Designs Limited relating to the basis of issue price, the “Our Business” section and the applicable key industry regulations and policies and thereby violated regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations?

44. In relation to the IPO of Shoora Designs Limited, the allegations relating to the (a) basis of issue price (b) ‘our business’ section and (c) key industry regulations and policies are dealt with separately in the following paragraphs.

(a) Basis of issue price

45. The SCN alleged that the disclosures in the prospectus under the section relating to the basis of issue price had an inaccuracy in the computation of the weighted



average Return on Net Worth (RoNW). Although the underlying figures and weights disclosed in the prospectus yielded a weighted average RoNW of negative 19.24%, the prospectus disclosed the same as positive 19.24%. Accordingly, it was alleged that the prospectus contained inaccurate disclosures in a material section concerning the basis of issue price and that Noticee failed to exercise due diligence, ensure proper care and satisfy itself about the veracity and adequacy of such disclosures in the draft offer document and the offer document.

46. With respect to the above allegations, Noticee submitted that the observation relating to the disclosure of RoNW in the basis of issue price section of the prospectus arose due to inadvertent typographical and clerical errors in the tabular disclosure, including transposition of the weighting order and not from any incorrect underlying financial figure in the restated financial statements. Noticee contended that the RoNW disclosed in the prospectus was derived from the financial information forming part of the restated financial statements and that, upon correcting the inadvertent errors and applying the appropriate figures with the correct corresponding weights, the weighted average RoNW worked out to a positive 16.50% and not a negative 19.24% as referred to in the observation. Noticee acknowledged that the relevant calculation and disclosure ought to have been appropriately cross-checked before finalization of the prospectus, but submitted that the discrepancy was inadvertent and there was no intention to misstate the company's financial performance or mislead investors. Noticee further submitted that it had taken note of the oversight, strengthened its verification and cross-checking procedures for future offer documents, and requested that the allegation be considered in this factual context.
47. In this regard, it is noted that Noticee admitted that the discrepancy arose due to inadvertent typographical and clerical errors, including transposition of the weighting order. However, Noticee's subsequent assertion that the weighted average RoNW worked out to a positive 16.50% is not correct, as the weighted average RoNW, based on the figures and weights disclosed in the prospectus, works out only to negative 19.24%, as alleged in the SCN. In this context, it is noted that the basis of issue price is a significant disclosure for investors and the computation of weighted average RoNW was required to be accurate, internally consistent and duly cross-



checked before finalization of the offer document. Noticee has itself acknowledged that the relevant calculation and disclosure relating to weighted average RoNW ought to have been appropriately verified before finalization of the prospectus. In a material section such as the basis of issue price, even a clerical or computational error assumes significance, as it directly bears on investor understanding of the financial parameters underlying the pricing of the issue. Therefore, the submissions made by Noticee are not acceptable.

(b) “Our Business” section

48. It was alleged that the prospectus contained inconsistent financial disclosures in the “Our Business” section, inasmuch as the narrative portion stated that the revenue from operations for the year ended March 31, 2023 was approximately ₹105.59 lakh, whereas the corresponding table in the same section disclosed the revenue from operations for the same period as approximately ₹210.59 lakh. Therefore, it was alleged that Noticee failed to exercise due diligence, ensure proper care and satisfy itself about the veracity and adequacy of the disclosures made in the draft offer document and the offer document.
49. In response to the aforesaid allegation, Noticee submitted that the discrepancy relating to the disclosure of revenue from operations in the “Our Business” section should be considered in the context of the corresponding financial information contained in the prospectus. Noticee acknowledged that the narrative portion of the prospectus had inadvertently stated the revenue from operations for the year ended March 31, 2023 as approximately ₹105.59 lakh instead of the correct figure of approximately ₹210.59 lakh, but contended that the correct figure of ₹210.59 lakh was accurately reflected in the financial table appearing immediately thereafter in the same section. Noticee further submitted that the discrepancy was thus confined to the narrative reference and did not result in absence of the correct financial information from the prospectus, since the audited financial information forming part of the prospectus contained the correct figure, which was also reflected in the accompanying financial table. Noticee acknowledged that the inconsistency between the narrative and tabular disclosures ought to have been identified during the review and cross-checking process, but contended that the error was inadvertent and clerical in nature and that there was no intention to misstate the financial



performance of the company or mislead investors. Noticee further submitted that it had strengthened its verification and cross-checking procedures for future offer documents.

