WTM/AB/IVD/ID2/24676/2022-23

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2) and 15I of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Sections 12A(1), 12A(2) and 23I of Securities Contracts (Regulations) Act, 1956 read with Rule 5 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005.

Noticee Number as per SCN	Name of Noticees	PAN
12.	Mr. Kavi Arora	AALPA2726L

In the *matter of* Religare Enterprises Ltd.

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1. The present proceedings owes its origin to an *ad-interim ex-parte i*nterim order dated March 14, 2019 read with corrigendum dated April 18, 2019 (hereinafter both the orders collectively referred to as the '**Interim Order'**), passed by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") wherein SEBI, pending investigation, had issued certain directions against Religare Enterprises Limited ('**REL**'), Religare Finvest Limited ('**RFL**'), OSPL Infradeal Private Limited ('**OSPL**'), Bharat Road Network Limited ('**BRNL**'), Platinum Infrastructure Pvt. Ltd, Ad Advertising Pvt. Ltd, Artifice Properties Pvt. Ltd, Best Health Management Pvt. Ltd. ('**Best'**), Devera Developers Pvt. Ltd, Vitoba Realtors Pvt. Ltd, Fern Healthcare Pvt. Ltd ('**Fern**'), Modland Wears Pvt. Ltd ('**Modland**'), Rosestar Marketing Pvt. Ltd, Star Artworks Pvt. Ltd, Tripoli Investment & Trading Co, Volga Management and Consultancy Pvt. Ltd, Zolton Properties Pvt. Ltd, Religare Comtrade Limited, RHC

Holding Pvt Ltd (**'RHC Holdings**'), Ranchem Pvt. Ltd., ANR Securities, Shivi Holdings Pvt. Ltd, Malav Holdings Pvt. Ltd, Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh, namely:

"……..

i. REL and RFL (i.e. Noticee nos. 1 & 2) shall initiate steps to recall all the loans, amounting to Rs.2315.09 Crores (approx.) , as specified in table no. 8 under para 4 above, extended, either directly or directly, to the Noticee nos. 3 to 25 (viz. OSPL Infradeal Private Limited, Bharat Road Network Limited , Platinum Infrastructure Pvt. Ltd, Ad Advertising Pvt. Ltd, Artifice Properties Pvt. Ltd, Best Health Management Pvt. Ltd, Devera Developers Pvt. Ltd, Vitoba Realtors Pvt. Ltd, Fern Healthcare Pvt. Ltd, Modland Wears Pvt. Ltd, Rosestar Marketing Pvt. Ltd, Star Artworks Pvt. Ltd, Tripoli Investment & Trading Co, Volga Management and Consultancy Pvt. Ltd, Zolton Properties Pvt. Ltd, Religare Comtrade Limited, RHC Holding Pvt Ltd , Ranchem Pvt. Ltd , ANR Securities, Shivi Holdings Pvt. Ltd, Malav Holdings Pvt. Ltd, Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh), along with due interest, within three months of the date of this order.

ii. The Noticee nos. 3 to 25 shall, pending completion of the investigation and till further orders, not dispose of or alienate any of their assets or divert any funds, except for meeting expenses of day-to-day business operations, without the prior permission of SEBI.

iii. The Noticee nos. 24 and 25 (viz. Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh) shall not associate themselves with the affairs of REL and RFL, in any manner whatsoever, till further directions……."

2. I note that the interim order dated Mar 14, 2019, came to be passed on the basis of a preliminary examination by SEBI and forensic audit conducted on directions of SEBI by MSA Probe Consulting Pvt. Ltd. (whose forensic audit report shall hereinafter be referred to as '**FAR**'), on the alleged diversion of Rs.2315.09 Crores (approx.) from REL / RFL, for the benefit of promoter / promoter connected entities of these entities.

3. On the basis of the submissions made by the entities, subsequent to the passing of the Interim Order, the confirmatory order dated September 11, 2019 (hereinafter referred to as the '**Confirmatory Order'**) came to be passed by SEBI, wherein the directions in the Interim Order were *inter-alia* confirmed subject to the modification as under:

i. "REL and RFL (i.e. Noticee nos. 1 & 2) shall continue with the steps to recall the loans, amounting to Rs.2065.09 Crores (approx.), extended, either directly or indirectly, to the Noticee nos. 5 to 17 and 19 to 25 (viz. Platinum Infrastructure Pvt. Ltd, Ad Advertising Pvt. Ltd, Artifice Properties Pvt. Ltd, Best Health Management Pvt. Ltd, Devera Developers Pvt. Ltd, Vitoba Realtors Pvt. Ltd, Fern Healthcare Pvt. Ltd, Modland Wears Pvt. Ltd, Rosestar Marketing Pvt. Ltd, Star Artworks Pvt. Ltd, Tripoli Investment & Trading Co, Volga Management and Consultancy Pvt. Ltd, Zolton Properties Pvt. Ltd, RHC Holding Pvt Ltd , Ranchem Pvt. Ltd ,

ANR Securities, Shivi Holdings Pvt. Ltd, Malav Holdings Pvt. Ltd, Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh), along with due interest.

ii. The Noticee nos. 5 to 17 and 19 to 25 shall, pending completion of the investigation and till further orders, not dispose of or alienate any of their assets or divert any funds, except for meeting expenses of day-to-day business operations, without the prior permission of SEBI.

iii. The directions contained in para 10(ii) of the Interim Order in respect of the Noticee no. 4 (Bharat Road Network Limited) and the Noticee no. 18 (Religare Comtrade Limited) stand revoked.

iv. The Noticee nos. 24 and 25 (viz. Shri Malvinder Mohan Singh and Shri Shivinder Mohan Singh) shall not associate themselves with the affairs of REL and RFL, in any manner whatsoever, till further directions."

4. I note that, pursuant to the completion of investigation in the matter and upon reconsideration of the facts and circumstances of the case in totality, a revocation order dated November 12, 2020, came to be passed by SEBI in respect of BRNL, OSPL, Platinum Infrastructure Pvt. Ltd, Ad Advertising Pvt. Ltd, Artifice Properties Pvt. Ltd, Best, Devera Developers Pvt. Ltd, Vitoba Realtors Pvt. Ltd, Fern, Modland, Rosestar Marketing Pvt. Ltd, Star Artworks Pvt. Ltd, Tripoli Investment & Trading Co, Volga Management Consultancy Pvt. Ltd., Zolton Properties Pvt. Ltd, and Ranchem Pvt. Ltd., wherein the directions issued qua these entities in the Interim Order and Confirmatory Order, were revoked and adjudication proceedings under Chapter VI of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**"), were initiated.

5. Also after completion of investigation by SEBI, a show cause notice dated November 17, 2020, (hereinafter referred to as '**SCN**'), came to be issued to 13 Noticees, viz: RHC Holdings, A-1 Book Company Private Limited, Religare Corporate Services Ltd (now Finserve Shared Services Pvt Ltd), Malav Holdings Private Limited, Shivi Holdings Private Limited, Mr. Malvinder Mohan Singh, Mr. Shivinder Mohan Singh, ANR Securities Private Limited, REL, Mr. Sunil Godhwani, Mr. Anil Saxena, RFL and Mr. Kavi Arora.

6. Pursuant to the issuance of the SCN, REL and RFL had applied for settlement of the proceedings initiated against them by the aforesaid SCN, under the SEBI (Settlement Proceedings) Regulations, 2018 on April 16, 2021. Their Settlement terms were accepted by SEBI on the payment of total settlement amount of

Rs.10,50,75,000/-. In this regard, a separate Settlement Order came to be passed on May 31, 2022 *qua* REL and RFL whereby proceedings initiated vide the SCN against these entities were disposed of.

7. Noticee no. 12 filed his preliminary reply dated December 28, 2020. Noticee no. 12 undertook inspection of documents on January 15, 2021, May 12, 2021 and May 14, 2021. Further, as per the request of Noticee no. 12, the copies of various documents were provided to the Noticee no. 12 on March 24, 2021 and May 27, 2021.

8. Noticee no. 12 filed a Settlement Application dated February 22, 2021, proposing to settle the proceedings initiated by the SCN, in terms of SEBI (Settlement Proceedings), Regulations, 2018. The said settlement application was rejected by SEBI on October 08, 2021.

9. On July 13, 2021, the Noticee no. 12 filed two applications *inter alia* seeking copies of the documents mentioned therein including the opinion formed under Rule 3 of the Adjudication Rules, 1995. The Noticee no. 12 was provided with an opportunity of hearing on August 26, 2021. During the hearing held on August 26, 2021, ARs of the Noticee no. 12 argued on their aforesaid applications and insisted for passing of a separate order on these applications. The ARs of the Noticee no. 12 were informed that no separate order will be passed on these applications and the applications will be considered and disposed of with the final order to be passed against Noticee no. 12. ARs were also informed that only those documents which have been annexed to the SCN and of which inspection has been provided to the Noticee no. 12 shall be relied on in the proceedings. Further hearing in the matter was fixed on September 07, 2021.

10. Noticee no. 12 also filed a Writ Petition (L) No.19352 of 2021 before Hon'ble Bombay High Court for issue of directions to SEBI to forthwith furnish to the Noticee no. 12, documents relied upon by the SEBI, in the SCN and to supply of a copy of the opinion formed under Rule 3 of the Adjudication Rules, 1995. In view of the pendency of the said writ petition, Noticee no. 12 sought the adjournment during the hearing held on September 07, 2021. The request of Noticee no. 12 was

accepted and September 29, 2021 was fixed as the next date of hearing in the matter. The said writ petition was dismissed by Hon'ble Bombay High Court vide its judgment and order dated September 17, 2021. Aggrieved by the order dated September 17, 2021, Noticee no. 12 filed an SLP (Civil) No.15149 of 2021 before Hon'ble Supreme Court. Vide its order dated September 27, 2021, passed in the said SLP, Hon'ble Supreme Court *inter alia* directed as under:

> "Issue notice, returnable in four weeks. The respondent may hold an inquiry in the meanwhile. The respondent, however, shall not rely on any documents not supplied to the petitioner in the inquiry. No final decision shall be taken in the meanwhile, without the leave of the Court. The whole time member shall consider the applications filed by the petitioner in accordance with law."

11. During the hearing held on September 29, 2021, ARs of Noticee no. 12 by referring to the order dated September 27, 2021 passed by Hon'ble Supreme Court in the aforesaid SLP, prayed for passing of an order disposing of their applications filed on July 13, 2021. In compliance with the aforesaid order passed by Hon'ble Supreme Court, vide the Record of Proceedings dated September 29, 2021, the two applications filed on July 13, 2021 by the Noticee no. 12 were disposed of, allowing the inspection of the relevant file notings containing 'opinion of the board' as contemplated under Rule 3 of the Adjudication Rules, and denying the inspection/ provision of other documents *inter alia* on the grounds of third party commercial confidentiality. Noticee no. 12 was also directed to file a reply within 14 days failing which matter was to be proceeded in accordance with the Adjudication Rules, 1995 on the basis of material available on record, except for the passing of the final order. Noticee no. 12 filed his detailed reply dated October 15, 2021.

12. In the meantime, a final order dated July 28, 2022 (hereafter referred to as **'SEBI Final Order**'), came to be passed by SEBI, against the remaining 10 Noticees to the SCN, i.e. RHC Holdings, A-1 Book Company Private Limited, Religare Corporate Services Ltd (now Finserve Shared Services Pvt Ltd), Malav Holdings Private Limited, Shivi Holdings Private Limited, Mr. Malvinder Mohan Singh, Mr. Shivinder Mohan Singh, ANR Securities Private Limited, Mr. Sunil Godhwani and

Mr. Anil Saxena, imposing appropriate penalties and issuing necessary directions to the following Noticees. However, the proceedings against Noticee no. 12 were kept in abeyance awaiting the decision of the Hon'ble Supreme Court, as issue pending before Hon'ble Supreme Court was regarding furnishing of documents to the Noticee no. 12.

13. The aforesaid SLP filed by Noticee no. 12 was dismissed by the Hon'ble Supreme Court vide its order dated September 14, 2022. Vide said order, Hon'ble Supreme Court has further directed that SEBI to hold the inquiry, without relying upon any documents, not supplied to the Petitioner and that the interim order will govern the inquiry.

14. After considering the preliminary reply dated December 28, 2020, of Noticee no. 12, and additional reply dated October 15, 2021, a formal opinion under Rule 4(3) of the Adjudication Rules, 1995, was formed on September 23, 2022, to hold an inquiry with respect to Noticee no. 12 and October 17, 2022 was fixed as date of hearing for Noticee no. 12. Vide his email dated September 29, 2022, the Authorized Representative of Noticee no. 12 had *inter alia* requested for an opportunity of personal hearing before forming an opinion under Rule 4(3) of the Adjudication Rules, 1995 and also sought additional 15 days' time to file additional facts and documents. As the opinion under Rule 4(3) was already formed on September 23, 2022 and in view of the fact that Hon'ble Supreme Court in its judgment and order dated September 14, 2022 passed in the SLP filed by Noticee no.12, held that no such hearing under Rule 4(3) is required, the request of Noticee no. 12 in this regard was declined. Further, in view of the judgment and final order dated September 14, 2022 passed by Hon'ble Supreme Court in the SLP filed by Noticee no. 12 which directed that no document will be relied upon if not provided to Noticee no. 12, the copy of the opinion formed under Rule 4(3) of the Adjudication Rules, 1995, copies of the post inspection observation letters of RBI which have been referred to in the SEBI Final Order, copy of the commitment letter dated July 12, 2016 written by RFL to RBI, were provided to the Noticee no. 12 vide Record of Proceedings dated October 04, 2022, and was communicated to Noticee no. 12 on October 11, 2022. In view of additional 15 days' time sought by Noticee no. 12 to

file additional facts and documents, the date of hearing which was fixed on October 17, 2022, was postponed to October 28, 2022.

15. During the hearing held on October 28, 2022, the ARs of Noticee no. 12 insisted that in terms of Rule 4(4) of the Adjudication Rules, 1995, they may be explained the offence alleged to have been committed by his client, indicating the provisions of the Act, Rules or Regulations, in respect of which contravention is alleged to have taken place. By referring to the provisions of the Adjudication Rules, 1995, the ARs of Noticee no. 12, argued that subsequent to the explaining of the allegations under Rule 4(4), the adjudicating officer shall then proceed with the inquiry in terms of Rule 4(5) wherein the adjudicating officer shall give an opportunity to the Noticee to present such documents and evidence as are relevant to the inquiry, in terms of Rule 4(5A), the Board may appoint a presenting officer, and in terms of Rule 4(6), the adjudicating officer may summon and enforce the attendance of any person to give evidence and to produce any documents, which is relevant to the subject matter of the inquiry. It was clarified to the ARs of Noticee no. 12 that SCN containing all the allegations and consequent provisions of law which stood violated, alongwith annexures, has already been issued to Noticee no. 12 and thereafter, Noticee no. 12 has submitted his reply dated December 28, 2020 and additional reply dated October 15, 2021 which could not have been filed without understanding the allegation and the provisions of law which stood violated, as mentioned in the SCN. Further, it was also incomprehensible as to how an application for settlement of proceedings initiated vide the SCN, was filed by Noticee no. 12 without understanding the allegations and provisions of law which stood violated, as per the SCN. Nonetheless, upon insistence of Noticee no. 12, ARs of Noticee no. 12, were explained the allegations made in the SCN *qua* Noticee no. 12. The matter was adjourned to November 21, 2022 for further hearing. Having regard to Covid pandemic, all the previous hearing in the matter were held in the virtual mode. However, the hearing on November 21, 2022 was directed to be held in physical mode. SEBI was also given liberty to consider appointing presenting officer as per Rule 4(5A) of the Adjudication Rules, 1995. Due to administrative exigencies, the hearing fixed for November 21, 2022 was postponed to December 09, 2022.

16. In the meantime, the representation dated November 26, 2022, was made by the ARs for Noticee no. 12 in terms of Rule 4(6) of the Adjudication Rules, 1995, requesting for summoning and enforcing the attendance of following:

a. Mr. Srinivas Chidambaram (then nominee director in the board of RFL), MD & CEO of Jacob Ballas India Fund III LLC, a minority shareholder of RFL.
b. Mr. Praneet Singh and Mr. Aviral Singh, representatives of Avigo Capital (now Singular Guff), a minority shareholder of RFL.

17. The aforesaid representation dated November 26, 2022 was taken up for hearing on December 09, 2022 along with the hearing on the SCN and vide Record of Proceedings dated December 09, 2022, the aforesaid representation was dealt as under:

"……

12. According to the AR's of Noticee no. 12, the presence of these individuals is essential to give evidence of the fact that Noticee no. 12 and his team extended full co-operation to the Forensic Audit which was being conducted by T.R. Chadha & Co. LLP. According to them, this forensic audit was ordered to allay the concerns raised by the aforesaid minority shareholders of RFL and after perusing the forensic audit report of T. R. Chadha & Co. these minority shareholders decided to lodge a complaint to SEBI. According, to the AR's, the evidence of the said individuals is extremely essential for a just decision in the present case as they are acquainted with the facts of the present case.

13. Counsel for SEBI has raised objections on entertaining such applications for summoning of witnesses for evidence. According to him, the present proceedings are in the nature of enforcement action emanating from a show cause notice. The evidence relied upon by SEBI has been annexed to the SCN and also provided to the Noticee at the time of inspection. Now, it is upon the Noticee to dispute such evidence and present counter-evidence, if any. It is his case that if Noticee no. 12 desires to adduce evidence from certain individuals, he could have produced their statements as affidavits before the Adjudicating Officer. It was further submitted that absence of any pleading to the effect that the Noticee no. 12 made any effort to contact these witnesses to give evidence also raises doubt on the bonafide of this representation. According to the Ld. Counsel for SEBI, the Adjudicating Officer is not mandated to honor any such request "as a matter of right for the Noticee", since Rule 4(6) of the Adjudication Rules, 1995, makes it abundantly clear that the Adjudication Officer has to be satisfied about the usefulness and relevance of evidence of such a witness to the subject-matter of the inquiry. It

is his case that even if SEBI's investigation in the present matter may have been initiated *inter alia* on the basis of the complaint by these individuals but subsequently, SEBI has ordered a separate forensic audit to be done by MSA Probe Consulting Pvt. Ltd. and SEBI also conducted its own separate independent investigation in this matter. Thus, the complaints by these individuals was merely the starting point, but, no reliance is being placed by the SCN on those complaints. Hence, according to the Ld. Counsel for SEBI, the examination of these witnesses is neither relevant nor useful in the facts of the present case. He has also submitted that the power under Rule 4(6) of the Adjudication Rules, 1995 cannot be used for collection of evidence on behalf of the Noticee.

14. I note that Rule 4(6) of the Adjudication Rules, 1995, reads as under:

"(6) While holding an inquiry under this rule the adjudicating officer shall have the power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document ***which, in the opinion of the adjudicating officer, may be useful for or relevant to, the subject-matter of the inquiry****."*

15. I note that the present proceedings emanate from a show cause notice and they are not adversarial proceedings where the defendant, may call upon any witness to depose and give evidence, as a matter of right. Rather, Rule 4(6) of the Adjudication Rules, 1995, specifically vests the authority to decide whether to summon and enforce the attendance of any person or not, with the Adjudicating Officer, who shall exercise such power after considering the usefulness and relevance of such deposition to the subject-matter of the inquiry.

16. I find merit in the contentions of Counsel for SEBI. I also note that, while the investigation in this matter might have commenced *inter alia* on the basis of the complaint by these minority shareholders of RFL, but that was merely the starting point. It is pertinent to note that subsequent to the receipt of complaints, SEBI had appointed a forensic auditor namely, M/s. MSA Probe Consulting Pvt. Ltd. It was on the basis of the report of MSA Probe Consulting Pvt. Ltd. that the *ex-parte ad interim* Order dated March 14, 2019 and subsequent Confirmatory Order dated September 11, 2019 came to be passed. Subsequently, a detailed independent investigation was conducted by SEBI and the present SCN came to be issued. I note that the SCN does not rely on any of the complaints made by these minority shareholders of RFL. Therefore, to entertain such request of the AR's, for summoning the attendance of the aforesaid individuals, who purportedly were the representatives of these minority shareholders, would tantamount to nothing more than a 'roving and fishing inquiry'. Such request by the AR's is made merely on the basis of a "hunch" that these individuals would be

"aware of the co-operation provided by Noticee no. 12 in getting the Forensic Audit conducted". I note that this fact is irrelevant and does not have any bearing on the facts and allegations in the present SCN. The present SCN relies on the findings of the independent investigation conducted by SEBI and nowhere does it mentions or relies on the findings of the Forensic Audit by M/s. T.R. Chadha & Co. LLP. Thus, I do not find any merit in entertaining the request of the AR's for summoning and enforcing the attendance of the said individuals.

17. I note that the allegations made in the SCN, have been supported by annexing documents alongwith the SCN. Further, Noticee no. 12 has also undertaken an inspection of documents. He has also filed a preliminary reply dated December 28, 2020 and detailed reply dated October 15, 2021, alongwith copies of various documents. At the hearing today, Noticee no. 12 has also filed a letter dated December 9, 2022, enclosing therewith certain additional documents as evidence. I note that the AR's of Noticee no. 12 have requested for issuance of summons to witnesses, which they believe can reveal something in their defence. If such a request is entertained, there will be no end to such requests which they believe to be in their favour, though the persons being requested to be summoned may not even be aware of the matter. A witness may be summoned under Rule 4(6) of the Adjudication Rules, however, for that, the Noticee has to demonstrate the usefulness and relevance of the evidence of such witness which Noticee no. 12 could not demonstrate in the present case.

18. Therefore, calling of such witnesses is neither contemplated under law, nor required by principles of natural justice. Further, in my opinion, the summoning of these individuals is neither useful, nor relevant to the facts of this case. In view of the above, the request for summoning of witnesses as made by the AR's of Noticee no. 12, is rejected.

……."

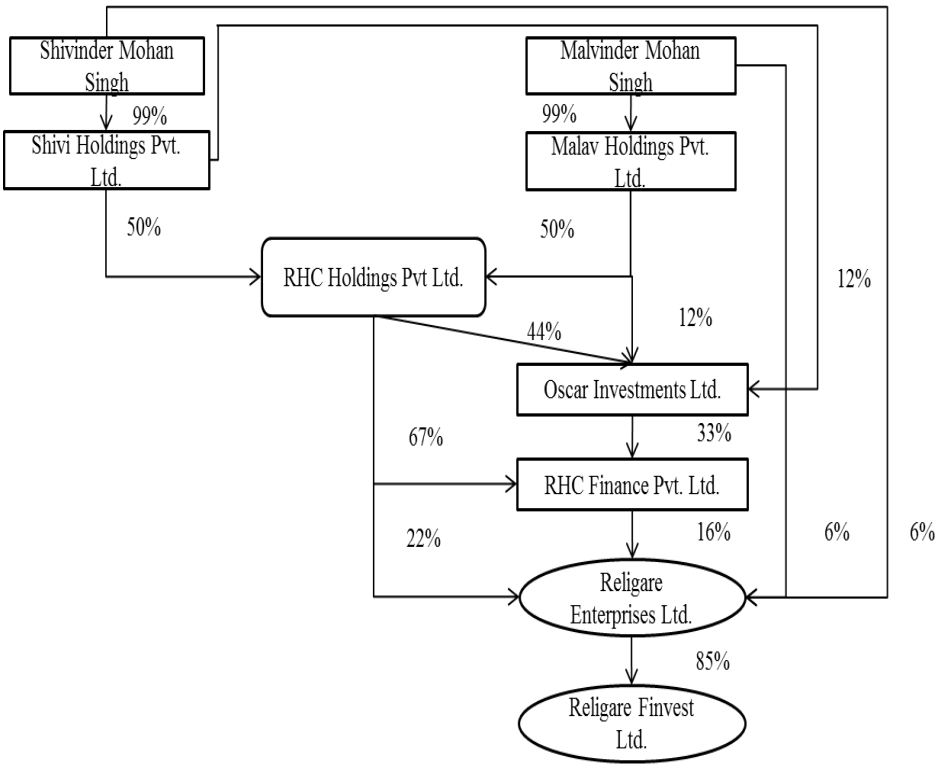
18. During the hearing held on December 09, 2022, the ARs for Noticee no. 12 also made their detailed oral submissions on the allegations made in the SCN. Accordingly, hearing *qua* Noticee no. 12 got concluded. As requested by Noticee no. 12, a time of 10 days' was given to file short written submissions - highlighting their contentions, with cross-reference to the relevant page number of the documents filed by Noticee no. 12. The Counsel for SEBI was also given time of 10 days to file written submissions, if any. The ARs for Noticee no. 12 submitted that they be provided with a copy of the written submissions to be filed by SEBI.