50. In this regard, it is noted that Noticee has admitted that the narrative portion of the prospectus had inadvertently stated the revenue from operations for the year ended March 31, 2023 as ₹105.59 lakh (approximately) instead of the correct figure of ₹210.59 lakh (approximately). Noticee has also accepted that the inconsistency between the narrative and tabular disclosures should have been identified during the review and cross-checking process. At the same time, Noticee submitted that the correct figure was accurately reflected in the financial table appearing immediately thereafter in the same section of the prospectus. It is further noted that the discrepancy did not result in inflation of the revenue figures, rather, a lower figure than the actual amount was disclosed. In these circumstances, the discrepancy was confined to the narrative portion and appears to have arisen from an inadvertent error, rather than from any suppression of material financial information or misstatement in the underlying audited financials. Accordingly, I am inclined to take a lenient view on this count and the allegation in this regard is dropped.

(c) Key industry regulations and policies

51. It was alleged that, under the section “Key Industry Regulations and Policies”, the offer document did not specifically disclose certain SEBI regulations applicable to the issuer company, including the LODR Regulations and the ICDR Regulations. Accordingly, it was alleged that the offer document did not contain complete particulars of the applicable regulatory framework governing the issuer company and that Noticee failed to satisfy itself about the veracity and adequacy of the disclosures made in the draft offer document and the offer document.
52. As regards the above allegation, Noticee submitted that, although certain SEBI regulations applicable to the company, including the LODR Regulations and the ICDR Regulations, were not specifically enumerated under the section titled “Key Industry Regulations and Policies” in the prospectus, the applicability of the relevant SEBI regulatory framework was expressly disclosed elsewhere in the prospectus. Noticee pointed out that the applicability of the LODR Regulations and the PIT



Regulations upon listing of the equity shares was specifically disclosed on page 121, and that the applicability of the ICDR Regulations, as well as compliance with SEBI disclosure and accounting norms, was specifically disclosed on page 187. Noticee further submitted that the section titled “Other Regulations” on page 104 contained an overarching disclosure regarding compliance by the company with the Companies Act and other applicable statutes for its day-to-day operations. Accordingly, Noticee contended that the relevant SEBI regulatory requirements were not absent from the prospectus as a whole and that the observation related only to their non-inclusion under one particular section. Noticee acknowledged that inclusion of the relevant SEBI regulations under the specific section could have made the disclosure more comprehensive and better consolidated, and submitted that it had reviewed its internal processes and would strengthen its verification and cross-checking procedures in this regard. On that basis, Noticee argued that the allegation of failure to exercise due diligence or to satisfy itself regarding the veracity and adequacy of disclosures was not made out and requested that the charge be dropped.

53. In this regard, it is noted that the section titled “Key Industry Regulations and Policies” is intended to set out the material regulatory framework applicable to the issuer company in a complete, coherent and accessible manner for the benefit of investors. The contention of Noticee that the relevant SEBI regulations were disclosed elsewhere in the prospectus does not cure their non-inclusion in the said section, particularly when the allegation relates to inadequacy and incompleteness of disclosure in the specific chapter meant to present the applicable regulatory framework. It is further noted that the LODR Regulations and the ICDR Regulations were directly relevant to the issuer company in the context of the issue and proposed listing, and their omission from the section specifically dealing with key industry regulations resulted in the disclosure in that section being incomplete. The fact that references to such regulations appeared elsewhere in the prospectus may indicate partial disclosure in some other reference, but it does not absolve Noticee of its responsibility to ensure that the relevant section itself contained complete and properly consolidated particulars of the applicable regulatory framework. Noticee has itself admitted that inclusion of the relevant SEBI regulations under the specific



section could have made the disclosure more comprehensive and appropriately consolidated. Therefore, it is held that Noticee failed to satisfy itself about all aspects of the issue, including the veracity and adequacy of disclosures made in the draft offer document and the offer document.

54. In view of the above findings under basis of issue price and key industry regulations and policies, I hold that Noticee violated the provisions of regulation 245(3) of the ICDR Regulations and regulation 13 read with clause 4 of Schedule III of the Merchant Bankers Regulations.

Issue VII. Whether Noticee failed to implement and maintain the Structured Digital Database, maintain a separate restricted list, and maintain documents evidencing periodic review of internal controls and checks in accordance with the PIT Regulations and thereby violated regulations 3(4) and 3(5) read with Schedule C and regulation 9A of the PIT Regulations?

55. It was alleged in the SCN that, during inspection, Noticee was unable to demonstrate the working of the software/platform for maintaining the Structured Digital Database ("SDD"). It was further alleged that Noticee had not implemented the SDD in accordance with the PIT Regulations, had not maintained a separate restricted list and had not maintained documents evidencing periodic review of internal controls and checks, etc. Accordingly, the SCN alleged that Noticee failed to maintain the SDD and adequate internal controls in accordance with the PIT Regulations.
56. In response to the above allegation, Noticee submitted that the SDD system had been duly implemented and was actively maintained with the support of ProCS Solutions and it had been continuously used for recording instances of UPSI and the details of persons with whom such UPSI was shared in accordance with the PIT Regulations and applicable circulars. Noticee contended that the observation regarding inability to demonstrate the functioning of the SDD during inspection should not be construed as absence or non-implementation of the SDD and submitted that the system was in place and being used for its intended purpose. Noticee further submitted that it is in a position to demonstrate the functioning of the SDD and provide the relevant system records and supporting information to SEBI



as may be required. With regard to the observations concerning maintenance of a separate restricted list and records evidencing periodic review of internal controls and checks, Noticee submitted that the matter should be considered in the context of the actual functionality and records maintained in the SDD system. Noticee also submitted that it had reviewed its internal processes relating to maintenance, periodic review and documentation of the SDD and would strengthen the corresponding controls and record-keeping to ensure that periodic checks and reviews were demonstrably documented and readily available for regulatory inspection. Accordingly, Noticee contended that the observation regarding demonstration or documentation during inspection did not by itself establish failure to maintain an SDD.

57. In this regard, it is noted that the invoice submitted by Noticee in support of its claim that the SDD system had been duly implemented and actively maintained merely indicate that the software was procured in May 2024. However, the allegation in the SCN is not confined to procurement of software, but specifically relates to the inability of Noticee to demonstrate the working of the software/platform for maintaining the SDD during inspection. The inspection findings record that Noticee was, in fact, unable to demonstrate the working of the said software/platform during the inspection. In such circumstances, the contention of Noticee that inability to demonstrate the functioning of the SDD during inspection should not be construed as absence or non-implementation of the SDD, and that the system was already in place and being used for its intended purpose, is not acceptable. If the SDD had in fact been effectively deployed, integrated, and maintained in accordance with the PIT Regulations, Noticee ought to have been in a position to demonstrate its working and produce the relevant supporting records at the time of inspection itself. It is also noted that Noticee acted as merchant banker in respect of eight IPOs during the inspection period, of which six were handled during FY2023-24. Since these six IPOs were undertaken prior to said procurement of the ProCS Solutions software in May 2024, they were apparently handled without any SDD software or platform in place. Further, Noticee has failed to furnish any document or contemporaneous system logs evidencing the functioning of the SDD during the inspection period. Therefore, the submissions made by Noticee are not acceptable.



58. With regard to the allegations concerning non-maintenance of a separate restricted list and records evidencing periodic review of internal controls and checks, Noticee merely submitted that it is committed to ensuring that the SDD and the associated internal control framework remain fully aligned with the requirements of the applicable PIT Regulations. Noticee has failed to provide any substantive defense or place any contemporaneous, verifiable evidence on record to demonstrate that such separate restricted list was maintained or that periodic reviews and internal control checks were duly documented and available at the time of inspection. Further, Noticee's contention that it is now in a position to demonstrate the functioning of the SDD and provide the relevant system records and supporting information cannot cure a violation that was persisting during the inspection period. Noticee's subsequent assurance of strengthening controls and documentation also indicates that the relevant processes and records were not adequately maintained in a demonstrable or accessible manner during the relevant period. Therefore, the submissions made by Noticee are not tenable.
59. In view of the above, I hold that Noticee violated the provisions of regulation 3(4) and (5) and Schedule C of the PIT Regulations read with regulation 9A of the PIT Regulations.