19. SEBI and Noicee no. 12 filed their written submissions on December 19, 2022. I note that a copy of the written submissions of SEBI was also forwarded to ARs of Noticee no. 12 on December 20, 2022. Thereafter, Noticee no. 12 filed his additional written submissions dated December 23, 2022.

20. The following paras is the extract of the SCN, mentioning the allegations made against the Noticee no. 12:

20.1. Ownership structure of REL & RFL as on March 31, 2017 is shown below for easy reference

Chart 1 – Ownership Structure of REL & RFL



Note: 1. % Indicate Shareholding
2.Promoter having > 1% shareholding only considered.

20.2. Thus, the majority shareholders of REL during the investigation period **(i.e. from April 1, 2011 to March 31, 2018)** were RHC Holdings and RHC Finance Pvt Ltd. These RHC group companies were in turn, entirely held by Shivinder

Mohan Singh and Malvinder Mohan Singh through Shivi Holdings Private Limited and Malav Holdings Private Limited. Thus, Mr. Sihivinder Mohan Singh and Mr. Malvinder Mohan Singh (hereinafter collectively referred as the "**Erstwhile Promoters**"), through entities controlled by them, were the controlling shareholders and promoters of REL.

20.3. RFL was a material subsidiary of REL during the investigation period and REL held 85.64% shareholding in RFL as on March 31, 2018. Further, as on March 31, 2018, RFL contributed to 57% of the consolidated revenues of REL and 96.3% of the consolidated net-worth of REL.

20.4. During the investigation, a detailed analysis of ledger accounts of various borrower entities in the books of RFL and bank statement analysis of such entities were carried out. The investigation findings were primarily sub-divided in to 3 categories as discussed in succeeding paragraphs.

20.4.1. Fixed Deposits of Rs. 750 Crores placed by RFL with Lakshmi Vilas Bank ('LVB'):

20.4.1.1. It was observed that RFL had placed fixed deposits of Rs. 750 crores with LVB during F.Y. 2016-2017, details of which were as follows: -

Table 1:- Details of FDs of RFL placed with LVB

Date	FD Opened by	Amount (Rs in crores)	Interest Rate	Tenure
11th Nov 2016	Religare Finvest Limited	210	5.25%	19 days
11th Nov 2016	Religare Finvest Limited	190	5.25%	19 days
09th Jan 2017	Religare Finvest Limited	150	4.50%	15 days
09th Jan 2017	Religare Finvest Limited	200	4.50%	15 days
	Total	**750**		

20.4.1.2. Further, it was observed that loans amounting to Rs. 729.13 crores were further granted by LVB against the said FDs to REL's promoter and its related entities viz, Ranchem Pvt. Ltd. and RHC Holding during the same period. The details of said loans were as follows: -

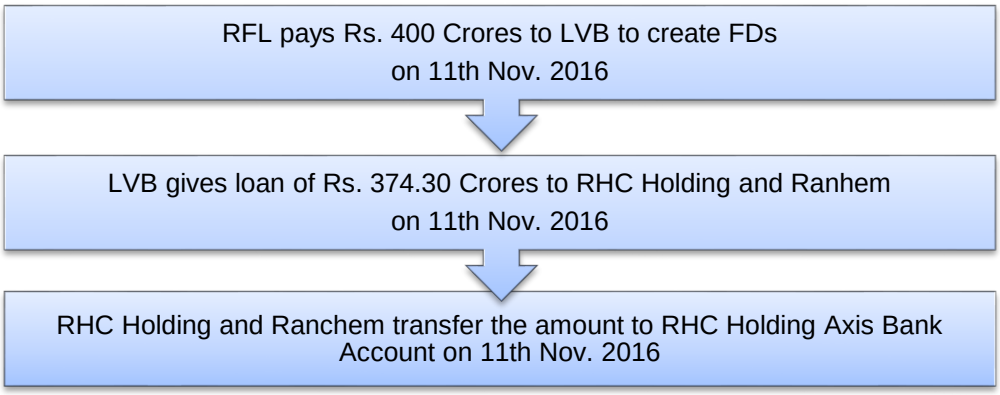
Tablee 2: Details of loan given by LVB to RHC Holding &Ranchem

Date	Loan Given to	Amount (Rs in crores)	Interest p.a.
11th Nov 2016	RHC Holding	199.50	9.80%
11th Nov 2016	Ranchem	174.80	9.80%
31st Dec 2016	RHC Holding	8.84	9.80%
31st Dec 2016	Ranchem	13.49	9.80%
09th Jan 2017	RHC Holding	332.50	9.80%
	Total	**729.13**	

20.4.1.3. Also, the aforesaid FDs were observed to have been rolled over multiple times till LVB adjusted them for the first time in July 2017 against the loans it had granted to RHC Holding and Ranchem Pvt. Ltd. due to non-repayment of loans. Thereafter, although LVB was observed to have restored the said fixed deposits in November 2017, due to subsisting default, LVB again was seen to have foreclosed and appropriated the FDs towards outstanding loan amounts on February 20, 2018.

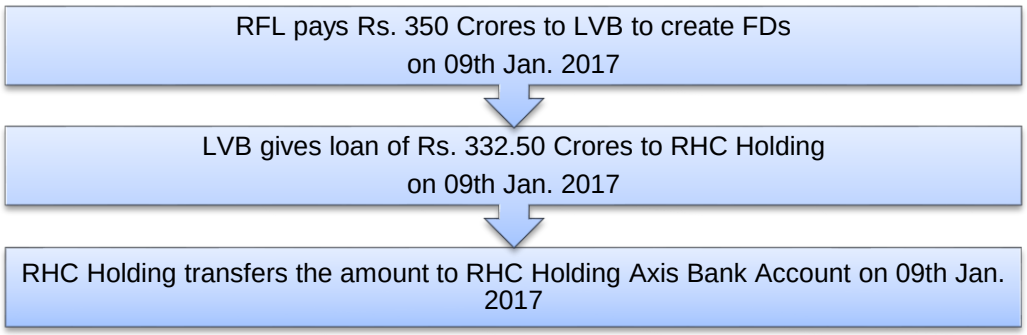
20.4.1.4. The movement of funds pursuant to creation of the aforesaid FDs and grant of loans have been shown in the following diagrams: -

1st FDs of Rs. 400 Crores created by RFL with LVB on 11th Nov 2016



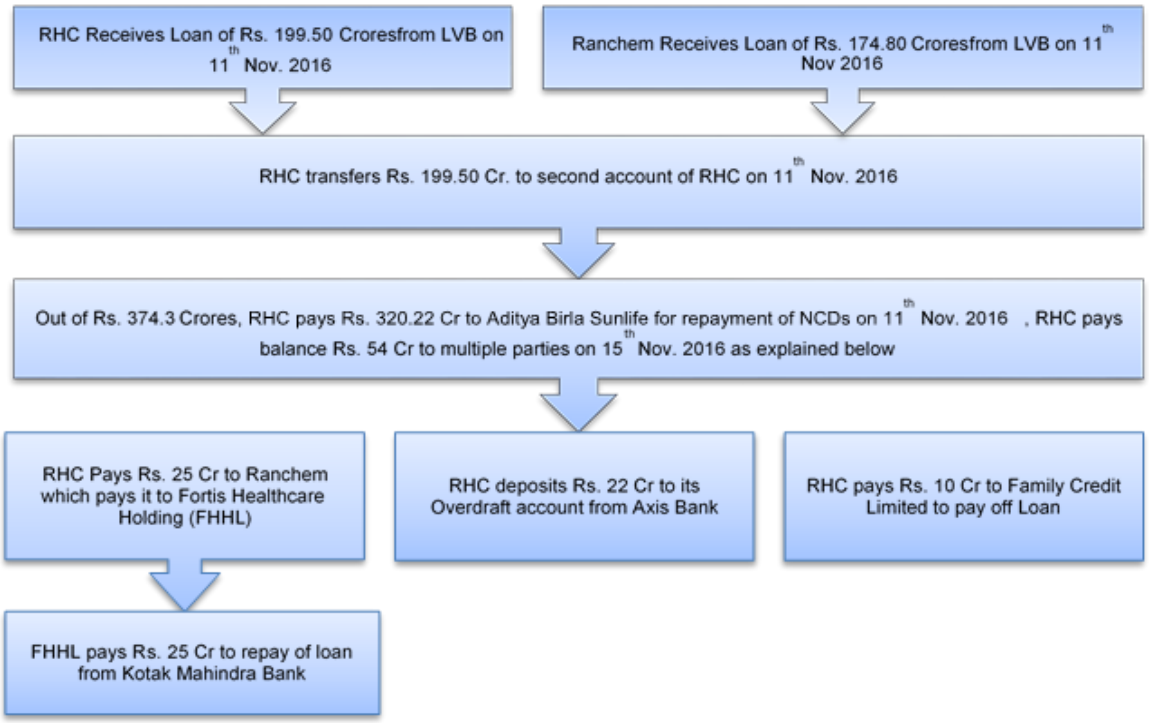
20.4.1.5. Additional Loan of Rs. 22.33 Crores was given by LVB to RHC Holding (Rs. 8.84 Crores) and Ranchem Pvt. Ltd. (Rs. 13.49 Crores) on 31st December 2016, which was further transferred to RHC Holding on the same day. Thus, cumulative loan of Rs. 396.63 crores was given by LVB to RHC Holding and Ranchem Pvt. Ltd. pursuant to creation of FD worth Rs. 400 Crores by RFL with LVB.

2nd FDs of Rs. 350 Crores created by RFL with LVB on 09th Jan 2017

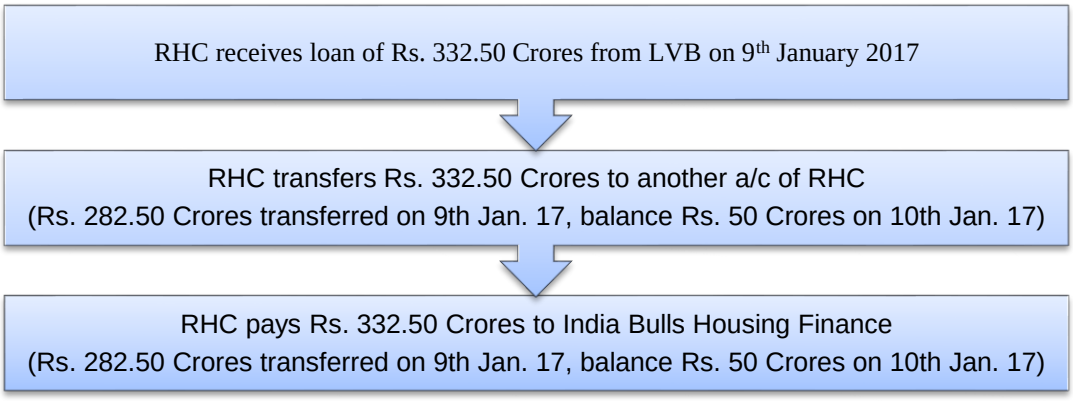


20.4.1.6. In this regard, the utilisation of aforesaid loans given to RHC Holding and Ranchem Pvt. Ltd. were analysed and it was observed that the said promoter group entities had utilized the funds to pay off their debts to multiple entities and for internal purposes. The pictorial presentation of the utilization of the loans taken by promoter and its related entities are as follows: -

Loans of Rs. 374.30 crore given on November 11, 2016 to RHC Holding and Ranchem Pvt. Ltd.



Loan of Rs. 332.50 Crores given on January 09, 2017



20.4.1.7. As can be seen from the above analysis, the aforesaid loans by LVB were observed to be ultimately utilized by RHC Holding for payment of debts and internal purposes. The summary of the same is as follows: -

Table 3: Summary of utilization of loans given to RHC Holding &Ranchem

Date	Loan Given to	Amount (Rs in crores)	Ultimate beneficiary and Utilisation	
			Beneficiary	Utilisation
11th Nov 2016	RHC Holding	199.50	RHC Holding	Used to pay off loan to multiple parties
11th Nov 2016	Ranchem	174.80		
31st Dec 2016	RHC Holding	8.84	RHC Holding	Multiple internal purposes of RHC Holding
31st Dec 2016	Ranchem	13.49		
09th Jan 2017	RHC Holding	332.50	RHC Holding	Pay off debt to India Bulls Housing Finance
	Total	**729.13**		

20.4.1.8. Thus, it was found that the loans given by LVB to RHC Holding and Ranchem Pvt. Ltd. against FDs of RFL were ultimately utilised by RHC Holding and on non-repayment of the said loans to LVB, the FDs of RFL were adjusted by LVB against the outstanding loan amounts. In this regard, the following was observed:

20.4.1.8.1. Although RFL and REL had banking relations with some of the largest banks in India, RFL decided to open FDs with LVB which had a total net worth (aggregate of share capital and Reserves & Surplus) of only Rs. 1,763.59 crores as on 31st March 2016. Further, FDs placed with LVB were the only ones against which no credit facility was availed and RFL placed funds in FDs of LVB earning them 4.50% - 5.25% p.a. when

they were paying 10.10% - 10.19% p.a for overdraft loans, thereby resulting in a direct loss of over 5% on the whole amount.

20.4.1.8.2. RHC Holding and Ranchem Pvt. Ltd. vide emails dated November 10, 2016 and January 07, 2017 had requested LVB for grant of loan against deposits by their group companies and RFL had requested for creation of FDs vide emails dated November 11, 2016 and January 09, 2017. Also, RFL had forwarded a copy of first FD letter to representative of RHC Holding and Ranchem Pvt. Ltd., although there was no mention of creating any security against the RFL's FDs.

20.4.1.8.3. There were no specific and written communication by RFL for creation of security against FDs for grant of loans to RHC Holding and Ranchem Pvt. Ltd. Although RHC and Ranchem Pvt. Ltd. signatories had signed on the relevant documents for financial assistance against security of deposits, there was no signature of the depositor i.e RFL on the same. In this regard, while LVB has claimed to have sent SMS to authorised person of RFL at the time of creation of security against RFL's FDs, there was no formal communication by LVB with RFL for execution of complete documentation before July 2017.

20.4.1.8.4. Despite FDs being opened by LVB by debiting RFL's account in November 2016, RFL had issued two post-dated cheques for the same amount. In this regard, while LVB claimed same were security against loans to RHC Holding and Ranchem Pvt. Ltd., RFL stated that the same were for opening of FDs only.

20.4.1.8.5. The original FDs by RFL continue to be with LVB which latter has contended as the proof for creation of security against the loans to RHC Holding and Ranchem Pvt. Ltd.

20.4.1.8.6. RFL's claims of receipt of a letter dated November 30, 2016 from LVB stating that FDs are free from encumbrance, have been called as rged and fabricated by LVB.

20.4.1.8.7. Thus, it was observed that although RFL was informed regarding creation of security against their FDs with LVB, they neither refuted nor gave any express authorisation in respect to the same to LVB. As regards LVB, apart from certain SMS and emails exchanged, no documentation could be furnished by LVB which could be considered as express authorisation by RFL for creation of lien on their FDs.

20.4.1.8.8. LVB acted on the premise that the three companies i.e, RFL, RHC Holding and Ranchem Pvt. Ltd. were group companies under the same promoters and created security against FDs of RFL without ensuring proper authorisation of the same by RFL.

20.4.1.9. In view of the above, it is alleged that the beneficiary of the funds of RFL to the tune of Rs 729.13 crores was RHC Holding and in the absence of adequate documentation to support express authorisation by RFL in this regard, it is further alleged that LVB aided the promoters of RFL in diversion of funds for latters' benefit.

20.4.2. Non-convertible Debentures ('NCDs') of OSPL and Corporate Loan to BRNL:

20.4.2.1. This section deals with certain NCDs of OSPL and a corporate loan of Rs. 50 crores to BRNL, as granted by RFL. It was seen that RFL had made investments of Rs. 200 Crores in the Non-convertible debentures of OSPL on December 14, 2016 and also an amount of Rs. 50 Crores was granted by way of a corporate loan by RFL to BRNL on the same day i.e. December 14, 2016.

20.4.2.2. In this regard, it was observed that BRNL was a group entity of SREI Infrastructure Finance Ltd **("SREI")** as more than 80% share were held by SREI group entities and OSPL did not own any asset apart from the investments in the shares of BRNL.

20.4.2.3. On analysis of the relevant ledgers as well as fund transactions, it was observed that the aforesaid NCDs/ loans were part of back to back loan transactions entered by RFL with OSPL & BRNL (backed by SREI) and with the promoter group company RHC Holding on December 14, 2016, which were carried out in the following manner:

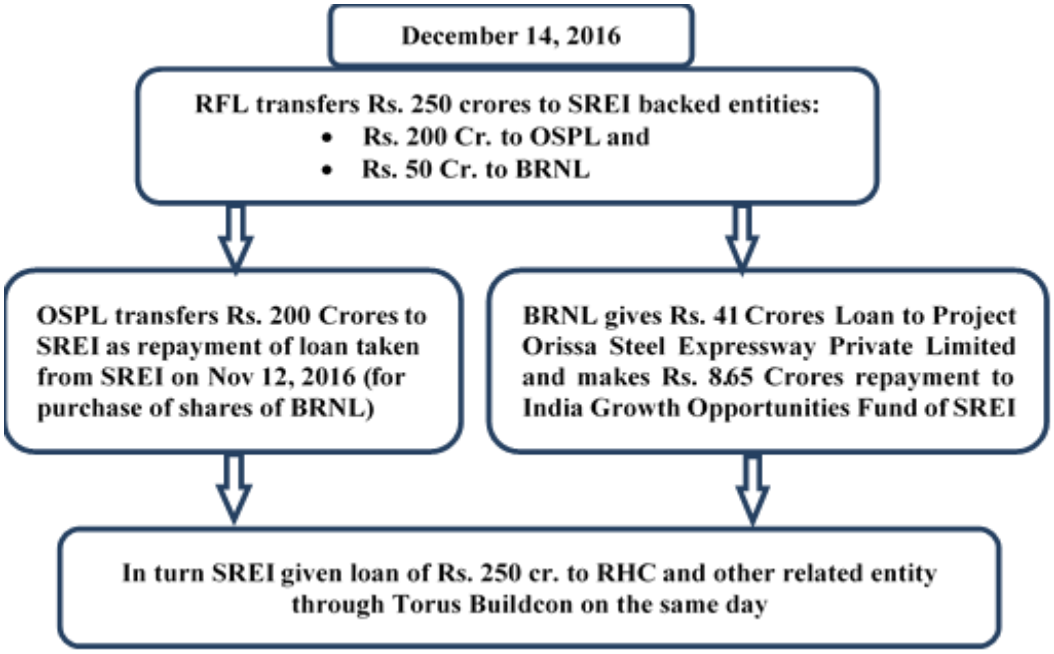
20.4.2.3.1. On December 14, 2016, RFL gave loans worth Rs. 250 Crores to SREI backed entities OSPL and BRNL.

20.4.2.3.2. On the same day i.e. on December 14, 2016, SREI gave loan of Rs. 250 Crores to RHC Holding through company Torus Buildcon Pvt. Ltd.

20.4.2.3.3. OSPL had received loan of Rs. 195.16 Crores from SREI on November 12, 2016. On the same day, OSPL had invested the money in the shares of BRNL. Thus, SREI had financed the purchase of shares of BRNL by OSPL.

20.4.2.3.4. It was observed that as OSPL didn't have any means to pay back the aforesaid loan, SREI needed a third party to fund Rs. 200 Crores to OSPL to clear off latter's debt with SREI and avoid declaring an NPA. Thus, from the pattern of fund flow, it was observed that SREI entered into an arrangement of back to back loan transaction with RHC Holding and accordingly, RFL transferred Rs. 200 crores to OSPL and Rs. 50 Crores to BRNL. Thereafter, OSPL utilized the said Rs 200 Crores on December 14, 2016 to pay back the loan it had taken from SREI. Further, on the same day, i.e., December 14, 2016, SREI gave an equal amount i.e. Rs. 250 Crores to the REL's promoter entity i.e. RHC

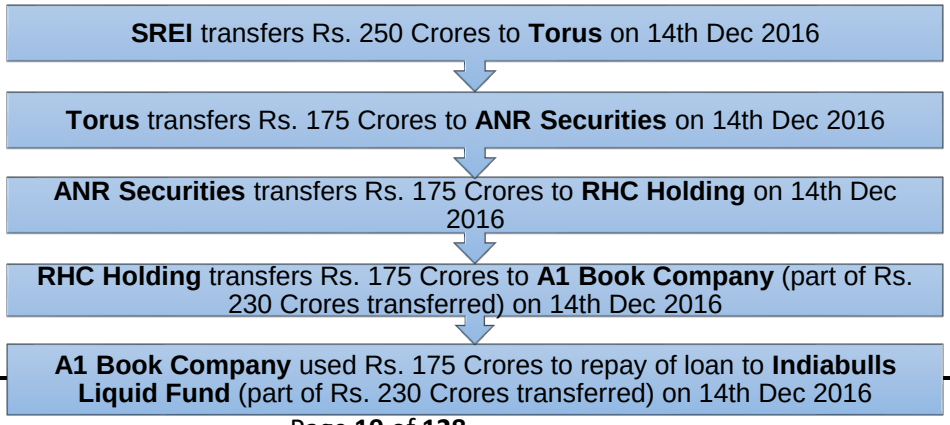
Holding routed through other entities. The pictorial presentation of the aforesaid transaction are as follows:-



20.4.2.4. Ultimate beneficiaries of the Loan of Rs. 250 Crores.

The amount of Rs. 250 Crores transferred by SREI to Torus Buildcon Pvt. Ltd. was immediately transferred further to the entities related to the promoters of REL/RFL on the very same day i.e. December 14, 2016 through various entities. The said amount was transferred to the promoter related entities in two tranches. The pictorial presentation of the same is as under: -

20.4.2.4.1. Rs**. 175 Crores transferred to RHC Holding through ANR Securities Pvt. Ltd.: -** The movement of Rs. 175 crores out of Rs. 250 crores



20.4.2.4.2. **Rs. 75 Crores transferred to RHC Holding through Ranchem Pvt. Ltd.: -** The movement of Rs. 75 crores out of Rs. 250 crores

Torus transfers Rs. 75 Crores to **Ranchem** on 14th Dec 2016

↓

Ranchem transfers Rs. 55.90 Crores to **RHC Holding** on 14th Dec 2016

↓

RHC Holding transfers Rs. 55 Crores to **A1 Book Company** (part of Rs. 230 Crores transferred) on 14th Dec 2016 & utilised 0.90 croroes miscelleous purpose

↓

A1 Book Company used Rs. 55 Crores to repay of loan to **Indiabulls Liquid Fund** (part of Rs. 230 Crores transferred) on 14th Dec 2016

As seen from above, Rs. 55 Crores out of Rs.75 Crores was transferred to RHC Holding, which used it to pay off debt to Indiabulls Liquid Fund in the books of A-1 Book Company Pvt. Ltd. The movement of the balance funds from the account of Ranchem Pvt. Ltd. is shown below:

Ranchem transfers Rs. 19.10 Crores to **Rosestar Marketing** on 14th Dec 2016

↓

Rosestar Marketing transfers Rs. 19.10 Crores to **Religare Corporate Services** (part of Rs. 24.1 Crores transferred) on 14th Dec 2016)

It was observed that Religare Corporate Services Ltd (now called Finserve Shared Services Pvt Ltd) was a wholly owned subsidiary of RHC Holding during the relevant period (**i.e. from FY 2014-15 to FY 2017-18**).

20.4.2.5. Considering the flow of funds pursuant to grant of loan/ NCD, the summary of the ultimate beneficiaries of the abovementioned Rs. 250 crores is as follows:-

Table 4: Ultimate beneficiaries of loan of Rs. 250 crores

Ultimate Beneficiary and usage of funds	Transferred through	Amount (In Rs crores)

RHC Holding – used to pay off loan of **Indiabulls Liquid Fund**, in the books of A1 Book Company	175.00 through ANR 55.00 through Ranchem	**230.00**
Religare Corporate Services A Promoter controlled entity	Ranchem	**19.10**
RHC Holding – used for miscellaneous purposes	Ranchem	**0.90**
TOTAL		**250.00**

20.4.2.6. In view of the above and after consideration of submissions made by various entities, the following is observed:-

20.4.2.6.1. RFL granted a loan of Rs 50 crores to BRNL and Rs 200 crores to OSPL on December 14, 2016, without carrying out adequate due diligence and with significant waivers on account of the entities being known to promoters.

20.4.2.6.2. The above loan transactions were part of a back to back arrangement of Rs. 250 crores on December 14, 2016 entered between SREI and RHC Holding. Accordingly, first RFL extended loan of Rs. 200 crores to OSPL, which was utilized by OSPL to pay off the loan from SREI. Additionally, a loan of Rs. 50 crores was extended by RFL to BRNL. On the other hand, SREI extended a loan of equal amount i.e. Rs. 250 crores to the promoter entity of REL i.e. RHC Holding through Torus Buildcon Pvt. Ltd.

20.4.2.6.3. With respect to transaction with BRNL, RFL initially invested an amount aggregating to Rs. 50 crores in NCDs of BRNL on December 14, 2016, which were to be redeemed till December 14, 2017. Thereafter, despite repeated follow-ups, as BRNL did not issue and allot the NCDs against the subscription amount paid till June, 2017, RFL converted the same into corporate loan and made part of their CLB.

20.4.2.6.4. At the end of the loan tenure, i.e. on December 14, 2017, RHC Holding was unable to service its loan taken through Torus Buildcon Pvt. Ltd. from SREI. Consequently, even SREI did not repay the loan it had taken from RFL in the books of BRNL & OSPL. Thus, loans granted by

RFL to the extent of Rs 250 crores remained unpaid. However, considering that loan amount of Rs 50 crores alongwith interest have since been repaid in September 2019, the outstanding loan amount (excluding interest) due from OSPL stands at Rs 200 crores and the same is alleged to have been diverted from REL through RFL for the benefit of RHC Holding (through A1 Book Company Pvt. Ltd.) and also for the benefit of Religare Corporate Services Ltd.

20.4.3. Corporate Loan Book in respect of which RBI made adverse comments and Investment in Commercial Papers of Religare Group Companies and Promoter Group Companies

20.4.3.1. This section deals with various loans granted under the Corporate Loan Book of RFL and which was outstanding as on May 31, 2018. It was observed that RFL had granted unsecured loans to a number of entities under its Corporate Loan Book **("CLB")** during the investigation period. In this regard, RBI vide letter dated January 27, 2017 had raised concerns over such loans given under the CLB wherein RFL vide its reply dated February 20, 2017 to RBI had committed to reduce its CLB portfolio by Rs. 100 Crores in the first quarter of F.Y 2017-18. However, it was observed that the CLB exposure had actually increased from Rs. 1846 Crores as on March 31, 2017 to Rs. 2517 Crores as on October 31, 2017. In this regard, based on outstanding loans (as on a cut-off date i.e, May 31, 2018) under the CLB of RFL and common contact persons, the CLB loans have been put in separate groups. Also, there were certain loans given to the Religare group of companies which were also part of CLB and outstanding in the books of RFL. The details of all such outstanding loans as on a cut off date (i.e, May 31, 2018) are as under:

Table 5: Details of loans outstanding under the Corporate Loan Book of RFL

Sl. No.	Borrower Name	Principal O/s as on May 31, 2018 (Rs. In Crores)	Borrower contact person –as provided by REL
1	Artifice Properties Pvt. Ltd.	165.00	

2	Best Health Management Pvt. Ltd.	40.00	Group-1 (Mr. Sanjay Gupta / Mr. Sanjeev Singhal)
3	Devera Developers Pvt. Ltd.	40.00	
4	Vitoba Realtors Pvt. Ltd.	35.00	
5	Fern Healthcare Pvt. Ltd.	150.00	
6	Modland Wears Pvt. Ltd.	155.00	
7	Platinum Infrastructure Pvt. Ltd.	109.30	Group-1 (Mr. Sandeep Shukla)
8	Ad Advertising Pvt. Ltd.	100.00	Group-1 (Mr. Sanjay Gupta / Mr. Sanjeev Singhal)
9	Rosestar Marketing Pvt. Ltd.	150.00	
10	Star Artworks Pvt. Ltd.	150.00	
11	Zolton Properties Pvt. Ltd.	160.00	
12	Tripoli Investment & Trading Company	150.00	
13	Volga Management and Consultancy Pvt. Ltd.	150.00	
14	Torus Buildcon Pvt. Ltd.	5.00	
15	A & A Capital Services Pvt. Ltd.	100.00	Group -2 (Mr. Narendra Kumar Goushal)
16	Gurudev Financial Services Pvt. Ltd	100.00	
17	Tara Alloys Ltd.	85.00	
18	Abhiruchi Distributors Pvt. Ltd.	92.40	
19	Annies Apparel Pvt. Ltd.	100.00	
20	Religare Comtrade Ltd.	125.00	Group-3 (REL Group Company)
21	Religare Enterprises Ltd.	185.50	
22	Bharat Road Network Ltd.*	50.00	Mr. Bajrang Choudhary
	Total	**2,397.20**	

**The utilisation of loan given to BRNL has already been discussed at para 20.4.2.4*

20.4.3.2. Upon detailed analysis of the ledgers and bank statements w.r.t aforesaid borrowers, it was observed that aforesaid loans given by RFL ultimately benefitted the promoter entities of REL for varied purposes. Further, all the borrowers were seen to have followed almost similar modus operandi of transferring the proceeds of their respective loans to promoter group companies of REL. The detailed analysis of the various loans as mentioned at Table 5 above is given below:-

A. Loan given by RFL to Artifice Properties Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs.165 crores to Artifice Properties Pvt. Ltd. on September 02, 2016 and the terms of the said loan were as follows: -

Particulars	**Terms**
Loan Tenure	Upto 1 year
Purpose	Working Capital requirement/ General Corporates purposes
Proposed loan amount	Rs.165 crores
ROI	14% p.a. payable quarterly

Repayment schedule	Bullet repayment at the end of the term/ Prepayment as per mutual consent
Security	Unsecured
Collateral	None

Background of Artifice Properties Private Limited

The shareholding structure of the company

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Saubhagya Buildon	1666667	33.34
2	Zolton Properties	1666667	33.33
	Tiger Developers	1666666	33.33
		5000000	**100**

Financial Results

Particulars	Amount (Rs in crores)			
	Mar-13	**Mar-14**	**Mar-15**	**Mar-16 (Provisional)**
Revenue	00.27	00.64	6.84	21.92
Profit & Loss after Tax	-4.36	-3.05	-3.46	-00.03
Adjusted Net Worth	-136.28	-70.82	-21.49	-122.42

Analysis of the fund transactions

Upon analysis of the bank statements & ledgers of the entities, it was observed that the amount of aforesaid loans had been ultimately transferred to RHC Holding through various entities. The pictorial presentation alongwith the details of aforesaid funds are as follows: -

RFL transfers Rs. 165 Crores to **Artifice** on 02nd Sept. 2016

Artifice transfers Rs. 90.50 Crores to **A&A Capital** on 3rd Sept. 2016
Artifice transfers Rs. 74.48 Crores to **ANR Securities** on 6th Sept. 2016

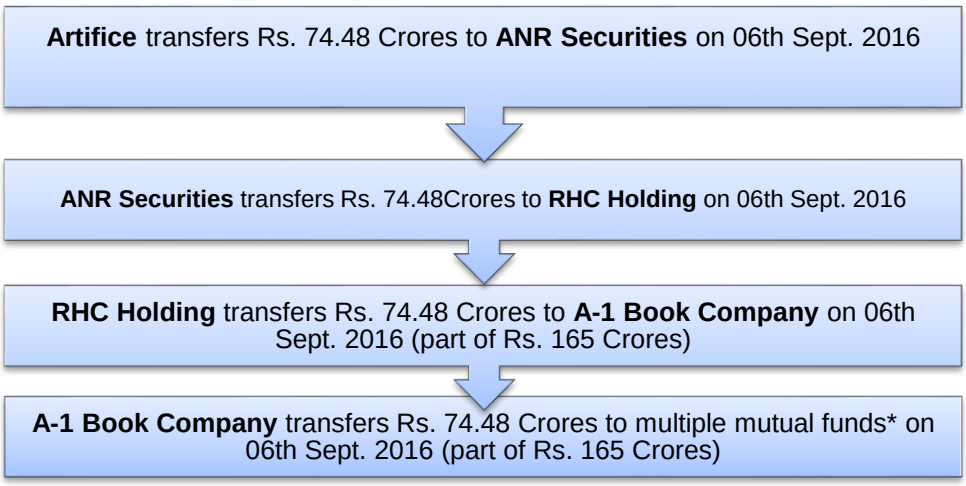
The trail of the above two transfers of Rs 90.50 Crores to A&A Capital and Rs 74.48 Crores to ANR Securities Pvt. Ltd. was as under:

i. Transaction of Rs. 90.50 Crores to A&A Capital Services Pvt. Ltd. on 3rd Sept 2016

RFL had transferred Rs. 165 Crores to Artifice, who further transferred Rs. 90.50 Crores out of the Rs.165 Crores received, to A&A Capital. This Rs. 90.50 Crores was used by A&A Capital to repay earlier loans of Rs. 86 Crores taken from RFL itself. The details of the same has been discussed in the para 20.4.3.2 (M) below:-

ii. Transaction of Rs. 74.48 Crores to ANR Securities Pvt. Ltd. on September 06, 2016

The pictorial diagram of the movement of the said funds are as follows:-



Thus, it was observed from the above that Rs. 165 Crores given by RFL to Artifice on September 02, 2016 was utilized in the following manner:

Amount	Particulars
90.50 Crores	Utilised to pay off earlier loan of Rs. 86 Crores given by RFL to A&A Capital. The utilisation of loan of Rs. 86 Crores has been discussed in para 20.4.3.2 (M) below .
74.48 Crores	The amount has been utilised by RHC Holding to pay off liabilities in the books of A-1 Book Company due to multiple mutual funds.
165 Crores	**Total**

B. Loan given to Best Health Management Private Limited, Devera Developers Pvt. Ltd. & Vitoba Realtors Pvt. Ltd.

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that the aforesaid loans were given by RFL to Best Health Management Private Limited, Devera Developers Pvt. Ltd. & Vitoba Realtors Pvt. Ltd., the terms of the said loans were as under:-

Particulars	**Terms**		
Name of entity	**Best Health**	**Devera**	**Vitoba**
Purpose	Not availbale	Not Available	Not Available
Proposed loan amount	Rs. 40 crores	Rs. 40 crores	Rs. 35 crores
Loan Tenure	24 months	24 months	24 months
ROI	13.20% p.a.	13.20% p.a.	13.20% p.a.
Repayment schedule	Bullet repayment of principal at the end of the loan tenure. Prepayment as per mutual consent	Bullet repayment of principal at the end of the loan tenure. Prepayment as per mutual consent	Bullet repayment of principal at the end of the loan tenure. Prepayment as per mutual consent
Security	Secured	Secured	Secured
Collateral*	Agricultural land	Agricultural land	Agricultural land

**It was observed from the CAM notes that the all the agricultural lands were cross linked*

Background of the borrowers

The shareholder details of the borrowers were as follows: -

Best Health Management Private Limited

Sr. No.	**Name of the shareholders**	**No. of shares**	**% of holding**
1	Best Healthcare Private Limited	7,500	50%
2	Devera Developers Private Limited	7,500	50%
	Total	**15,000**	**100**

Devera Developers Private Limited

Sr. No.	**Name of the shareholders**	**No. of shares**	**% of holding**
1	Best Healthcare Private Limited	7,500	50%
2	Best Heath Management Private Limited	7,500	50%
	Total	**15,000**	**100**

Vitoba Realtors Private Limited

Sr. No.	**Name of the shareholders**	**No. of shares**	**% of holding**
1	Best Healthcare Private Limited	16010	50%

2	Devera Developers Private Limited	16010	50%
	Total	**32020**	**100**

Financial status of the company (Rs. In crores)

Best Health Management Private Limited

Particulars	**2013-2014**	**2014-2015**
Revenue	1.10	1.20
Profit/loss After Tax	**00.03**	**00.22**
Net worth	**-41.61**	**-61.72**

Devera Developers Private Limited

Particulars	**2014-2015**	**2015-2016**
Revenue	16.31	43.08
Profit/loss Before Tax	**-12.34**	**-12.18**
Net worth	**-6.05**	**-6.05**

Vitoba Realtors Private Limited

Particulars	**2013-2014**	**2014-2015**
Revenue	3.32	00.12
Profit/loss After Tax	**00.31**	**-00.40**
Net worth	**5.37**	**4.89**

Analysis of the fund transactions

Upon perusal of the bank statements and ledgers of various entities it was observed that the amount of aforesaid loans has been ultimately transferred to RHC Holding through various entities. The pictorial presentation alongwith the details of aforesaid funds are as follows: -

Loans to the above three parties were given on the same day by RFL and the utilisation of the same was also through common entities. Thus, they have been considered together.

i. Payment of Rs. 40 Crores to Best Healthcare Management Pvt. Ltd. on 23rd March 2016

RFL transferred Rs. 40 Crores as loan to Best on 23rd March 2016. Best transferred the Rs. 40 Crores received from RFL on 23rd March 2016 to ANR Securities.

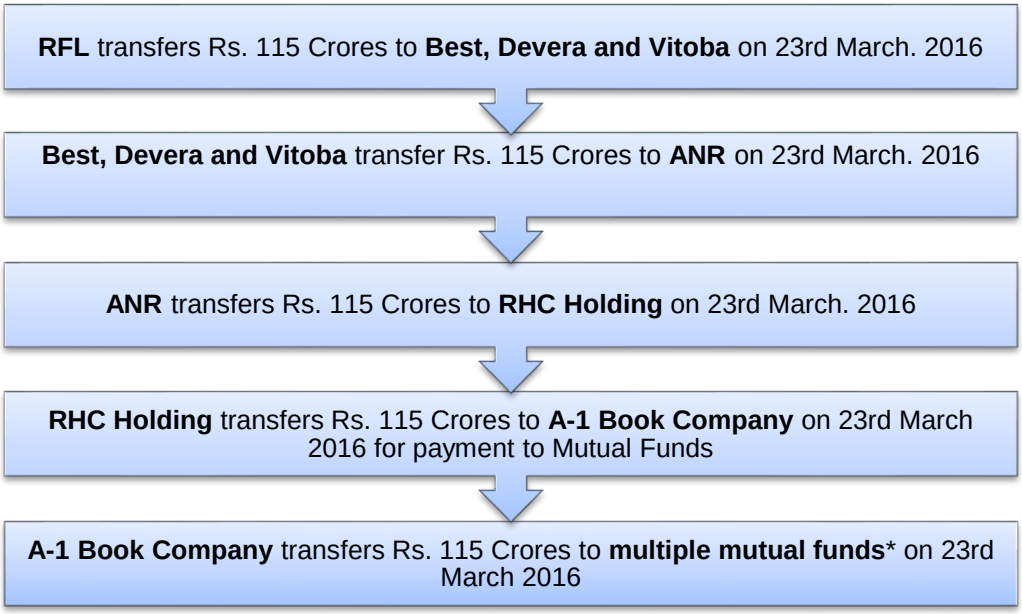
ii. Payment of Rs. 40 Crores to Devera Developers Pvt. Ltd. ('Devera') (Erstwhile Best Cure Pvt. Ltd.) on 23rd March 2016

RFL transferred Rs. 40 Crores as loan to Devera on 23rd March 2016. Devera also transferred the Rs. 40 Crores received from RFL on 23rd March 2016 to ANR Securities.

iii. Payment of Rs. 35 Crores to Vitoba Realtors Pvt. Ltd. ('Vitoba') on 23rd March 2016

RFL transferred Rs. 35 Crores as loan to Vitoba on 23rd March 2016. Vitoba also transferred the Rs. 35 Crores received from RFL on 23rd March 2016 to ANR Securities.

Thus, as observed from above, all three entities transferred the loan monies, total amounting to Rs. 115 Crores to ANR Securities Pvt. Ltd. on March 23, 2016 itself. The ultimate utilisation of loans of Rs.115 Crores has been illustrated below:



It was thus observed from the above analysis that funds of Rs. 115 Crores given by RFL to Best, Devera and Vitoba was immediately transferred to and utilised by RHC Holding to pay off liabilities in the

books of A-1 Book Company due to multiple mutual funds on March 23, 2016.

C. Loan given by RFL to Fern Healthcare Private Ltd

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that the loan of amounting to Rs. 150 Crores had been given by RFL to Fern on June 30, 2017. The term of the said loans were as follows: -

Particulars	Terms
Purpose	Working Capital requirement/General
Proposed loan amount	Rs. 150 Crores
Loan Tenure	Upto 12 months
ROI	14% p.a.
Repayment schedule	Interest payment quarterly, Bullet repayment at the end of the loan tenure. Prepayment without pre payment penalty at the option of the borrower.as per mutual consent
Security	Unsecured
Collateral	NA

Background of Fern

Shareholding details

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Tripoli Investments & Trading Co.	810197	37.34
2	Best Healthcare Private Limited	810197	37.34
3	Bhai Mohan Singh	500	0.02
4	Avtar Mohan Singh	500	0.02
5	Vitoba Realtors Private Limited	248250	11.44
6	Modland Wears Private Limited	300110	13.84
	Total	21,69,754	100

Director details

Sr. No.	Name of the directors	Designation	Date of appointment
1	Mr. Rana Gill	Additional Director	13/02/2014
2	Deepak Poswal	Director	05/03/2012

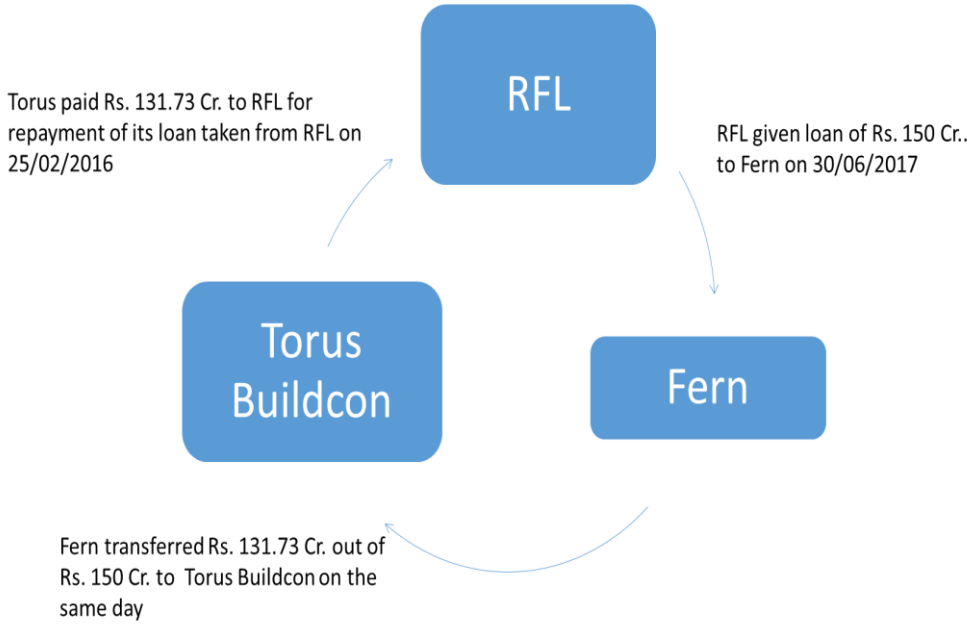
Financial status (Rs. In crores)

Particulars	2012-2013	2013-2014	2014-2015
Revenue	27.56	45.46	44.95
Profit/loss after Tax	**2.58**	**-43.82**	**00.89**
Adjusted Net worth	**-393.70**	**-199.23**	**-340.94**

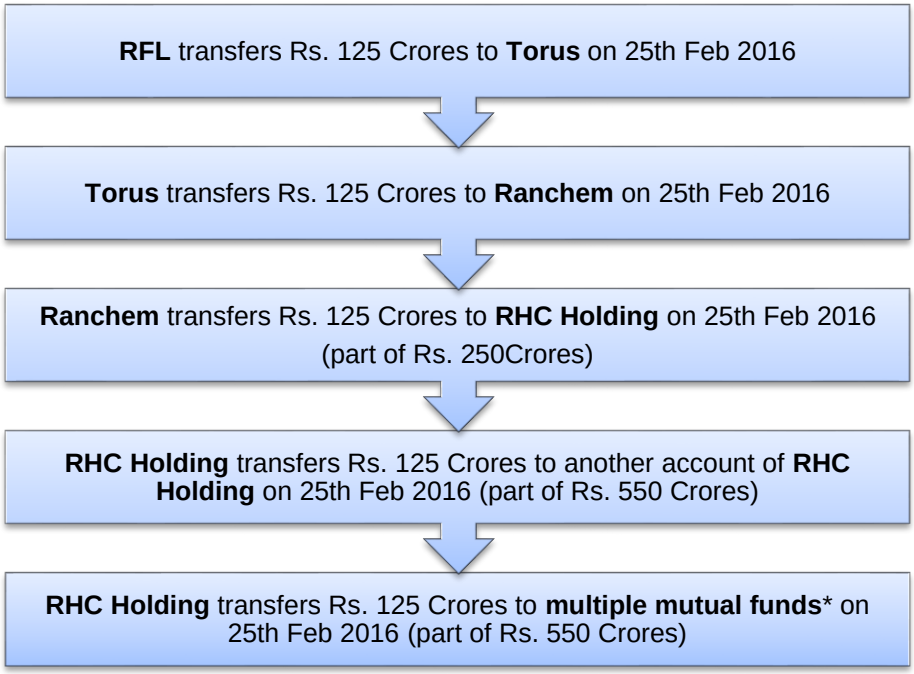
Analysis of the fund transactions

In order to find the ultimate utilization of the fund, the banks statements and ledgers of various entities has been verified. Upon analysis of the aforesaid, it was observed that Rs. 125 crores out of the aforesaid loan has been ultimately utilized by RHC Holding. The movement of the said funds was as follows: -

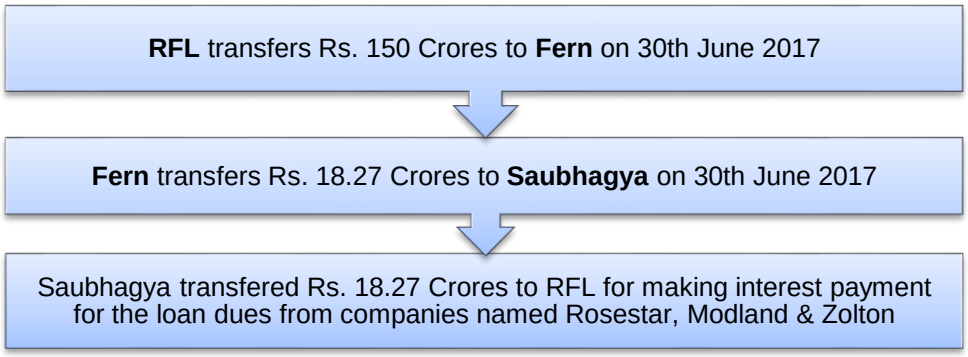
i. **Movement of Rs. 131.73 Crores transferred by Fern to Torus Buildcon Pvt. Ltd.: -**



In this regard, the utilization of loan taken by Torus Buildcon Pvt. Ltd. from RFL on February 25, 2016 was also analysed. Upon analysis, it was observed that the funds taken from RFL by Torus Buildcon Pvt. Ltd. had been ultimately utilized by RHC Holding for payment of its liabilities to multiple mutual funds. The pictorial presentation of the movement of the same are as follows:-



ii. Balance amount of Rs. 18.27 Crores transferred by Fern to Saubhagya on June 30, 2017:



From the above analysis, it was observed that Rs. 125 crores out of Rs. 150 crores had been ultimately utilised by RHC Holding and balance Rs. 25 Crores was returned to RFL as interest payment of earlier loans taken from RFL by various other entities.