Issue III. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?

Issue VI. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

60. In the light of the findings and observations made against Noticee in the foregoing paragraphs, it has been established that Noticee failed to disclose material regulatory information and failed to exercise due diligence, ensure proper care and exercise independent professional judgment in relation to the open offers in the matter of G. D. Trading and Agencies Limited, failed to exercise due diligence, proper care and exercise independent professional judgment in relation to the IPOs of Micropro Software Solutions Limited and Shoora Designs Limited, and further



failed to implement and maintain the SDD, separate restricted list and records evidencing periodic review of internal controls and checks in accordance with the PIT Regulations. Therefore, Noticee violated the following provisions:

- (a) Regulation 27(2), (3) and (5) of SAST Regulations and regulation 13 read with clause 1, 3, 4, 6, 7 and 20 of Schedule III of Merchant Bankers Regulations;
- (b) Regulation 245(3) of ICDR Regulations read with regulation 13 read with clause 4 of Schedule III of Merchant Bankers Regulations;
- (c) Point (e) under instructions of Part A to Schedule VI of ICDR Regulations read with regulations 245(2)(b) and (3) of ICDR Regulations; and
- (d) Regulation 3(4) and (5) and Schedule C of the PIT Regulations read with regulation 9A of the PIT Regulations.

61. In this regard, reliance is placed on the judgment of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund*¹ wherein it was, *inter alia*, observed that:

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not."

62. Thus, the aforesaid violation, make the Noticee liable for penalty under section 15HB of the SEBI Act, which reads as follows:

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

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

"Factors to be taken into account while adjudging quantum of penalty
15J *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely :—*

¹ [2006] 68SC 216(SC)



- (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.”*

64. In this connection, the material available on record does not indicate any quantifiable gain or unfair advantage accrued to Noticee, nor does it disclose the extent of any loss suffered by investors as a result of the non-compliance with the aforesaid provisions of the SAST Regulations, Stock Brokers Regulations, ICDR Regulations and PIT Regulations. Further, with respect to the repetitive nature of the default, it is noted that Noticee was suspended for a period of three months vide WTM order dated August 19, 2025. The said WTM order was subsequently modified by the Hon'ble Securities Appellate Tribunal by limiting the suspension to one month from the date of the impugned order and directing Noticee not to onboard new clients for a period of two months from the expiry of the suspension period. Further, it is noted that the findings recorded hereinabove establish that Noticee failed to disclose material regulatory information, abdicated its core responsibility of independent due diligence and failed to exercise proper care and professional judgment across multiple open offers and IPOs. Furthermore, Noticee failed to comply with its mandatory internal control obligations by failing to implement and maintain a functional SDD, a separate restricted list and verifiable records evidencing periodic review of internal controls and checks. Such lapses impair the quality and reliability of disclosures made to SEBI and investors, weaken the due diligence framework expected of a merchant banker, compromise the integrity and transparency of the open offer and IPO process, and undermine effective regulatory oversight and audit trail requirements. In the case of SDD related deficiencies, the same also heighten the risk of improper handling or misuse of UPSI without adequate traceability. In these circumstances, the established violations are serious in nature and warrant imposition of an appropriate monetary penalty.

ORDER

65. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in



section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose a monetary penalty of ₹10,00,000/- (Rupees Ten Lakh only), under section 15HB of the SEBI Act, on the Noticee. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.

66. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

67. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.
68. In terms of rule 6 of the Rules, copy of this order is sent to the Noticee and also to SEBI.

JAI
SEBASTIAN

Digitally signed by JAI
SEBASTIAN
Date: 2026.10.28
17:13:58 +05'30'

Place: Mumbai
Date: October 28, 2026

JAI SEBASTIAN
ADJUDICATING OFFICER