D. Loan given by RFL to Modland Wears Pvt Ltd.

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that the loan amounting to Rs. 155 Crores (loan of Rs 145 crores on September 02, 2016 and Rs 10 crores on September 07, 2016) had been given by RFL to Modland. The term of the said loans are as follows: -

Particulars	**Terms**
Purpose	Working Capital requirement
Proposed loan amount	Rs. 162 Crores
Loan Tenure	Upto 1 Year
ROI	14% p.a.
Repayment schedule	Bullet repayment of principal at the end of the loan tenure. Prepayment as per mutual consent
Security	Unsecured
Collateral	None

Background of the borrower

Shareholding details

Sr. No.	**Name of the shareholders**	**No. of shares**	**% of holding**
1	Best Healthcare Private Limited	1,25,000	50
2	Devera Developers Private Limited	1,25,000	50
	Total	2,25,000	100

Financial status (Rs. In crores)

Particulars	**2012-2013**	**2013-2014**	**2014-2015**	**2015-2016**
Revenue	63.74	44.45	21.55	119.03
Profit/loss after Tax	**-38.20**	**14.37**	**12.85**	**3.75**
Adjusted Net Worth	**-345.35**	**-233.52**	**-498.22**	**-623.54**

Analysis of the fund transactions

Based on the analysis of fund movements, it was observed that out of the loans given by RFL to Modland, Rs. 10 crores had been ultimately utilised by RHC Holding for payment of liabilities to multiple mutual funds in the books of A-1 Book Company while Rs. 73.48 crores was returned to RFL as interest/principal payment of earlier loans taken from RFL by various other entities. The details of the same are as given below:-

i. **Movement of loan of Rs. 145 crores given by RFL to Modland on September 02, 2016**

From the analysis of ledger and bank statements of entities, it was observed that an amount of Rs. 95.50 Crores out of the loan of Rs. 145 Crores, had been transferred by Modland to Annies Apparel on September 02, 2016, it was observed that Rs. 51 crores were utilised by other entities for repayment of their earlier loans taken from RFL. In this regard, the detailed analysis of movement of funds to Annies Apparel, which was a Group 2 entity has been discussed at para no 20.4.3.2 (R) below.

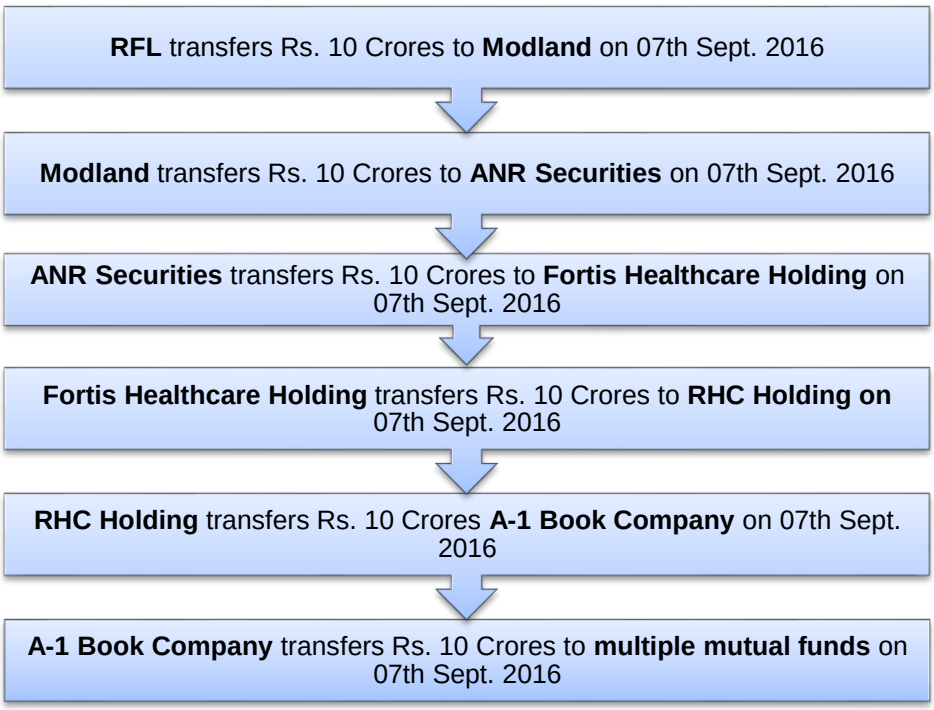
Further, an amount of Rs. 22.48 crores out of the aforesaid loan amount of Rs 145 crores, was observed to have been paid back to RFL by various entities as interest repayment for their loans taken from RFL itself.

Thus, a summary of the utilisation of funds pursuant to loan of Rs 145 crores by RFL to Modland which were diverted and/or used to repay earlier loans of RFL, was as follows:

Utilisation	**Paid to Group-2 entities**	**Paid back to RFL as interest for loans**
i. Paid to Annies Apparel which it utilised to pay bank RFL loan of Rs. 90.7 Crores and balance interest.	95.50	
ii. Paid to Torus which it used to pay back interest to RFL		3.93
iii. Paid to Subhagya Rs. 18.56 Crores, which it transferred to multiple entities		
Best Healthcare		5.108
Tripoli		4.72
Rexcin		0.865
Fern		3.15
Rosestar		4.715
Total	**95.50**	**22.48**

ii. Movement of loan of Rs. 10 crores given by RFL to Modland on September 07, 2016

Apart from the above, the loan of Rs. 10 crores was also granted by RFL to Modland on September 07, 2016. The pictorial presentation of the movement of the said fund are as follows: -



Thus, it was observed from the above that out of the loan given by RFL to Modland, Rs. 10 crores had been ultimately utilised by RHC Holding for payment of liabilities to multiple mutual funds in the books of A-1 Book Company and Rs. 22.48 crores was returned to RFL as interest payment of earlier loans taken from RFL by various other entities.

E. Loan given by RFL to Platinum Infrastructure Pvt Ltd.

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that a loan amounting to Rs.

109.30 crores had been given by RFL to Platinum on September 27, 2017. The terms of the said loan were as follows:

Particulars	Terms
Loan Tenure	Upto 1 Year
ROI	13% p.a.
Purpose	General Corporate purposes
Repayment schedule	Interest payment at quarterly rests. Bullet repayment of principal at the end of the loan tenure. Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	None

Background of Platinum

Shareholding structure

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	YuvrajNarainGorwaney	5000	50
2	Sangeeta Narain	5000	50
	Total	10000	100

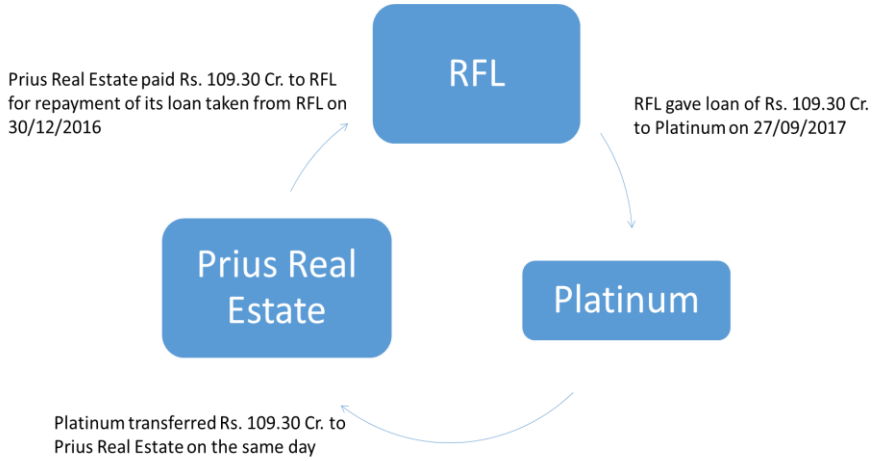
Director details

Sr. No.	Name of the Director	Designation	Date of appointment	Address
1	Jagatbir Singh Sandhu	Director	17.08.2016	42, Raghbir Marg, Patiala-147001, Punjab
2	Sukhpinder Singh Grewal	Director	17.08.2016	290, Vill and Post Office, Tahliwala, Jattan, Amianwala, Fazilka, Punjab-152124
3	Sandeep Kumar Shukla	Director	17.08.2016	K- 3/7, Gali No. 10, K-Block, west Ghonda, Delhi-110053

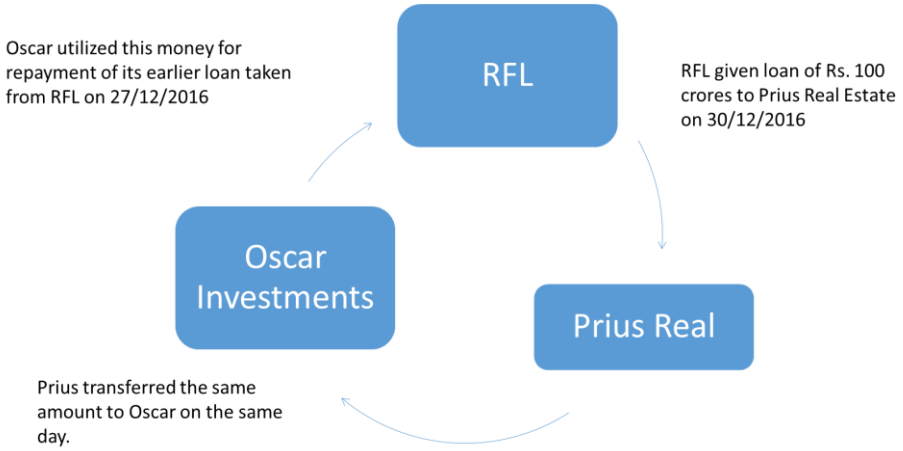
Financial status (Rs. In crores)

Particulars	2014-2015	2015-2016	2016-2017
Revenue	-	-	-
Profit/loss after Tax	**-**	**-**	**-**
Adjusted Net Worth	**-1.13**	**-1.10**	**-1.10**

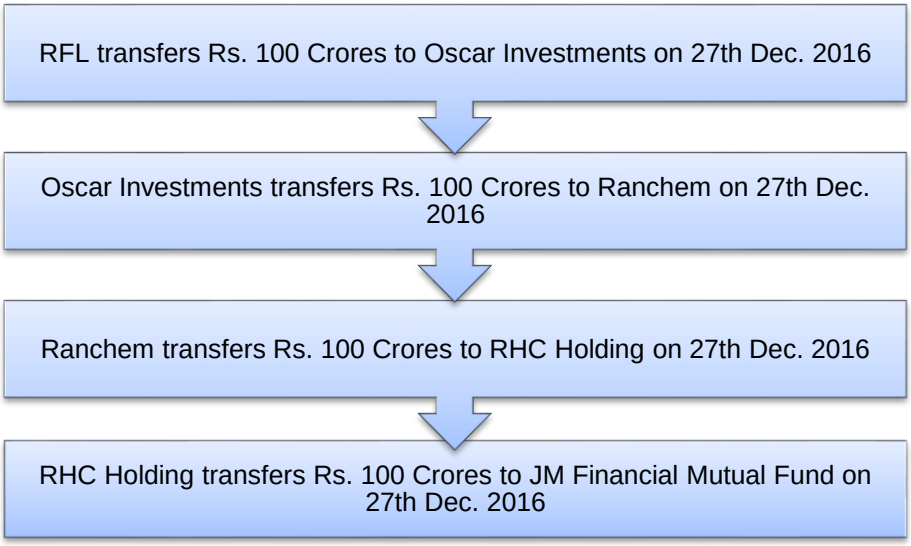
It was observed that the said loan amount was subsequently transferred by Platinum to Prius Real Estate (hereinafter referred to as "Prius") which Prius utilized for repayment of an earlier loan of Rs.100 Crores taken by it from RFL on December 30, 2016. The pictorial presentation of the said transaction is as follows:-



Further upon analysis of the utilisation of loan taken by Prius Real Estate ("Prius") from RFL on December 30, 2016, it was observed that the said earlier loan amounting to Rs. 100 crores taken by Prius on December 30, 2016 had been transferred to Oscar Investments ("Oscar") on the same date i.e. December 30, 2016. Oscar utilized the said loan from Prius to repay an earlier loan of Rs.100 Crores taken from RFL on December 27, 2016. The pictorial presentation of the movement of the said loans is as follows:-



Further, upon analysis of the utilisation of loan taken by Oscar Investments from RFL on December 27, 2016, it was observed that the said funds had been utilised by RHC Holding for payment of its mutual fund liabilities. The pictorial presentation of the movement of the said loans is as follows: -



Thus, it was observed that an amount of Rs. 100 crores out of the loan given to Platinum ultimately benefitted RHC Holding.

F. Loan by RFL to Ad Advertising Pvt Ltd

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that the loan of Rs. 100 crores which was outstanding as on May 31, 2018 was granted by RFL to Ad Advertising on June 28, 2017 and the terms of the said loan were as follows: -

Particulars	**Terms**
Loan Tenure	Upto 12 month
Purpose	Working Capital requirement /General Corporate purpose
Proposed loan amount	Rs.100 crores
ROI	11% p.a.

Repayment schedule	Interest Payment quarterly. Bullet repayment of principal at the end of the term/ Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	NA

Background of Ad Advertising

Shareholding structure

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Rosestar Marketing Pvt Ltd	5000	50
2	Volga software Pvt ltd	5000	50
		10000	**100**

Director details

Sr. No.	Name of the Director	Designation	Date of appointment	Address
1	Prem Lata	Director	13-Feb-14	S-137, Greater Kailash, Part-II, New Delhi-110048
2	Gurpreet Singh Sodhi	Director	13-Feb-14	S-137, Greater Kailash, Part-II, New Delhi-110048

Financial Results:

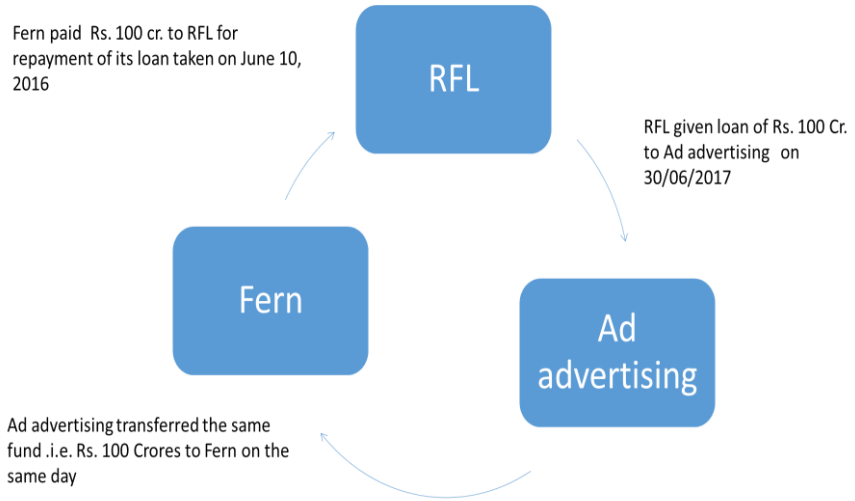
Sr No	Particulars	Amount (Rs in crores)		
		Mar-13	**Mar-14**	**Mar-15**
1	Revenue	7.41	5.34	15.54
2	Profit & Loss after tax	00.04	00.01	00.01
3	Adjusted Net Worth	-34.12	-60.06	-52.50

Analysis of the fund transactions

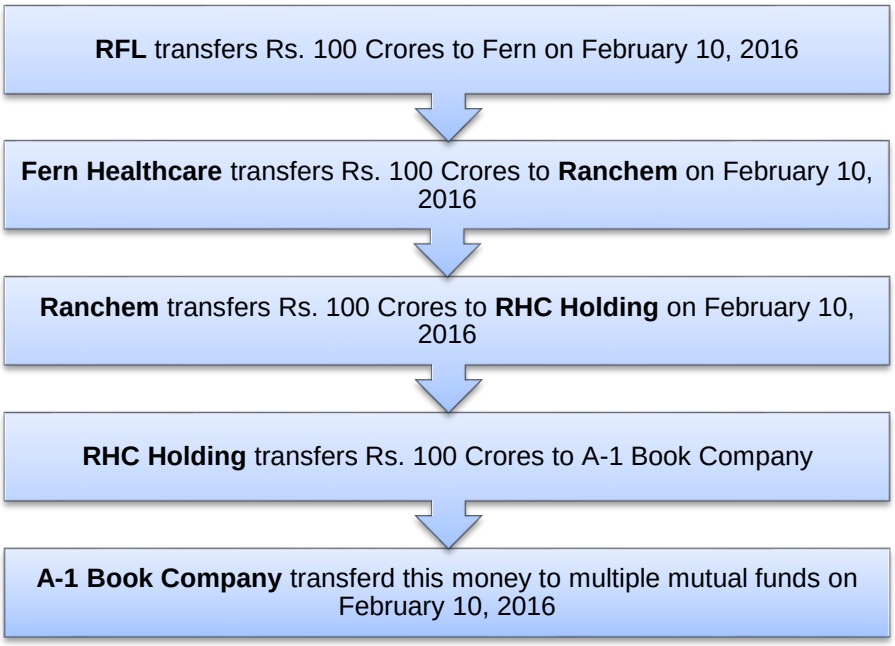
Upon analysis of the bank statements & ledgers of the entities, it was observed that funds were immediately transferred through various entities to RHC Holding. The pictorial presentation of the same is as under: -

i. Movement of Loan of Rs. 100 crores given by RFL to Ad Advertising on June 30, 2017:-

Upon perusal of the bank statements & ledger, it was observed that the said fund has been utilised by Fern to repay its earlier loan taken from RFL on June 10, 2016. The pictorial presentation of the circular movement of said fund are as follows: -



Further the utilisation of loan taken by Fern from RFL on February 10, 2016 was analysed. Upon analysis, it was observed that the said loan had been utilised by RHC Holding. The pictorial presentation of the same are as follows: -



It was observed that A-1 Book Company Pvt Ltd was a wholly owned subsidiary of RHC Holding which invested in liquid/debt mutual funds on behalf of and with funds provided by RHC Holding.

Hence, from the above analysis, it was observed that Rs. 100 crores loan amount from RFL to Ad Advertising was ultimately benefitted RHC Holding.

G. Loan given to M/s Rosestar Marketing Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs. 150 Crores to Rosestar Marketing Pvt Ltd on February 10, 2016. The terms of the said loan were as follows: -

Particulars	**Terms**
Loan Tenure	Upto 1 year
Purpose	Short term loan for working capital purposes
Proposed loan amount	Rs.150 crores
ROI	14% p.a.
Repayment schedule	Bullet repayment at the end of the term/ Prepayment as per mutual consent
Security	Unsecured
Collateral	NA

Background of Rosestar

Shareholding structure

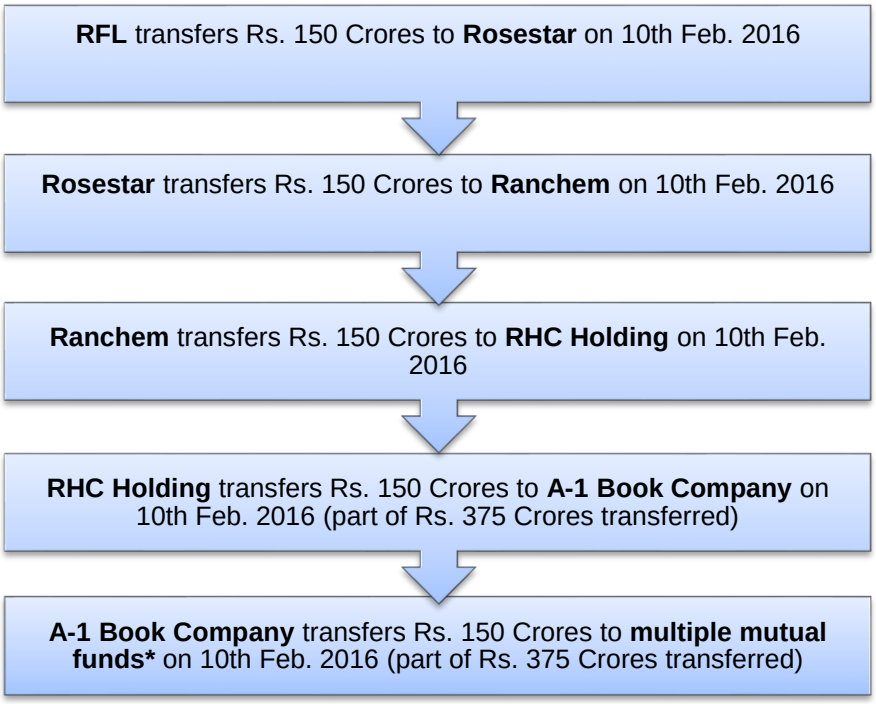
Sr. No.	**Name of the shareholders**	**No. of shares**	**% of holding**
1	Ad Advertiing Private Limited	50000	50%
2	Volga Management and Consultancy Private Limited	50000	50%
		100000	100

Financial Results:

Particulars	**Amount (Rs in crores)**		
	2012-2013	**2013-2014**	**2014-2015**
Revenue	00.11	00.03	00.03
Profit & Loss after tax	00.11	-00.35	-00.13
Adjusted Net Worth	-00.64	-7.77	-7.81

Analysis of the fund transactions

The pictorial presentation of the movement of the same are as follows: -



From the above, it was observed that the loan funds given by RFL to Rosestar were ultimately utilised by RHC Holding for payment to multiple mutual funds through A1 Book Company.

H. Loan given by RFL to Star Artworks Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs. 150 Croresto Star Artworks Private Limited on August 24, 2017. The terms of the said loan were as follows:-

Particulars	Terms
Loan Tenure	12 months
Purpose	Working Capital requirement / General corporate purpose
Proposed loan amount	Rs.150 crores
ROI	11% p.a.
Repayment schedule	-
Security	Unsecured
Collateral	None

Background of Star Artworks

Shareholding structure

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Sangeeta Dingra	5000	50
2	Shruti Kapila	5000	50
	Total	10000	100

Director details

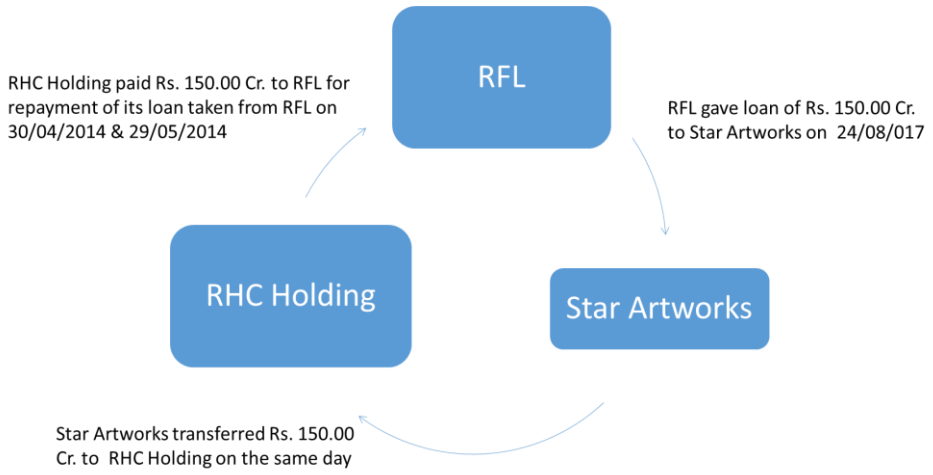
Sr. No.	Name of the Director	Designation	Date of appointment	Address
1	Sanjeev Kumar Singhal	Director	06-Oct-16	1/9667, St.No.-6,Partap Pura, Babar Pu Road, Shahdara Delhi – 110032
2	Chandra Shekhar Jha	Additional Director	06-Oct-16	139,1st Floor, RAS Vihar, C.G.H.S.Ltd., Plot No-99, Patpar Ganj, New Delhi -110092

Financial Results

Particulars	Amount (Rs in crores)	
	2015-2016	2016-2017
Revenue	2.28	00.11
Profit after tax	**00.02**	**-00.01**
Adjusted Net Worth	**00.03**	**00.03**

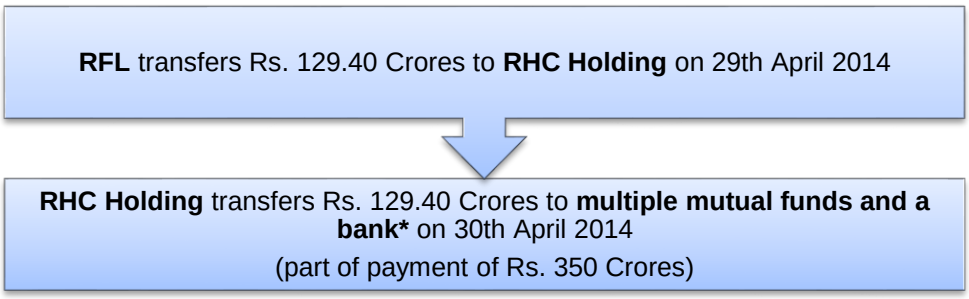
Analysis of the fund transactions

The pictorial presentation of the movement of funds is as follows: -

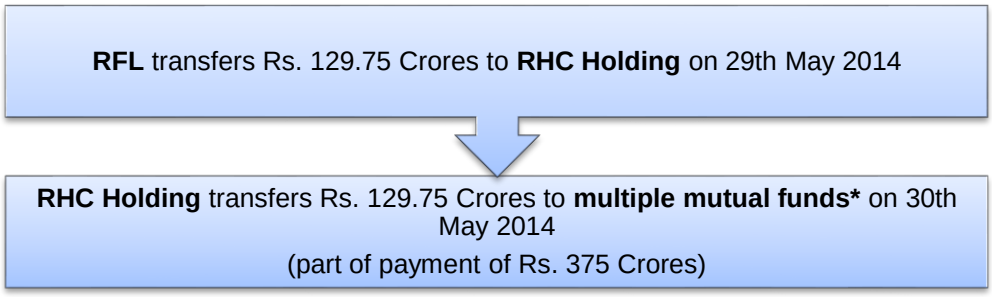


Further the utilisation of the loans taken April 30, 2014 & May 29, 2014 were analysed. Upon analysis of the same it was observed that the said loans were utilised by RHC Holding for payment of their mutual fund liabilities. The pictorial presentation of the same is as follows:-

iii. Bonds purchased (loan taken) of RFL for Rs. 129.40 Crores on 30th April 2014



iv. Bonds purchased of Rs. 129.75 Crores on 29th May 2014



From the above, it can be concluded that the loan given to Star Artworks had been utilised by RHC Holding to pay off its liabilities to mutual funds and banks.

I. Loan given by RFL to Zolton Properties Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs.150 crores on September 05, 2016 and Rs. 10 crores on September 07, 2016. The terms of the said loans were as follows: -

Particulars	**Terms**
Loan Tenure	Upto 1 Year
Purpose	Working Capital requirement / General corporate purpose
Proposed loan amount	Rs.165 crores
ROI	14% p.a. payable quarterly
Repayment schedule	Bullet repayment at the end of the term/. Prepayment as per mutual consent
Security	Unsecured
Collateral	None

Background of Zolton

Shareholding Structure

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Artifice Properties Private Limited	33333	33.33
2	Saubhagya Buildcon Private Limited	33333	33.33
3	Tiger Developers Private Limited	33334	33.34
	Totals	100000	100

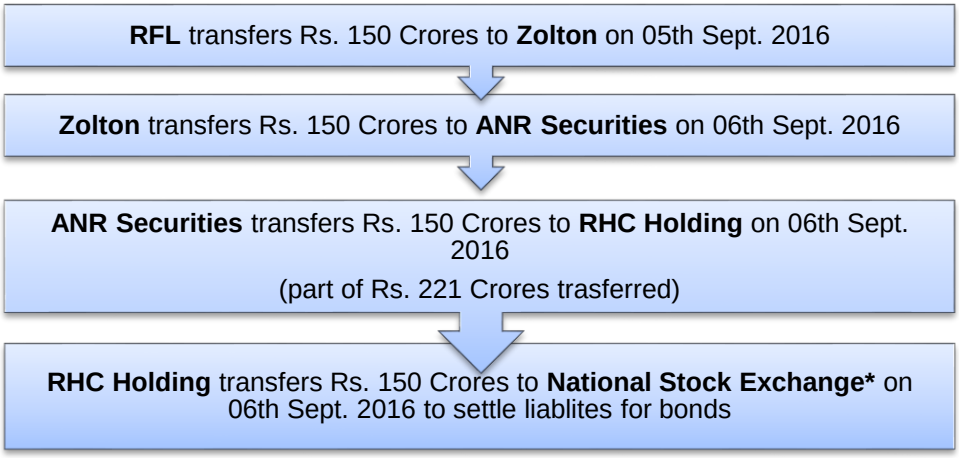
Financial Results

Particulars	Amount (Rs in crores)			
	2012-2013	2013-2014	2014-2015	2015-2016
Revenue	00.02	00.01	00.01	7.90
Profit & Loss after Tax	**-2.38**	**-00.83**	**-00.68**	**00.03**
Adjusted Net Worth	**-2.53**	**-3.36**	**-5.44**	**-4.08**

Analysis of the fund transactions\

The pictorial presentation of the utilisation of the aforesaid loans are as follows: -

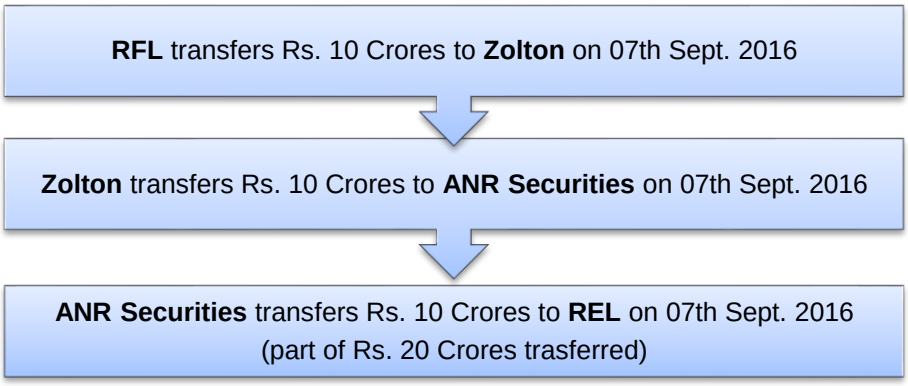
i. Movement of loan of Rs. 150 Crores given on September 05, 2016



ii. Movement of funds of Rs. 10 Crores given on September 07, 2016

Upon analysis of bank statements and ledgers, it was observed that loan of Rs. 150 crores taken on September 05, 2016 had been utilised by RHC Holding to pay off its liabilities and loan of Rs. 10 croroes taken on September 07, 2016 had been ultimately utilised by ANR Securities to clear its dues to REL. It was observed that ANR Securities was a wholly owned subsidiary of RHC Holding and thus under control of the Singh

Brothers during the relevant period. Therefore, the beneficiary of loan given to Zolton was a promoter controlled entity.



J. Loan given by RFL to Tripoli Investments & Trading Co.

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs. Rs.150 Crores each on February 25, 2016 & June 30, 2017. The terms of the said loans were as follows: -

Loan of Rs. 150 Crores given on February 25, 2016:-

Particulars	**Terms**
Purpose	Working Capital requirement/General corporate purpose
Proposed loan	Rs. 150 Crores in tranches
Loan Tenure	Upto 1 Year
ROI	14% p.a.
Repayment schedule	Interest payment at quarterly. Bullet repayment of principal at the end of the loan tenure. Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	None

Loan of Rs. 150 Crores given on June 30, 2017: -

Particulars	**Terms**
Purpose	Working Capital requirement/General corporate purpose
Proposed loan	Rs. 150 Crores in tranches
Loan Tenure	Upto 12 months
ROI	11% p.a.
Repayment schedule	Interest payment at quarterly. Bullet repayment of principal at the end of the loan tenure. Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	None

Background of Tripoli

Shareholding structure

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Ad Advertising Private Limited	617	33.32
2	Rosestar Marketing Private Limited	618	33.62
3	Volga Management Private Limited	617	33.32
	Total	1852	100%

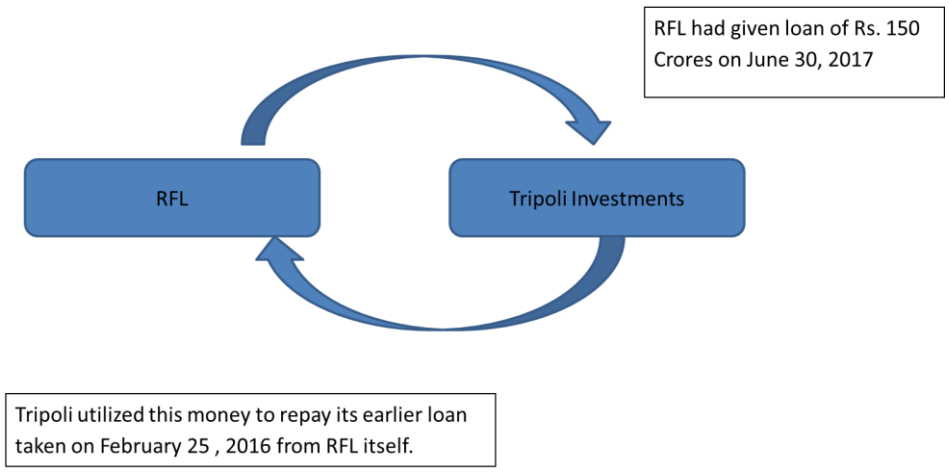
Financial status (In Rs crores)

Particulars	2014-2015	2015-2016	2016-2017
Revenue	00.06	46.52	381.91
Profit/loss after Tax	**-00.67**	**00.08**	**-8.12**
Adjusted Net Worth	**8.83**	**-142.38**	**-130.67**

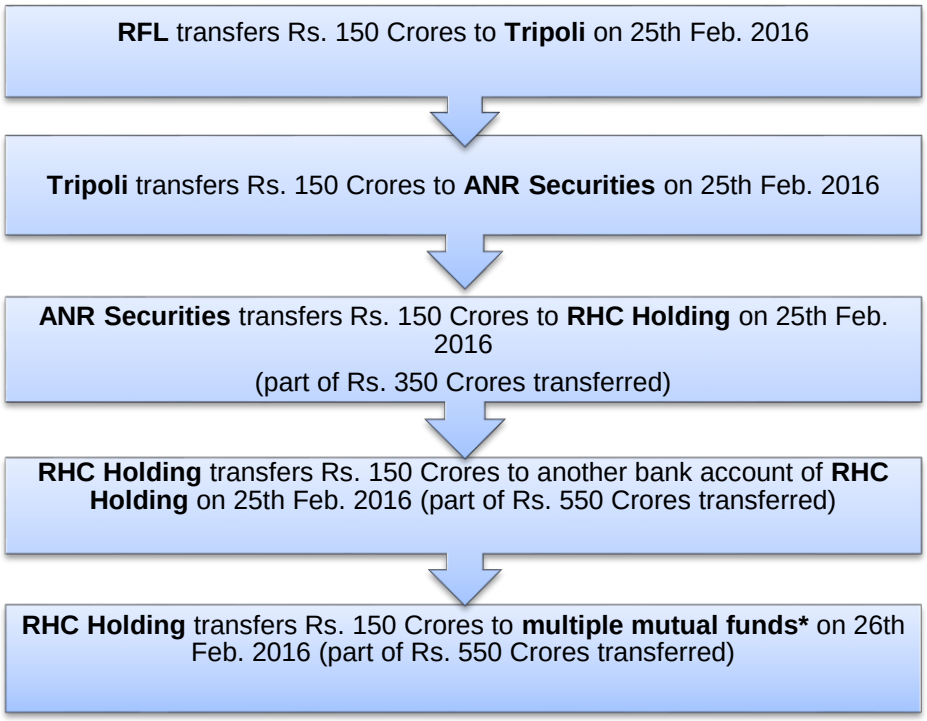
Analysis of the fund transactions

Upon perusal of Bank statements & ledgers of various entities, it was observed that the loan of Rs. 150 Crores given on June 30, 2017 has been utilised for repayment of its earlier loan taken on February 25, 2016. Further the utilisation of its loan taken on February 25, 2016 were analysed. Upon analysis of the same it was observed that has actually been transferred to RHC Holding which has been used by RHC Holding to pay off liabilities to multiple mutual funds. The pictorial presentation of the same transaction are as follows: -

Utilisation of loan taken on June 30, 2017: -



Utilisation of loan taken on February 25, 2016: -



Hence, the loan of Rs. 150 Crores given on June 30, 2017 had been utilised for repayment of Tripoli's earlier loan taken on February 25, 2016, which in turn had been utilised by RHC Holding to pay off their mutual fund liabilities.

K. Loan given by RFL to Volga Management & Consultancy Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs. 100 Crores and Rs.150 Crores on February 25, 2016 & June 30, 2017. The terms of the said loans were as follows: -

Loan of Rs. 100 Crores given on February 25, 2016:

Particulars	Terms
Loan Tenure	Upto 1 Year
Purpose	Short term loan for working capital purpose
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.

Repayment schedule	Bullet repayment at the end of the term/. Prepayment as per mutual consent
Security	Unsecured
Collateral	None

Loan of Rs. 150 Crores given on June 30, 2017

Particulars	Terms
Purpose	Working Capital requirement/General corporate purpose
Proposed loan	Rs. 150 Crores
Loan Tenure	Upto 12 months
ROI	11% p.a.
Repayment schedule	Interest payment at quarterly. Bullet repayment of principal at the end of the loan tenure. Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	None

Background of Volga

Shareholding structure

Sr. No.	Name of the shareholders	No. of shares	% of holding
1	Ad Advertising Private Limited	5000	50%
2	Rosestar Marketing Private Limited	5000	50%
	Totals	10000	100

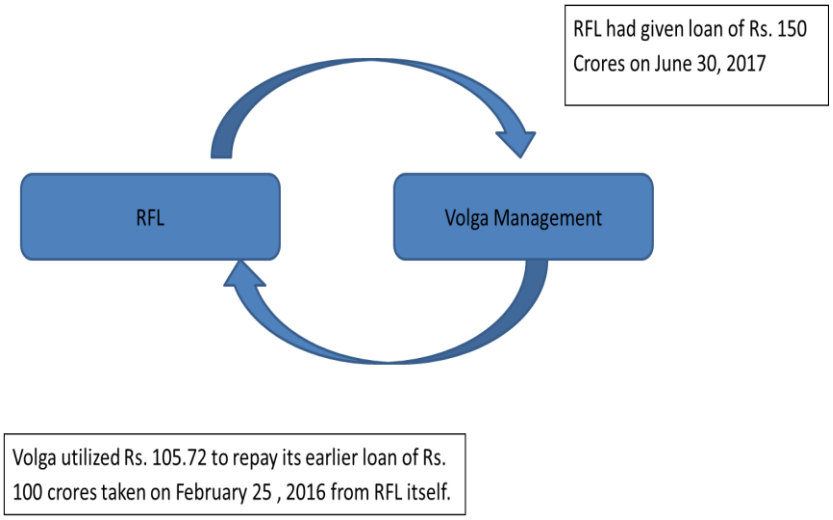
Financial Results

Particulars	Amount (Rs in crores)		
	2012-2013	2013-2014	2014-2015
Revenue	00.02	00.00	1.93
Profit & Loss after Tax	**00.00**	**00.00**	**00.02**
Adjusted Net Worth	**00.04**	**00.01**	**00.04**

Analysis of fund transactions

Upon perusal of Bank statements & ledgers of various entities, it was observed that the loan of Rs. 150 Crores given on June 30, 2017 had been utilised for repayment of its earlier loan of Rs. 100 Crores taken on February 25, 2016 and Rs. 26.48 had been transferred to ANR Secuities & Ranchem (Promoter related entities). Further the utilisation of its loan taken on February 25, 2016 were analysed. Upon analysis of the same it was observed that had actually been transferred to RHC Holding which had been used by RHC Holding to pay off liabilities to multiple mutual funds. The pictorial presentation of the same transaction is as follows:-

Utilisation of loan taken on June 30, 2017: -



The fund flow of balance Rs 44.28 are as follows:-

Volga Receives Loan of Rs. 150.00 Crores from **RFL** on 30th June 2017

Volga transfers Rs. 44.28 Crores to **Modland.**

Modland transfers Rs. 39.16 Crores to **Saubhagya Buildcon. (Rs. 12.05 had been utilised by Best Health Management, Devera, Tripoli & Vitoba for repayment of its eralier loans taken from RFL)**
Modland transfers Rs. 5.13 Crores to **Artifice Properties.**

Saubhagya Buildcon tranfers Rs. 10.74 Cr to **Fern.**
Saubhagya Buildcon transfers Rs. 15.74 Crores to **Best** Healthcare.
Artifice Properties pays interest of Rs. 5.12 Cr to **RFL.**

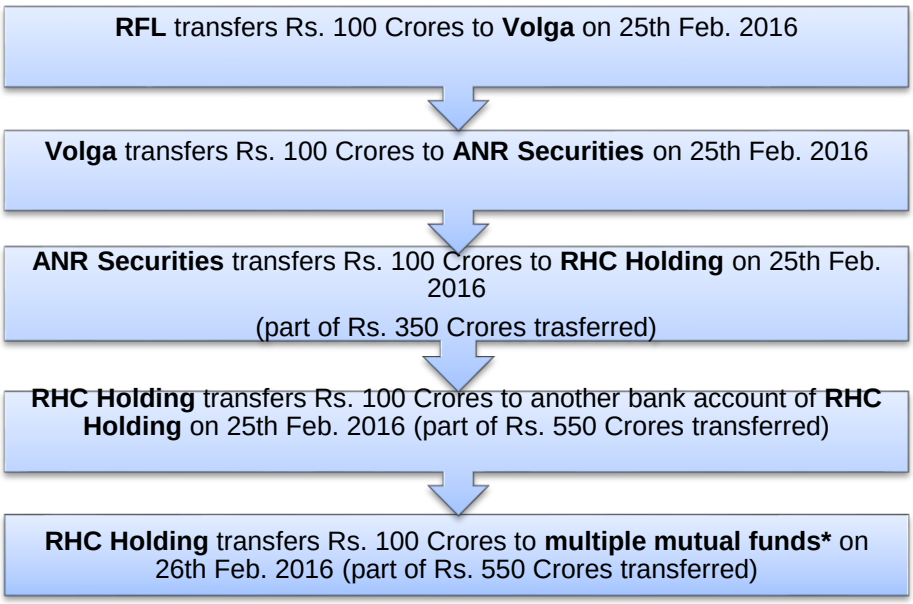
Fern transfers Rs. 10.74 Cr to **Ranchem.**
Best Healthcare transfers Rs. 15.74 Cr to **ANR Securities.**

Ranchem & ANR transfers Rs. 26.48 Crores to Oscar Investments Limited**.**

Oscar utilised this money to repay its earlier loan of Rs. 25 Crores taken from RFL on 09/01/2017

Oscar transferred Rs. 25 crores of loan taken from RFL on 09/01/2017 to RHC Holding

Utilisation of loan taken on February 25, 2016:-



Thus, it was observed from the above analysis that loan of Rs. 100 crores taken by Volga on February 25, 2016 had been utilised by RHC Holding for paying of its liabilities and Rs. 17.17 crores were returned to RFL as interest payment of earlier loans taken from RFL by various other entities.

L. Loan given by RFL to Torus Buildon Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL gave loan of Rs. 5 Crores to Torus on June 30, 2017. The terms of the said loan were as follows:-

Particulars	**Terms**
Loan Tenure	Upto 12 months
Purpose	Short term loan for working capital purpose
Proposed loan amount (RFL)	Rs.125crores in tranches
ROI	14% p.a
Repayment	Bullet Repayment at the end of the term/Prepayment as per mutual consent
Security	Unsecured
Collateral	NA

Background of Torus

Shareholding structure

Sr no	Share Holder Name	No. of share	Per share	% of holding
1	Saubhagya Buildcon Pvt Ltd	5000000	10	50
2	Tiger Developers Pvt Ltd	5000000	10	50
Total				100

Preference Shareholders detail as on 31-03-2015

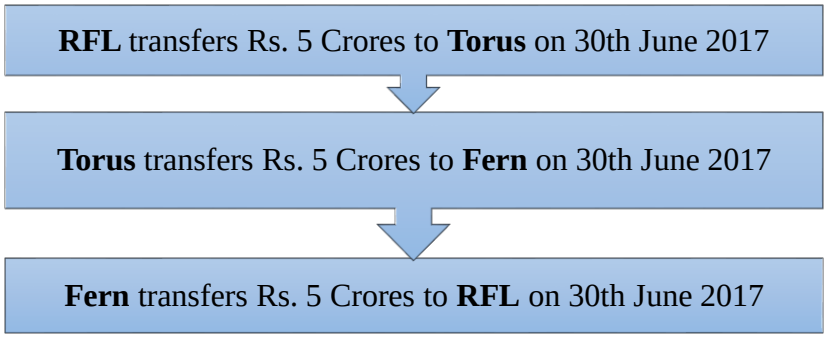
Sr no	Share Holder Name	No. of share	Per share	% of holding
1	Modland Wears Pvt Ltd	5000000	10	20
2	Best Healthcare Pvt Ltd	20000000	10	50
Total		250000000		100

Financial Results

Particulars	**Amount (Rs. In crores)**	
	2012-13	**2013-14**
Revenue	0	0
Profit & Loss after tax	-983.82	-1117.13
Adjusted Net Worth	14474.02	17356.59

Analysis of the fund transactions

Upon analysis of the Bank statements & ledgers of the entities, it was observed that the loan of Rs. 5 crores had been utilised by Fern Healthcare for repayment of its loan taken from RFL itself. The graphical presentation of the same are as follows: -



It was thus observed from the above analysis that funds of Rs. 5 crores given by RFL to Torus had been utilised by Fern to pay back the interest portion of the earlier loan taken from RFL on February 10, 2016.

M. Loan by RFL to A&A Capital Services Pvt Ltd

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that RFL had given loan of Rs. 100 Crores to A&A Capital on February 01, 2017. In this regard, the details of loans as observed from the documents furnished by RFL as well as bank statements were as follows: -

Particulars	Terms of the Loan
Loan Tenure	Upto 365 days
Purpose	Working capital purpose
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

Background of A&A Capital

Shareholding Structure

Name of the Shareholders	No. of shares	% of holding
Kala Supplirs Pvt. Ltd.	39,200.00	0.71%
Sarojani Vinmay Pvt. Ltd.	4,99,800.00	9.09%
Rover Trade Iink Pvt. Ltd.	8,00,000.00	14.55%
Delux Tarcom Pvt. Ltd.	15,59,800.00	28.36%
Landscape Vicome Pvt. Ltd.	73,000.00	1.33%
Manshi Telcom Pvt. Ltd.	1,99,500.00	3.63%
Maxworth Dealmark Pvt. Ltd.	1,90,500.00	3.46%
Mohan Infrarealty Pvt. Ltd.	17,500.00	0.32%
Narayani Pratisthan Pvt. Ltd.	57,000.00	1.04%
Satvichar Dealers Pvt. Ltd.	4,64,600.00	8.45%
Sunhill Vincom Pvt. Ltd.	44,600.00	0.81%
Aakruty Infrarealty Pvt. Ltd.	1,00,000.00	1.82%
Almighty Mercantile Pvt. Ltd.	2,60,000.00	4.73%
Annex It distributors(UP West)	20,000.00	0.36%
Asent Vanijya Pvt. Ltd.	2,40,000.00	4.36%
Banshidhar tradecomm Pvt. Ltd.	1,00,000.00	1.82%
Blaclberry Impex Pvt. Ltd.	1,56,000.00	2.84%
Expert Infrastructure Advisory Pvt.	20,000.00	0.36%
Laxiwan Suppliers Pvt. Ltd.	80,000.00	1.45%
Mangal Murti Enclave Pvt. Ltd.	2,54,000.00	4.62%
Satyam Securities & Finance Pvt. Ltd.	2,44,000.00	4.44%
SPA Economy Pvt. Ltd.	40,000.00	0.73%
Pappu Rajak	10,000.00	0.18%
Shyamal Mondal	10,000.00	0.18%

Prashanta Sarkar	10,000.00	0.18%
Rahul Jain	10,000.00	0.18%
Total	**54,99,500.00**	**100.00%**

Financial status

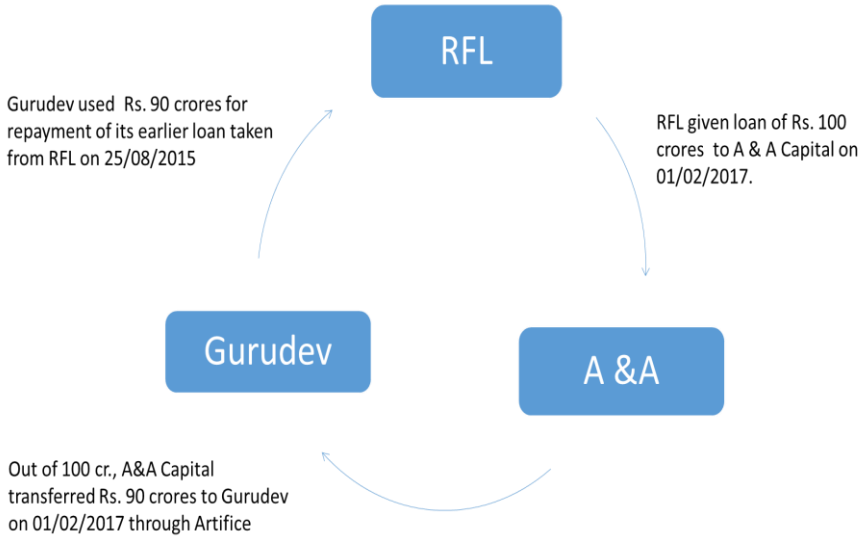
Particulars	**Amount (Rs in Crores)**		
	2013-2014	**2014-2015**	**2015-2016**
Revenue	8.59	3.59	19.45
Profit & Loss after tax	**9.93**	**-0.24**	**-1.10**
Adjusted Net Worth	**10.06**	**-64.54**	**-91.77**

Analysis of the fund transactions

A&A received funds directly as well as indirectly (through Artifice) from RFL.

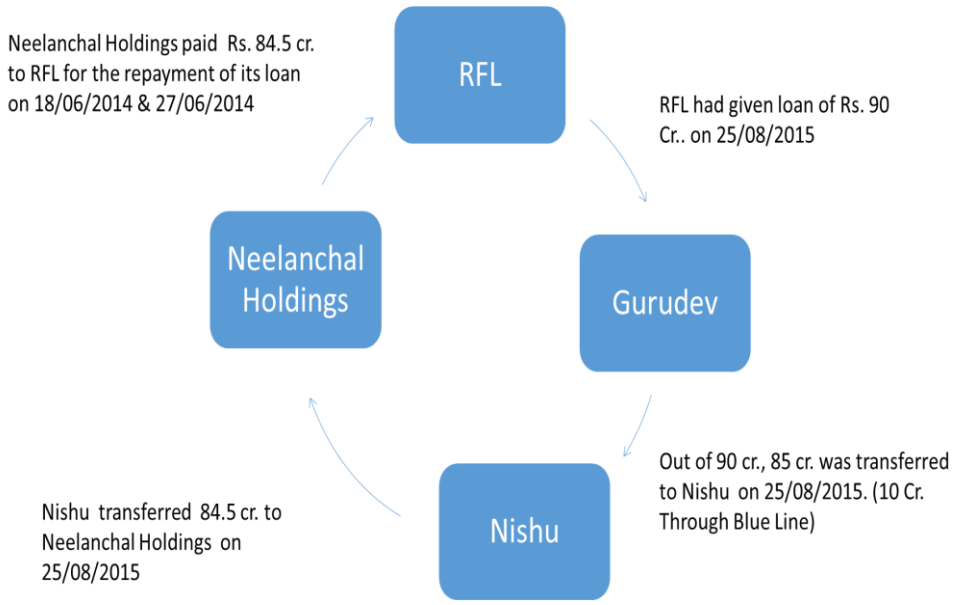
N. Loan taken by A&A Capital on February 01, 2017

Out of Rs. 100 Cr taken from RFL, Rs. 90 crores had been transferred by A&A Capital to Gurudev Financial Service Limited on the same day and Gurudev had utilized this amount to repay back its earlier loan taken from RFL on August 25, 2015. The diagrammatical presentation of the said loan are as follows: -



Utilisation of loan taken by Gurudev from RFL of Rs. 90 Crores on August 25, 2015

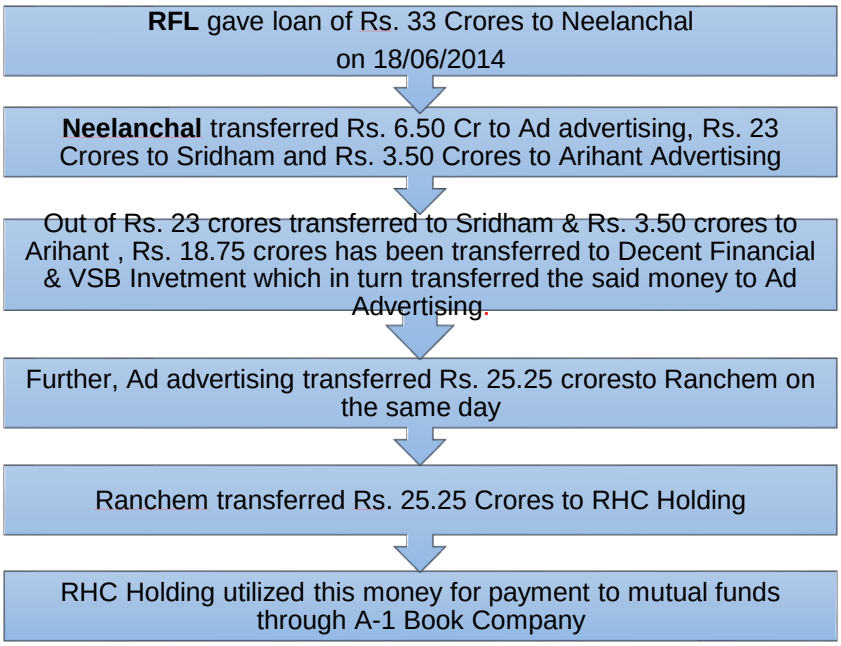
On further analysis, it was observed that the loan taken by Gurudev had been immediately further transferred to Neelanchal Holdings and inturn, Neelanachal utilized the funds to repay its earlier loan taken from RFL on June 18 & 27, 2014. The diagrammatical representation of the said transaction is as follows: -



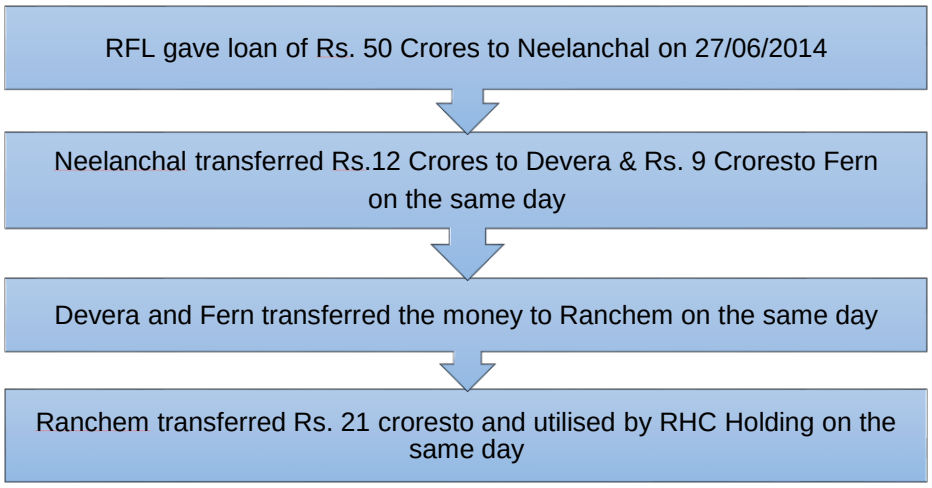
Utilisation of loan taken by Neelanchal Holdings of Rs. 33 Crores and Rs. 50 Crores on June 18, 2014 & June 27, 2014 respectively.

Further, the utilisation of loan taken by Neelanchal from RFL on June 18 & 27, 2014 was checked and it was observed that the said loan funds had been immediately transferred through various entities to RHC Holding on the same day. The pictorial presentation is as follows: -

Details of loan amounting to Rs. 33 Crores taken on June 18, 2014



Details of loan amounting to Rs. 50 Crores taken on June 27, 2014

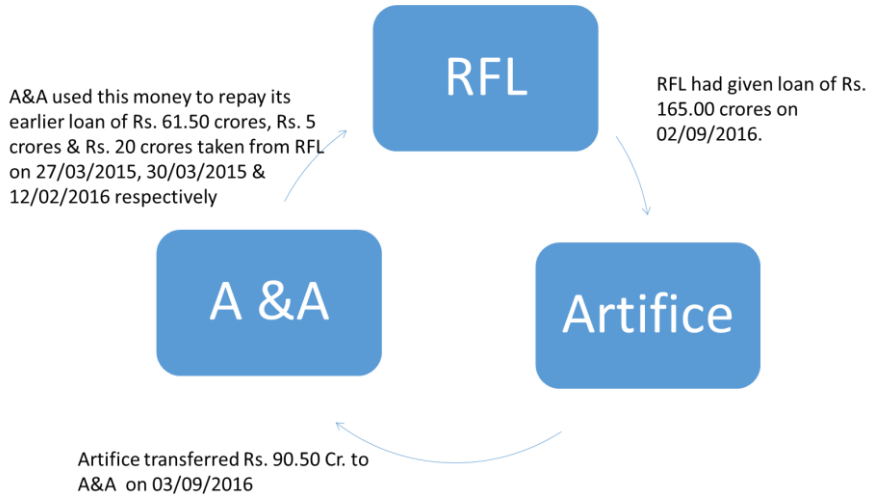


Thus, from the above analysis that out of Rs 100 crores taken by A&A Capital from RFL, funds amounting to Rs. 46.25 crores were observed to have benefitted RHC Holding for its own benefit.

Details of funds amounting to Rs. 90.50 Crores received through loan by RFL to Artifice on September 03, 2016.

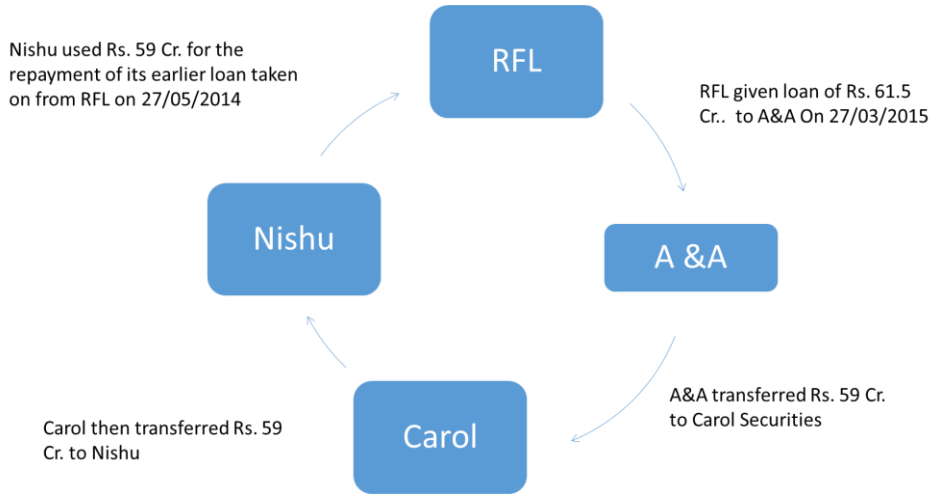
As discussed at para 20.4.3.2 (A) above, it was observed that RFL had given loan of Rs. 165 Crores to Artifice on September 02, 2016 and

Artifice had transferred Rs. 90.50 Crores out of the aforesaid Rs. 165 Crores to A&A Capital on September 03, 2016. The said funds were used by A&A Capital to repay earlier loans of Rs. 86 crores taken from RFL on March 27, 2015. The pictorial presentation of the same is as follows:

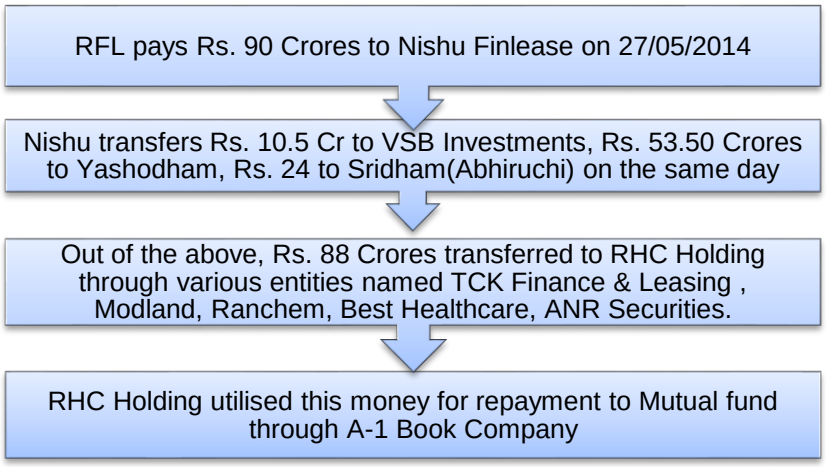


Utilisation of loan taken by A&A Capital of Rs. 61.50 crores from RFL on March 27, 2015

While based on available information, it was observed that out of the loan amount of Rs. 61.50 crores by RFL to A&A Capital on March 27, 2015, 59 crores was further transferred to Nishu Finlease, which was further analysed. It was seen that Nishu had utilized this money to repay part of its earlier loan taken from RFL on May 27, 2014. The pictorial presentation of the said loan are as follows: -



Utilisation of loan taken by Nishu of Rs. 90 Crores on May 27, 2014. RFL had given loan amounting to Rs. 90 Crores to Nishu Finlease on May 27, 2014. On further analysis, it was observed that the said funds were further transferred funds to RHC Holding. The pictorial presentation of the same is as follows: -



Thus, it was observed that out of aforesaid Rs. 90.5 Crores received by A&A (through loan by RFL to Modland), Rs. 59 crores were utilized by RHC Holding.

Hence, a total amount of Rs 105.25 crores was seen to be diverted by way of loans (directly as well as indirectly through Artifice) to A&A Capital for the benefit of RHC Holding.

O. Loan by RFL to Gurudev Financial Services Pvt Ltd

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that a loan amounting to Rs. 100 crores was given by RFL to Gurudev Financial on May 24, 2017. The terms of the same were as follows: -

Particulars	Terms
Loan Tenure	Upto 365 days
Purpose	Working capital Requirement/ General Corporate Loan
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

Background of Gurudev

Shareholding structure

Name of the Shareholders	No. of Shares	% of holding
Himanshu Agarwal	45,000	5.41%
Ram Niwas Mittal	76,900	9.24%
Rajender Prasad Aggarwal	79,000	9.49%
Puneet Mittal	82,600	9.92%
Ashish Aggarwal	80,000	9.61%
Astha Aggarwal	79,900	9.60%
Saroj Bala	80,000	9.61%
Renuka Aggarwal	80,300	9.65%
Ram Pratap Mittal	79,400	9.54%
R.P. Aggarwal, Karta of R.P. Aggarwal & Sons (HUF)	70,398	8.46%
R.N. Mittal,Karta of R.N. Mittal & Sons(HUF)	78,840	9.47%
Total	**8,32,338**	**100.00%**

Financial status

Particulars	Amount (Rs in Crores)		
	Mar-14	**Mar-15**	**Mar- 16**
Revenue	12.51	13.62	16.37
Profit & Loss after tax	**00.01**	**00.09**	**00.11**
Adjusted Net Worth	**1.33**	**1.41**	**2.52**

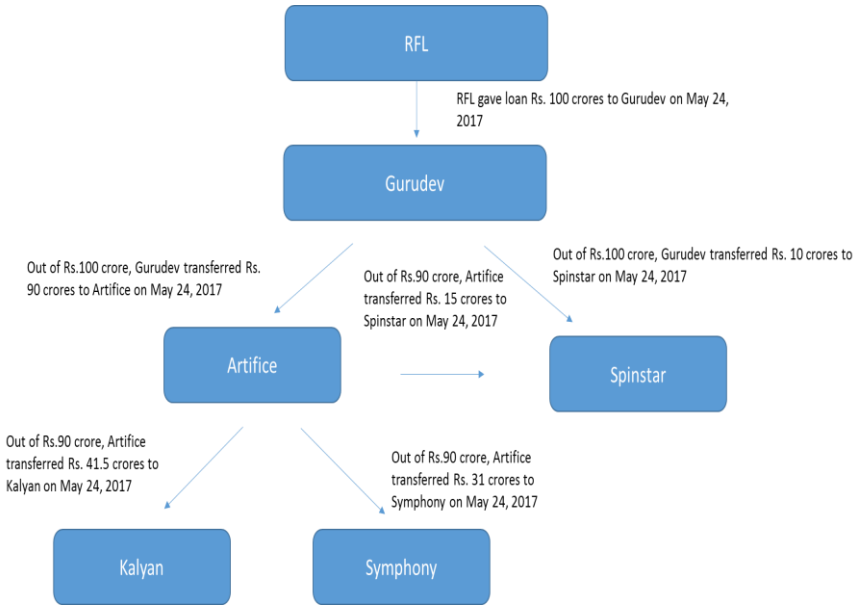
Analysis of the fund transactions

As discussed above at para 20.4.3.2 (N) above, Gurudev received funds directly as well as indirectly (through Modland) from RFL. Based on the analysis of fund movements, it was observed that out of total loan of Rs 100 crores given by RFL to Gurudev, Rs 42.8 crores was utilised by RHC

Holding for paying off to mutual funds through A-1 Book Company. Further, loan funds to the tune of Rs 56 crores were observed to have been misused for repayment of earlier loans taken by other entities from RFL only. The details of the same are as follows:-

Details of utilization of loan taken by Gurudev on May 24, 2017

RFL had transferred loan amount of Rs. 100 crores to Gurudev on May 24, 2017. Out of aforesaid Rs. 100 crores, Rs. 90 crores was transferred by Gurudev to Artifice and Rs. 10 crores to Spinstar. Further, Artifice transferred funds to Spinstar (15 crores), Kalyan (Rs 41.5 crores) and Symphony (31 crores), who used the same to repay their earlier loans taken from RFL . The pictorial presentation of the same is as follows:-

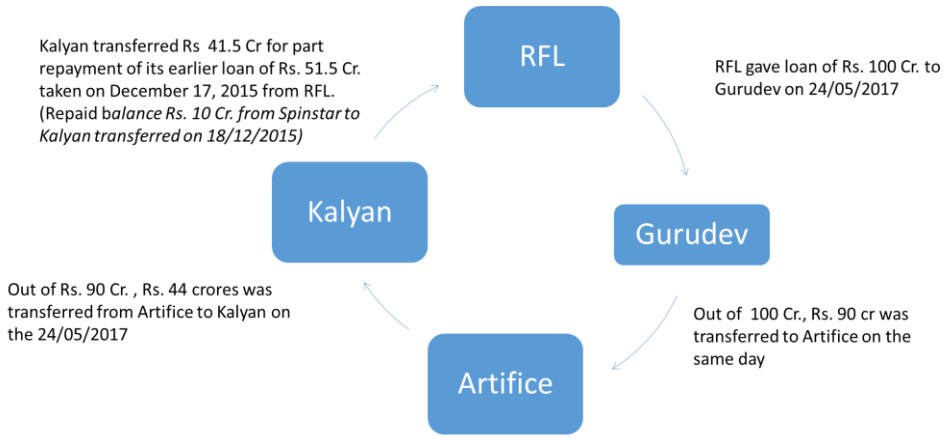


The details of such loans and analysis of their utilization are as follows:

i. Funds transferred to Kalyan

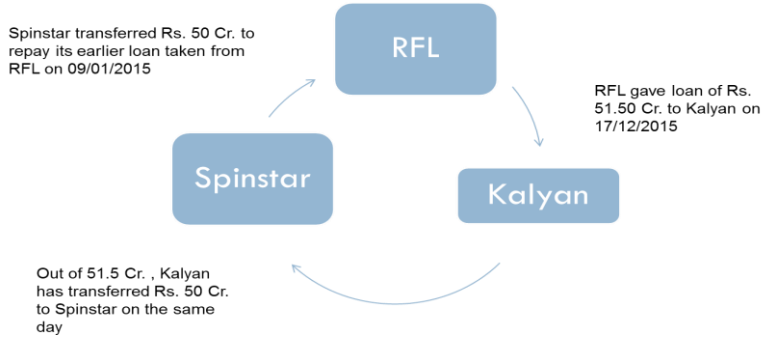
(a) Loan repayment by Kalyan to RFL

Out of loan of Rs. 100 crores by RFL to Gurudev, Rs. 41.5 crores had been utilized by Kalyan to repay its loan of Rs. 51.50 crores taken from RFL on December 17, 2015. The balance Rs. 10 crores had been repaid by the loan taken by Spinstar from RFL on December 18, 2015 {as mentioned at point II below}. The pictorial presentation the same is as follows: -



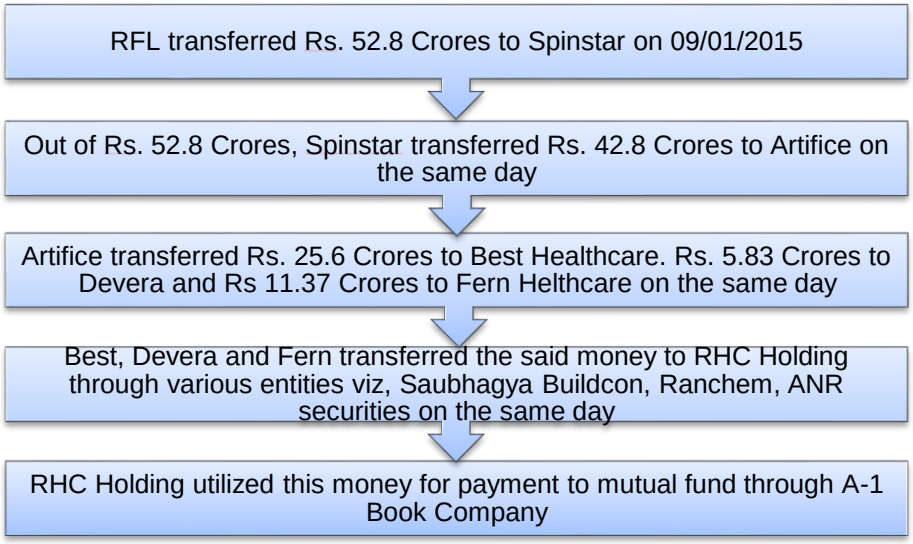
(b) Utilisation of loan taken by Kalyan from RFL on December 17, 2015:

The loan of Rs. 51.50 crores given by RFL to Kalyan on December 17, 2015 had been transferred further to Spinstar which in turn utilised the same to repay its earlier loan taken from RFL on January 09, 2015. The pictorial presentation is as follows: -



(c) Utilisation of loan taken Spinstar from RFL on January 09, 2015

RFL gave loan of Rs. 53 crores to Spinstar on January 09, 2015, which was observed to be transferred further through various layers to RHC Holding. The pictorial presentation of the same are as follows: -

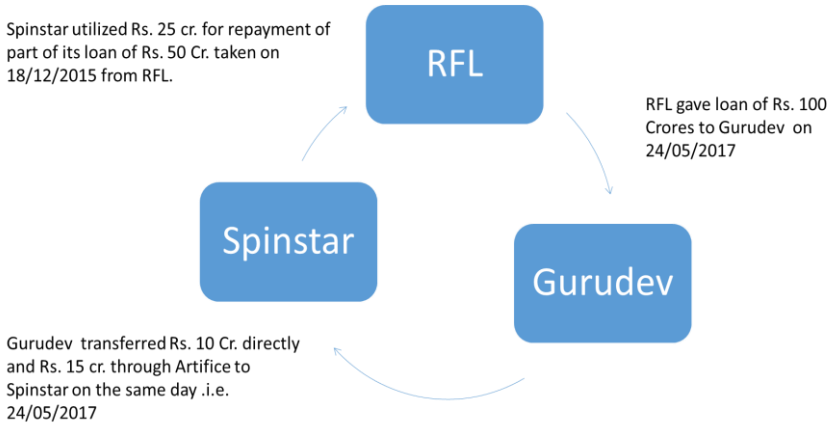


Thus, it was observed that out of the loan of Rs 100 crores given by RFL to Gurudev, Rs. 42.8 crores had been benefitted RHC Holding which had utilized for paying off to mutual funds in the books of A1 Book Company.

ii. Funds transferred to Spinstar

(a) Loan repayment by Spinstar to RFL

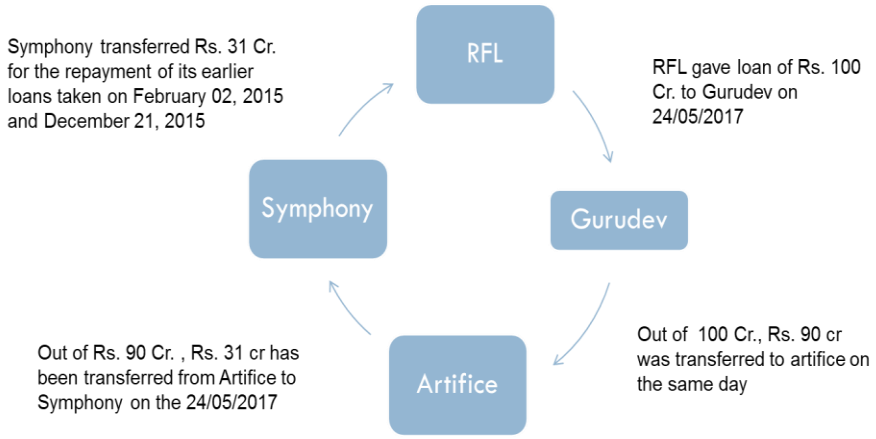
It was observed that out of Rs. 100 crores, Rs. 25 crores received by Spinstar from Gurudev had been utilized by Spinstar for part repayment of its loan of Rs. 50 crores taken from RFL on December 18, 2015. Balance repayment of Rs. 25 crores was made by Spinstar from loan given to Annies Apparel from RFL on February 01, 2017 {this has been examined at para 20.4.3.2.(R)}. The pictorial presentation of the same is as follows: -



iii. Funds transferred to Symphony

(a) Loan repayment by Symphony to RFL: -

Out of Rs. 100 crores from RFL to Gurudev, Rs. 31 crores had been received and utilized by Symphony to repay its loan of Rs. 10.80 crores and Rs. 20 crores taken from RFL on February 02, 2015 and December 21, 2015 respectively. The pictorial presentation is as follows: -



Conclusion of analysis of loan to Gurudev

Based on the aforesaid analysis, it was observed that out of total loan of Rs 100 crores given by RFL to Gurudev, Rs 42.8 crores was utilised by RHC Holding for paying off to mutual funds through A-1 Book Company. Further, loan funds to the tune of Rs 56 crores were observed to have

been used for repayment of earlier loans taken by other entities from RFL only.

P. Loan by RFL to Tara Alloys Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, it was observed that a loan amounting to Rs. 85 crores had been given by RFL to Tara Alloys Limited on May 24, 2017, the terms of the same were as follows: -

Particulars	Terms
Loan Tenure	Upto 365 days
Purpose	Working capital Requirement/ General Corporate Loan
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

Background of Tara Alloys

Shareholding structure

Name of the Shareholders	No. of Shares	% of holding
Narain Chand Aggarwal	100	0.02
Jaswant Rai Mittal	100	0.02
Rajender Prasad Aggarwal	118800	24.06
Rishi Kumar Aggarwal	100	0.02
Gautam Kumar Aggarwal	100	0.02
Praveen Kumar Aggarwal	100	0.02
R. P.Agga rwal	28380	5.75
Astha Aggarwal	105500	21.37
AVR Trends International Pvt. Ltd.	80000	16.2
Lalita Bansal	1000	0.2
Raman Singhal	14000	2.84
Sunita AggarwaI	8500	1.72
Ashish Aggarwal	16100	3.26
Rajesh gupta	6000	1.22
Santosh Kumar	5000	1.01
Jitendar Kumar	5000	1.01
Renuka Aggarwal	105000	21.26
Total	**493780**	**100**

Financial details

Particulars	Amount (Rs in Crores)		
	Mar-14	Mar-15	Mar- 16
Revenue	00.24	00.09	00.08
Profit & Loss after tax	**00.12**	**00.01**	**00.01**
Adjusted Net Worth	**00.53**	**00.56**	**00.57**

Analysis of the fund transactions

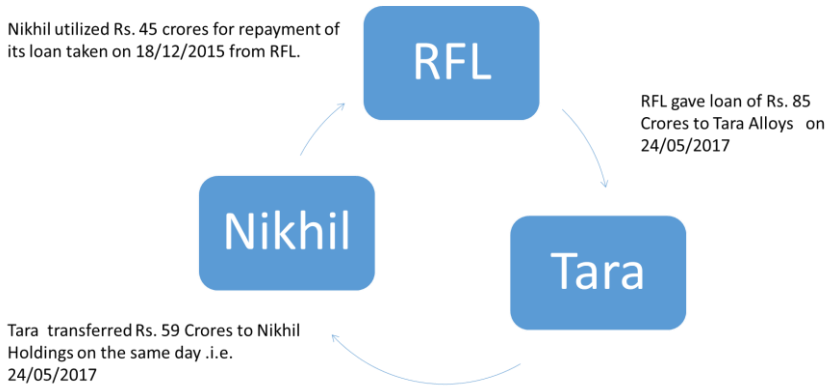
Based on the analysis of fund movements, it was observed that out of total loan of Rs 100 crores given by RFL to Tara Alloys, Rs 44 crores was utilised by RHC Holding for payment of its liabilities to mutual funds in the books of A-1 Book Company. Further, funds to the tune of Rs 25 crores were observed to have been used for repayment of ealrier loans taken by other entities from RFL only. The detailed analysis of the same are as follows:-

Details of utilization of loan taken by Tara Alloys on May 24, 2017

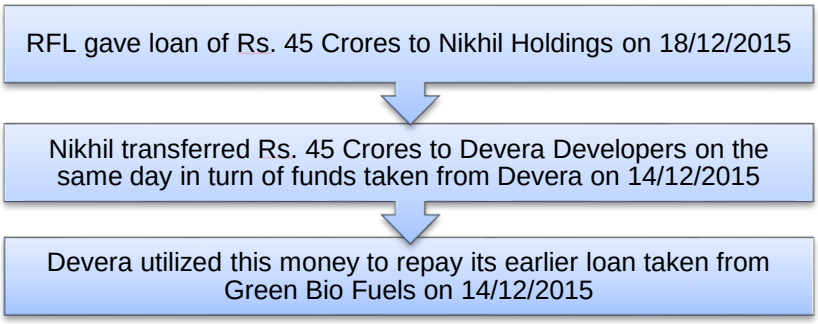
It was observed that out of the loan amount of Rs 85 crores, Tara Alloys had further transferred Rs 45.35 crores to Nikhil Holdings and Rs 26 crores to Yashodham on the same day.

(a) Utilization by Nikhil Holdings.

Out of aforesaid Rs. 85 crores, Rs. 45 crores was further transferred by Tara Alloys to Nikhil Holdings, which had utilized this amount to repay back its loan taken from RFL on December 18, 2015. The pictorial presentation of the same is as follows:-



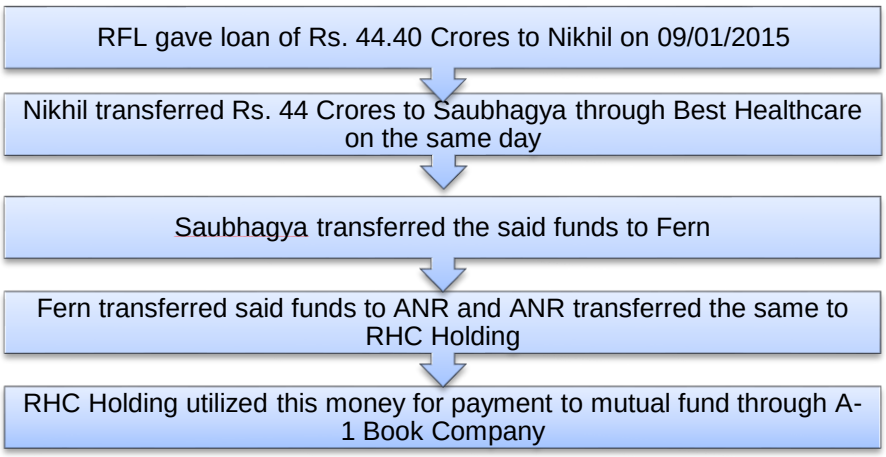
Further the utilisation of loan taken by Nikhil Holding on December 18, 2015 were analysed. Upon analysis it was observed that the said funds had been transferred to Green Bio Fuels through Devera Developers on the same day. The diagrammatical presentation of the said loan are as under: -



The utilisation of funds taken by Devera on December 14, 2015 from Green Biofuels was also analysed and it was observed that the same was utilised by Nikhil Holdings to repay its earlier loan taken from RFL on January 09, 2015. Further the utilisation of loan taken on January 09, 2015 was analysed.

(b) Utilisation of loan taken by Nikhil Holdings from RFL on January 09, 2015:

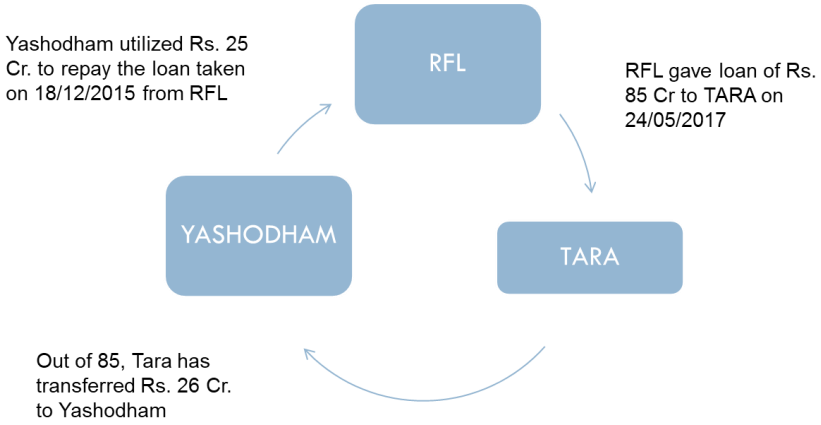
It was observed that the loan taken by Nikhil Holdings on January 09, 2015 had been further transferred to RHC Holding through various entities on the same day. The pictorial presentation of this transaction are as follows: -



Thus, it was observed that out of the loan given by RFL to Tara Alloys, Rs. 44 crores had benefitted RHC Holding which had utilised for paying off its liabiltities to mutual funds in the books of A-1 Book Company.

(c) Utilisation by Yashodham

Out of total Rs. 85 crores loan amount, Rs. 26 crores had been transferred by Tara Alloys to Yashodham, which was utilized to repay its earlier loan taken from RFL on December 18, 2015. The pictorial presentation of the said loan is as follows:-



Conclusion of analysis of loans to Tara Alloys

Based on aforesaid analysis, it was observed that out of total loan of Rs 100 crores given by RFL to Tara Alloys, Rs 44 crores benefitted RHC Holding which had utilised said funds for payment of its liabilities to mutual funds in the books of A-1 Book Company. Further, funds to the tune of Rs 25 crores were observed to have been used for repayment of ealrier loans taken by other entities from RFL only.

Q. Loan by RFL to Sridham Distributors Private Limited (earlier known as Abhiruchi Distributors Private Limited)

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, a loan amounting to Rs. 92.40 Crores had been given by RFL to Sridham on February 01, 2017, the terms of the same were as follows: -

Particulars	Terms
Loan Tenure	Upto 365 days
Purpose	Working capital Requirement

Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

Background of Sridham

Shareholding structure

Name of Shareholders	No. of shares	% of holding
Ashish Aggarwal	10,200	8.24
Mangal Swaroop Gupta	7,500	6.06
Rajender Prasad Aggarwal	5000	4.04
Jitender Kumar	10000	8.08
Rajesh Gupta	10000	8.08
Santosh Kumar	10000	8.08
Gyanwati	4850	3.92
Daya Sanitations Pvt Ltd	10500	8.48
SK Aggarwal	10500	8.48
Shivangi Garments Pvt Ltd	11000	8.89
JKS Impex Pvt Ltd	10650	8.6
VKS Properties Pvt Ltd	11000	8.89
Zigtraka Solution Pvt Ltd	6250	5.05
Aryahi Buildwell Pvt Ltd	6350	5.13
Total	**1,23,800**	**100.00**

Financial details

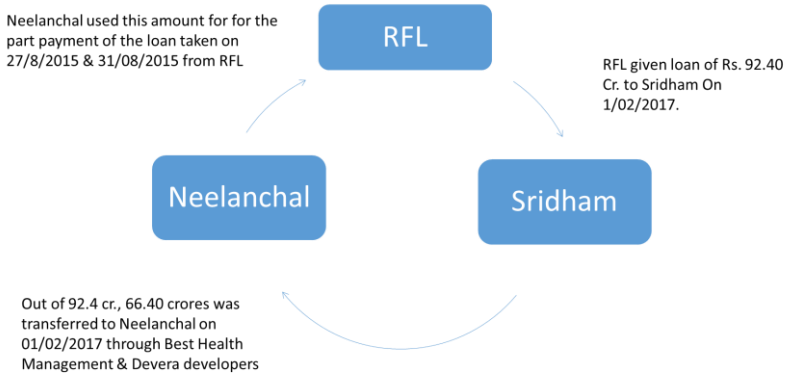
Particulars	**Amount (Rs in Crores)**		
	Mar-14	**Mar-15**	**Mar- 16**
Revenue	8.26	80.05	180.56
Profit & Loss after tax	**00.15**	**00.18**	**00.24**
Adjusted Net Worth	**-97.40**	**-86.81**	**-204.52**

Analysis of the fund transactions

Based on the analysis of fund movements, it was observed that Rs. 15 crores out of the loans given by RFL to Sridham were utilized by RHC Holding for its own benefit and Rs. 66.40 crores had been utilised by Neelanchal for repayment of its earlier loans taken from RFL. The detailed analysis of the same are as follows:-

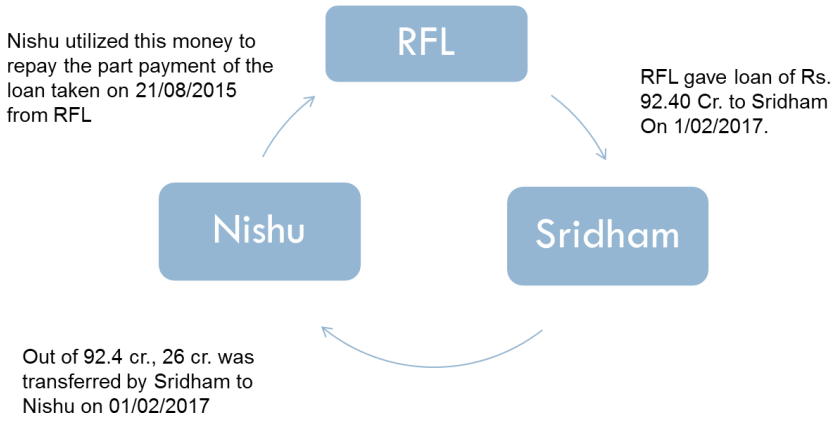
Transaction: 1

Out of aforesaid Rs. 92.4 crores, Rs. 66.4 croroes had been further transferred by Sridham to and utilised by Neelachal Holdings for part repayment of its earlier loans taken from RFL on August 25, 2015 & August 31, 2015. The pictorial presentation of the same is as follows:-



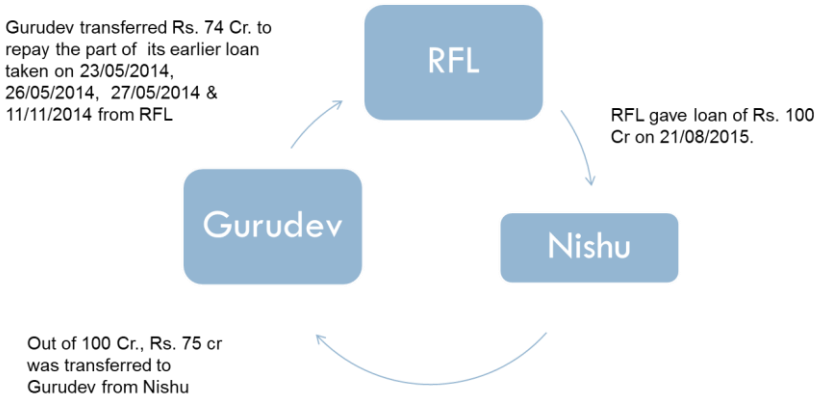
Transaction: 2

Out of aforesaid Rs. 92.4 crores was given by RFL to Sridham, Rs. 26 crores had been transferred by Sridham to Nishu Finlease and Nishu Finlease has utilized this amount to repay the part of its earlier loan taken from RFL on August 21, 2015. The pictorial presentation of the same is as follows: -



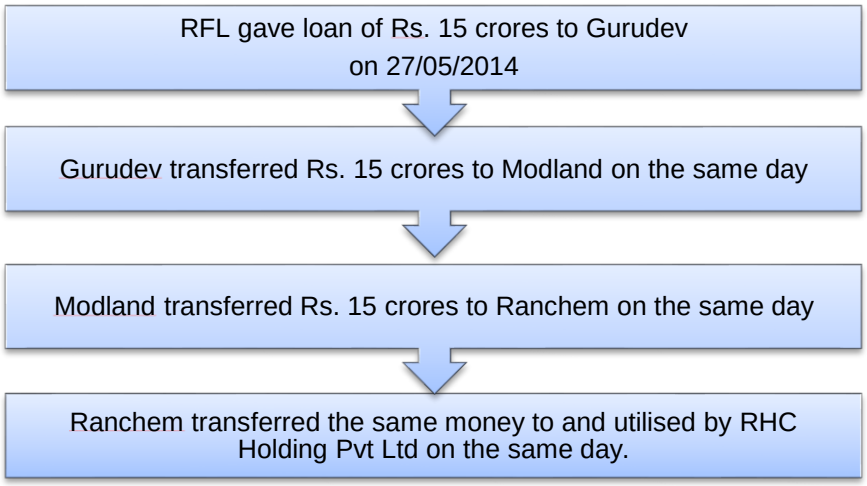
(a) Utilization of loan taken by Nishu on August 21, 2015 by RFL of an amount of Rs. 100 Crores

RFL had given Rs. 100 crores. to Nishu as on August 21, 2015, out of which Nishu had further transferred Rs. 75 crores. to Gurudev. Gurudev had utilised this amount to repay its earlier loans of Rs. 53 crores., Rs. 15 crores. and Rs. 4 crores taken from RFL on May 23, 2014, May 26, 2014, May 27, 2014 and November 11, 2014 respectively. The pictorial presentation of same is as follows: -



(b) Utilisation of loan of Rs. 15 Crores taken by Gurudev from RFL on May 27, 2014

RFL had given Rs. 15 crores to Gurudev as loan on May 27, 2014, which was further transferred through various entities to RHC Holding on the same day. The pictorial presentation of the same is as follows: -



Thus, it was observed from the above analysis that Rs. 15 crores out of the loans given by RFL to Sridham were utilized by RHC Holding for its own benefit and Rs. 66.40 crores had been utilised by Neelanchal for repayment of its earlier loans taken from RFL.

R. Loan by RFL to Annies Apparel Private Limited

On perusal of the various documents during investigation including ledger statements, bank statements, minutes of approving Committee meetings & proposal notes, a loan amounting to Rs. 100.00 crores had been given by RFL to Annies on February 01, 2017, the terms of the same were as follows: -

Particulars	Terms
Loan Tenure	Upto 365 days
Purpose	Working capital Requirement
Proposed loan amount	Rs.100 crores in tranches
ROI	14% p.a.
Security	Unsecured
Collateral	None

Background of Annies Apparel

Shareholding Structure

Name of the Shareholders	No. of Shares	% of holding
Rajender Prasad Aggarwal	2000	6.13%
Ashish Aggarwal	2100	6.43%
Astha Aggarwal	2000	6.13%
Renuka Aggarwal	2400	7.35%
R.P. Aggarwal, Karta of R.P. Aggarwal & Sons (HUF)	2000	6.13%
Ram Niwas Mittal	2100	6.43%
Saroj Bala	2000	6.13%
Puneet Mittal	2000	6.13%
Isha Garg	2000	6.13%
Sunita Aggarwal	2000	6.13%
Raman Singhal	2000	6.13%
Indu Gupta	1640	5.02%
Sonia Garg	400	1.23%
Zigtraka Soluction Pvt. Ltd	8000	24.51%
Total	**32640**	**100.00%**

Financial details

Particulars	Amount (Rs in Crores)		
	Mar-14	Mar-15	Mar- 16
Revenue	00.27	00.75	30.94
Profit & Loss after Tax	**00.01**	**00.01**	**00.17**
Adjusted Net Worth	**00.37**	**-44.30**	**-117.77**

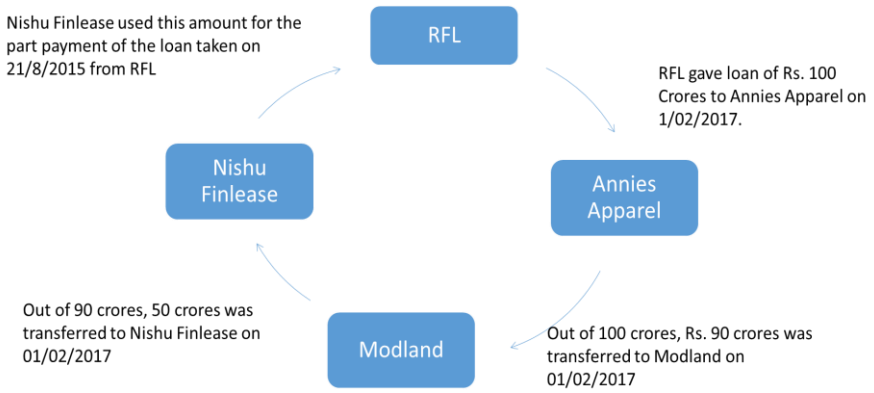
Analysis of the fund transactions

Based on the analysis of fund movements, it was observed that the total amount seen to be diverted to promoters by way of loans (directly as well as indirectly through Modland) to Annies was Rs 3 crores. Further, out of funds given to Annies, around Rs. 75 crores were observed to be utilised by other entities for repayment of their earlier loans taken from RFL. The detailed analysis of the same are as follows:-

(a) Details of utilization of loan taken by Annies on February 01, 2017

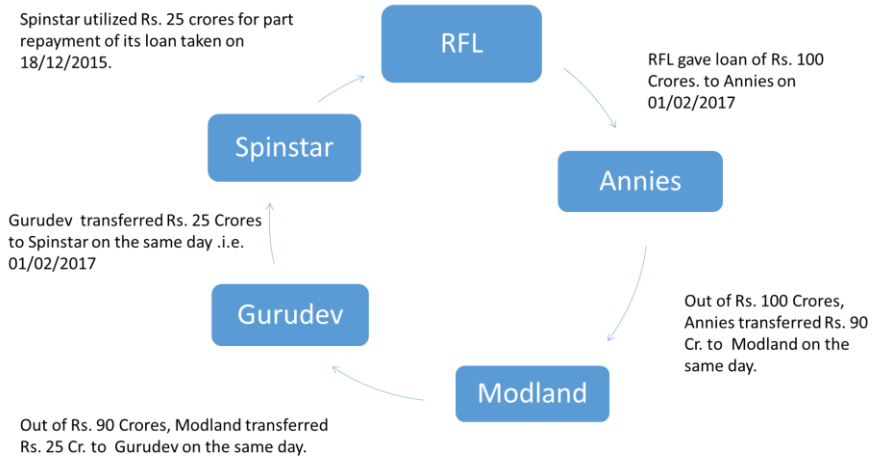
Transaction 1:

Out of aforesaid Rs. 100.00 crores, Rs. 50 crores had been transferred by Annies to Nishu Finlease through various entities, which was utilised for the repayment of part of its loan taken from RFL on August 21, 2015. The pictorial presentation of the same is as follows: -



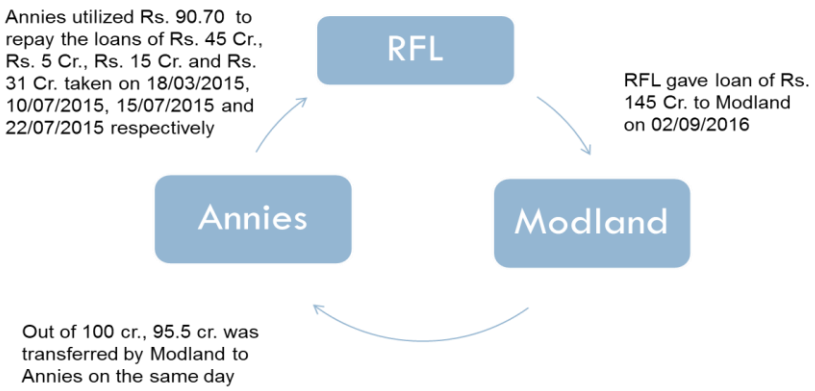
Transaction 2:

Out of aforesaid Rs. 100.00 Crores., Rs. 25 Crores had been transferred by Annies to Spinstar through various entities and Spinstar had utilised this money for the repayment of part of its loan taken from RFL on December 18, 2015. The diagrammatical presentation of the said loan are as follows: -



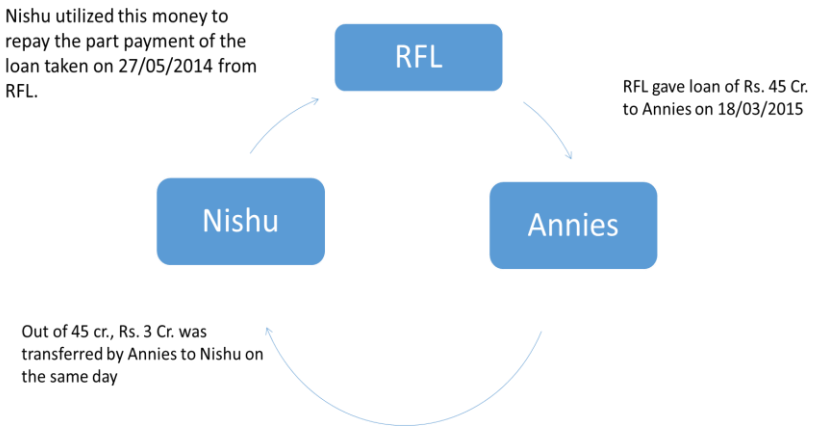
Funds indirectly received by Annies (through loans by RFL to Modland)

It was observed that RFL had given loan of Rs. 145 crores to Modland on September 02, 2016 and then Modland transferred Rs. 95.5 crores to Annies on the same day, which was utilised by Annies to repay its earlier loans taken from RFL. The pictorial presentation of the same is as follows: -



(b) Utilization of loan given from RFL to Annies on 18/03/2015

RFL had given loan of Rs. 45 crores to Annies on March 18, 2015, out of which Annies transferred Rs. 3 crores to Nishu. Nishu in turn utilized this money to repay the part payment of the loan taken on May 27, 2014 from RFL. The pictorial presentation of the same is as follows: -



Utilization of the loan taken on May 27, 2015 has already been given at para no 20.4.3.2 (R) above. Thus, it was observed that Rs 3 crores was

ultimately utilised by RHC Holding to pay off its liabilities in the books of A-1 Book Company. Further it was also observed that Rs. 51 crores has been returned to RFL as repayment of earlier loans taken from RFL by various other entities.

Hence, the total amount seen to be diverted by way of loans (directly as well as indirectly through Modland) to Annies was Rs 3 crores. Further, out of funds directly given to Annies, around Rs. 75 crores were observed to be utilised by other entities for repayment of their earlier loans taken from RFL. Further out of funds indirectly given to Annies as mentioned at para 20.4.3.2 (R) around Rs. 51 crores were observed to be utilised by other entities for repayment of their earlier loans taken from RFL.

S. Loans given by RFL to Religare Comtrade Ltd.

It was observed that RFL had also granted loans amounting to Rs. 125 crores and Rs. 185.50 crores to Religare Comtrade Limited ("**RCL**") and REL respectively as mentioned at Table no. 6. Based on the analysis of fund movement, it was observed that out of the loan of Rs. 125 crores given to RCL, Rs. 75 crores had been ultimately utilised by RHC Holding. The details of the same is given below: -

It was observed that RFL gave loan of Rs. 125 Crores on October 16, 2017 to RCL which was outstanding as on May 31, 2018. The terms of the said loans are as follows: -

Particulars	**Terms**
Purpose	Conversion of CP into Corporate Loan
Proposed loan	Rs. 125 crores in tranches
Loan Tenure	Upto 365 days
ROI	13% p.a.
Repayment schedule	Interest payment at quarterly. Bullet repayment of principal at the end of the loan tenure. Prepayment without prepayment penalty at the option of the borrower
Security	Unsecured
Collateral	None

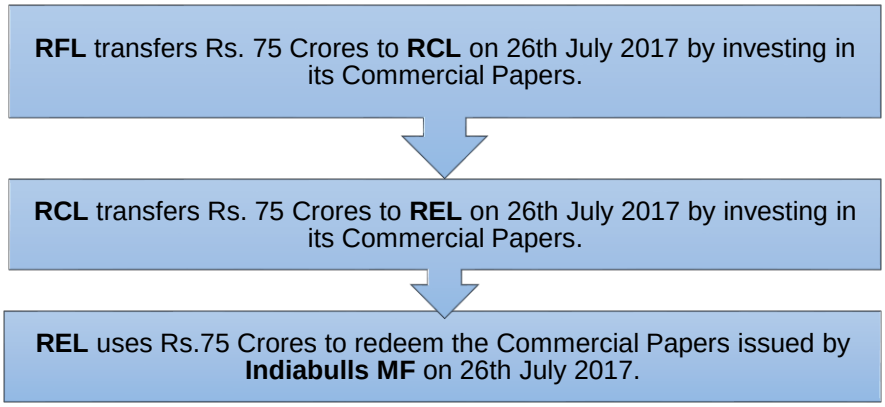
Analysis of the fund transactions

Upon perusal of bank statements & ledgers of various entities, it was observed that the aforesaid loans had been utilised in three parts. Further it was observed that Rs. 75 crores out of the loan of Rs. 125 Crores given on October 16, 2017 has been utilised by RHC Holding. The details of the same are as follows: -

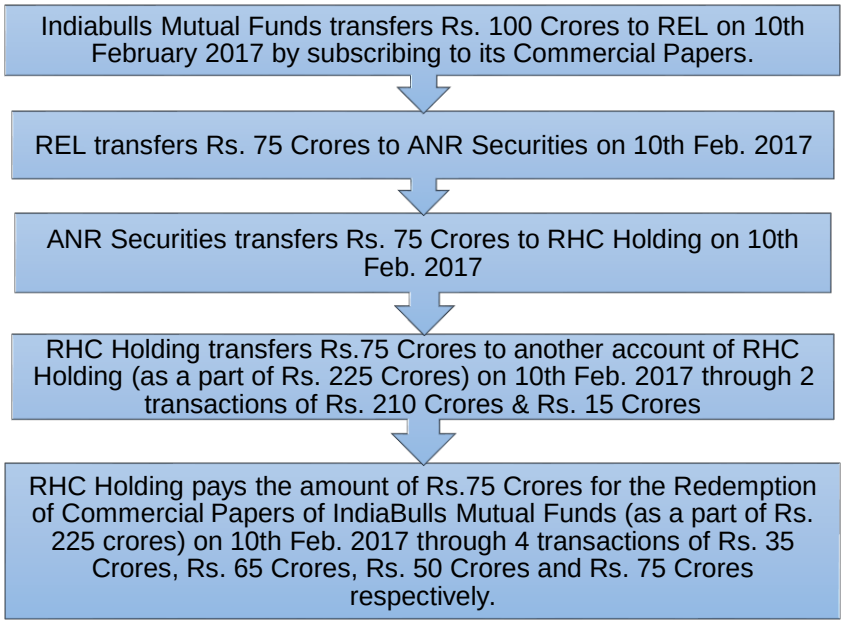
Utilisation of Rs. 75 crores out of aforesaid loan: -

Upon perusal of bank statements & ledgers it was observed that Rs. 75 crores out of aforesaid loans has been transferred to REL. REL uses this money to redeem the dues of Indiabulls Mutual Funds raised earlier on February 10, 2017. Further the utilisation of Indiabulls mutual Fund money was trailed. Upon anlysis, it was observed that the said money has been ultimately used by RHC Holding. The pictorial presentation of such movement of funds are as under: -

Utilisation of loan of Rs. 75 crores given to RCLon July 26, 2017: -



Utilisation of money taken from Indiabulls Mutual Fund:-



Thus, the abovementioned movement of funds through RCL and REL were seen to have been ultimately diverted to and utilised by RHC Holding. Thus, it was observed that out of total loan of Rs 125 crores, Rs. 75 crores had been utilised by RHC Holding.

20.4.3.3. With regards to aforesaid loans as mentioned at Table 5, the following were observed during the investigation:

20.4.3.3.1. The loans granted by RFL under the its CLB were primarily unsecured in nature and purpose of the same was to support the working capital / general corporate requirements of the borrowers / group companies/companies known to the promoters. Also, loans were extended by RFL under the secured route through SME and Loan against Securities.

20.4.3.3.2. The parameters for approving loans under the CLB were significantly relaxed when compared to the loans under the SME category as most of applicable parameters for SME loans were not applicable or required for corporate loans under CLB. Also, although the end use monitoring of such loans granted under CLB was implemented from May 26, 2015,

the same was not received for all loans as mentioned at Table 6. Further, RFL did not have any mechanism to verify the end use of such loans which were granted.

20.4.3.4. From the respective Credit Appraisal Memos / Proposal notes and minutes of the Committee meetings with respect to aforesaid CLB loans, following was observed:

20.4.3.4.1. No due diligence of financials of the borrower company and w.r.t fraud control as required for loans was done. The same was waived off with reason cited in CAM as “the corporate is known to Religare Promoters”.

20.4.3.4.2. Most of the borrower companies had negative or zero networth and most of them had operational losses in their books.

20.4.3.4.3. Despite borrower’s weak financials, no lien or security was taken and most of the loans were unsecured.

20.4.3.4.4. Corporate CIBIL report of the some of the borrower companies was not checked.

20.4.3.4.5. W.r.t borrower entity Platinum, the said entity had not started business at the time of approving the loan.

20.4.3.4.6. No due diligence was carried out about the repayment capacity of the borrowers.

20.4.3.4.7. The committee members were aware that the borrowers were known to promoter group and that certain proposed loans were not fresh corporate loans under CLB books but were mere roll over of existings loans/CPs. However, despite discussions in this regard by Committee, it was decided to disburse loans to the said proposed borrowers.

20.4.3.5. Pursuant to the qualified opinion of Statutory Auditors of RFL for the financial statements of RFL of FY 2016-2017, RFL had appointed M/s AZB & Partners to review the transactions entered into by RFL. AZB & Partners submitted their report on September 27, 2018 wherein they had inter-alia observed the following: -

20.4.3.5.1. Disbursal of the loans under the CLB portfolio would be initiated basis oral instructions.

20.4.3.5.2. Internal Audit of RFL during the relevant period did not include the CLB loans.

20.4.3.5.3. All the loan proposals prepared by the RFL team in connection with subject loans and existing loans carries a statement “the corporate is known to the promoters of Religare”

20.4.3.5.4. Most of the RFL loans granted only to cause repayment of the existing loans which if not paid within the prescribed period would have been categorized as a NPA.

20.4.3.5.5. No assessment with regards to the repayment capacity of the borrower was conducted.

20.4.3.5.6. As per RFL policy, RFL is required to obtain within 30 days from disbursement, the end use certificate alongwith the other mandated documents remained pending despite repeated follow-ups.

20.4.3.5.7. Loan approving committee members not exercised independent judgement and due diligence in the approval of the loans.

20.4.3.5.8. The RBI had regularly been making adverse remarks against the CLB porfoilio of RFL since 2012-2013. RFL had more than one occasion committed to RBI that it will not roll-over any of its existing loans and there will be no additional increase in principal amount of the CLB. The RBI exposure Limit was discussed during the RMC meetings, however the loans were ultimately disbursed to the proposed borrower based on a convenient interpretation.

20.4.3.6. Apart from the above, various regulatory concerns were observed to have been raised regarding the CLB portfolio of RFL, which included the following:

20.4.3.6.1. There were circular movement of funds in bank accounts (of certain borrowers under CLB) and that the company had not established any structured mechanism for end use monitoring of funds in these accounts.

20.4.3.6.2. Loans were sanctioned to multiple companies within the same group ignoring the cross-holding and common directors within the borrower companies.

20.4.3.6.3. In case of certain loans, the funds disbursed ultimately came back to the group companies of RFL and accounts of various borrowers were used to route funds to the group companies (of RFL).

20.4.3.6.4. RFL had exposure under CLB which was unsecured and sanctioned only on the basis of vintage relationship without taking into account fundamentals & financial status of borrower which showed the undue influence of promoters on the functioning of the company.

20.4.3.6.5. Corporate Loan Policy also reflect on the lack of corporate governance as the same did not specify the criteria for lending.i.e. financial status of the borrower.

20.4.3.6.6. The disbursal of loans under RFL's CLB portfolio was intiated basis oral instructions and the Internal Audit of RFL during the relevant period did not include the CLB loans.

20.4.3.6.7. Most of such loans were granted only to cause repayment of the existing loans which if not paid within the prescribed period would have been categorized as a NPA.

20.4.3.6.8. The RBI had regularly been making adverse remarks against the CLB porfoilio of RFL since 2012-2013. RFL had more than one occasion committed to RBI that it will not roll-over any of its existing loans and there will be no additional increase in principal amount of the CLB.

20.4.3.7. In view of RBI letter dated January 2017, the Statutory Auditors of RFL during the relevant period viz, M/s Price Waterhouse had issued a qualified opinion w.r.t financials of RFL the FY 2016-17. Further, M/s SS Kothari Mehta & Co also issued a qualified opinion for RFL's financials for FY 2017-18.

20.5. Allegation w.r.t diversion and misuse of funds of RFL:

20.5.1. **Diversion of funds -** The analysis at 7.4.3 above established that an amount of Rs. 1544.53 crores out of Rs. 2347.20 crores (outstanding principal as on May 31, 2018) as granted by RFL under its CLB to various entities, were ultimately diverted through layers of entities for the benefit of promoters of REL and RFL and ultimately for the benefit of Noticee no. 6 and 7. The details of the same are as follows:-

Table 7: Summary of diversion of funds through CLB

Sr. No.	Borrower Name	Principal o/s as on May 31, 2018 (Rs. In Crores)	Ultimate Utilisation	
			Amount (Rs. In Crores)	Ultimate beneficiary
1	Platinum Infrastructure Pvt. Ltd.	109.30	100.00	**RHC Holding**
2	Ad Advertising Pvt. Ltd.	100.00	100.00	**RHC Holding**
3	Artifice Properties Pvt. Ltd.	165.00	133.48	**RHC Holding**
4	Best Health Management	40.00	115.00	**RHC Holding**
5	Devera Developers	40.00		
6	Vitoba Realtors	35.00		
7	Fern Healthcare Pvt. Ltd.	150.00	125.00	**RHC Holding**
8	Modland Wears Pvt. Ltd.	155.00	13.00	**RHC Holding**
9	Rosestar Marketing Pvt. Ltd.	150.00	150.00	**RHC Holding**
10	Star Artworks Pvt. Ltd.	150.00	150.00	**RHC Holding**
11	Tripoli Investment & Trading Co.	150.00	150.00	**RHC Holding**
12	Volga Management and Consultancy Pvt. Ltd.	150.00	125.00	**RHC Holding**
13	Zolton Properties Pvt. Ltd.	160.00	150.00	**RHC Holding**
			10.00	**ANR Securities**
14	A&A Capital	100	46.25	**RHC Holding**
15	Gurudev Financial Services Private Limited	100	42.80	**RHC Holding**
16	Tara Alloys Limited	85	44	**RHC Holding**
17	Sridham Distributors Private Limited	92.40	15	**RHC Holding**
18	Religare Comtrade Limited	125	75	**RHC Holding**
	Total	**2347.2**	**1544.53**	

Thus, considering the observations at para 20.4, it is alleged that funds amounting to Rs. 2473.66 crores were diverted from the books of RFL for the purpose of making funds available primarily to RHC Holdings, Religare Corporate Services Ltd and ANR Securities Private Ltd., during the period between FY 2014-15 till FY 2017-18. As has been mentioned at respective paragraphs, the amounts were seen to be utilised by RHC Holdings mostly

through its wholly owned subsidiary viz, A-1 Book Company Pvt Ltd, latter's business being to make investments in liquid/debt mutual funds on behalf of RHC Holdings. Further, Religare Corporate Services Ltd and ANR Securities Private Ltd., were also observed to be wholly owned subsidiaries of RHC Holdings during the relevant period. Considering the above, the details of the funds diverted for the benefit of RHC Holdings, Religare Corporate Services Ltd and ANR Securities Private Ltd. and consequently, for Erstwhile Promoters was as follows: -

Table 8: Diversion of funds

Sr. No.	Particulars	Loan amount (Rs. in Crores)
1	FDs with LVB	729.13
2	Loan to OSPL and BRNL	200
3	Loans to Group 1-2	1469.53
4	Loans to REL Group Entities	75.00
	Total	**2473.66**

**The above total amount excludes aforementioned Rs 50 crores pertaining to BRNL as the same was repaid in September 2019.*

20.5.2. **Loans utilised for repayment of earlier loans**:-It was also observed during the investigation that part of the funds amounting to Rs. 343.25 crores, as given by RFL to the certain borrowers at Table 5, were utilised by same/other entities as interest/loan repayment for their earlier loans taken from RFL itself. The details of the same are given at Para- 20.4.3.2. In this regard, it was found that that such rollover of funds of RFL was allegedly carried out in order to avoid earlier loans of RFL being rendered as Non – performing assets (NPA) and was merely a "book entry". Due to the roll-over of loans taken up by the management of REL/RFL, NPA accounts were shown as active accounts. It was observed that similar observations were also made in the RBI letter dated January 27, 2017. Thus, it is alleged that the aforesaid rollover of funds aided in misrepresentation in the books of RFL during the FYs 2014-15 to 2017-18 and consequently, in the consolidated financials of REL during the same period.

20.6. Apart from the pattern of fund movement through layers of various entities, it was also observed that borrower entities, intermediate conduit entities (through which the funds were transferred) and the beneficiaries (primarily RHC Holdings, Religare Corporate Services Ltd and ANR Securities Private Ltd.) were all connected to each other and to the promoters of REL/RFL. The details and basis of such inter-connections amongst the entities were placed at Annexure-5 of the SCN.

20.7. Noticee no. 12 was the Managing Director & CEO of RFL till November, 2017 and thus was at the helm of affairs of RFL during the period when misuse and diversion of funds from RFL took place. Further, he had also been part of the loan approving committee of RFL during the relevant period of invetigation which had approved the loans under the CLB. As observed at para 20.4.3.6, despite repeated adverse concerns by RBI regarding CLB portfolio size and loans to promoter linked entities since 2012-13, RFL had continued to grant such loans to entities with poor financials and unimpressive credentials primarily as they were known to promoters. Thus, it is alleged that, Noticee no. 12 was deliberately negligent in failing to monitor and exercise adequate due diligience, as Managing Director & CEO of RFL and member of loan approval committee of RFL and therefore, is observed to have played a role in the aforesaid diversion and misuse of funds as well as misrepresentation in the consolidated financial statements of REL.

20.8. In view of the aforementioned findings, the following is alleged by the SCN:

20.8.1. Noticee no. 12 alongwith other Noticees to the SCN, was part of a fraudulent and deceptive scheme wherein he acted in a fraudulent manner which led to diversion of funds to the tune of Rs. 2473.66 crores (approx.) through a material subsidiary of REL for the ultimate benefit of primarily RHC Holdings Private Limited, ANR Securities, Religare Corporate Services and thus consequently, Erstwhile Promoters of REL. Further, Noticee no. 12 alongwith Mr. Shivinder Singh, Mr. Malvinder Singh, Mr. Sunil Godhwani, Mr. Anil

Saxena, and RFL were also part of the fraudulent & deceptive scheme which led to misuse of funds of RFL to the tune of Rs. 343.25 crores (approx). It is further alleged that, certain loan amounts were observed to be utilised for repayment of earlier loans taken by various entities RFL only. Such diversion and misuse of funds of RFL, which was a material subisidiary of REL during the relevant period, adversely impacted the interest of public shareholders of REL and mislead the ordinary investor in the securities market. Thus, it is alleged that all the above entities violated the provisions of Sections 12A (a) (b) & (c) of the SEBI Act, 1992 and Regulations 3 (b), 3(c) & 3(d) and 4 (1) of the SEBI (PFUTP) Regulations, 2003.

20.8.2. Noticee no. 12 was therefore, called upon to show cause as to why appropriate directions as deemed fit under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992 should not be issued against him. The SCN also called upon to show cause as to why appropriate directions for imposing penalty under Sections 11(4A) and 11B(2) read with Section 15HA of SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against him.

21. On the allegations in the SCN, Noticee no. 12 has raised the following key contentions in his preliminary reply dated December 28, 2020, detailed reply dated October 13, 2021, written submissions dated December 19, 2022, additional written submission dated December 23, 2022 and at the time of personal hearing:

21.1. The SCN fails to demonstrate or attribute any role to Noticee no. 12 for the alleged violation or how he acted in contravention of the alleged violation.

21.2. Noticee No. 12 was appointed as the Managing Director and Chief Executive Officer of RFL in an entirely professional capacity without any equity holdings in RFL or REL. As the MD & CEO of RFL, his mandate was limited to the SME Lending Business of RFL and the Affordable Housing Business of Religare Housing Development Finance Corporation. The CLB/ ICD was controlled entirely on the instructions and directions of the promoters and the senior functionaries of REL

21.3. It is pertinent to state that the management of business of RFL vested with the Board & even though Noticee No. 12 was designated as the MD & CEO, he did not have any special powers.

21.4. Noticee No. 12 has not done anything wrong or committed any illegal act which caused loss to RFL, REL, or the shareholders of REL. In fact, he was the whistleblower as at all times and raised concerns regarding the Corporate Loan Book and the illegal acts committed by the Lakshmi Vilas Bank with the Board of Directors which comprised of the nominees of the minority shareholders being NYLIM Jacob Ballas India Fund III LLC and Avigo Capital (now Resurgent India) and also escalated the issues to the Board of REL.

21.5. It is pertinent to state that the RFL Management and Noticee No. 12 were restrained by REL from communicating with the minority shareholders independently and all communication used to be done by REL directly. Despite the said fact, in order to secure the interests of RFL, Noticee No. 12 raised the issues with the Minority Shareholders so that concerns could be addressed by REL, and appropriate action be taken.

21.6. Noticee No. 12 executed his duties with utmost diligence and as a responsible professional. Due to the constant concerns raised by him with the Board of RFL, the minority shareholders, with his collaboration, got a Forensic Audit conducted by T.R. Chadha & Co. LLP for which Noticee No. 12, along with his team members, provided all the details pertaining to the issues raised by his despite the fact that the RFL Management and Noticee No. 12 were directed by REL and the Promoters not to communicate with the investors and Minority shareholders. In the “Inspection & Review of Certain Transactions of Religare Finvest Limited” by T R Chadha @ Co LLP Report, it is categorically stated that the flow of information stopped in the middle of November 2017, and Noticee No. 12 resigned as the MD & CEO of RFL on 12.11.2017.

21.7. Noticee No. 12 even took the call to of stopping fresh lending business with effect from first quarter of financial year ending March 2017, even though, RFL had a successful financial year ending March 2016 as, firstly, there was no reduction in CLB. Secondly, RFL was not being allowed to make correct representation in its books of accounts.

21.8. In July 2016, Noticee No. 12 refused to present the financials of the first quarter to the Board of RFL with the intention to force a resolution of the issues. Pursuant to which the top management was changed & the same is recorded in the minutes of REL' s Board of 26.10.2016.

21.9. It is further clear from the minutes of the meeting of RFL held on 07.09.2016 that Noticee No. 12 was responsible only for the SME Lending business of RFL and Mr. Sunil Godhwani was accountable and responsible for all the mess and losses caused in books of RFL.

21.10. CLB Book was in existence from the year 2005-06 i.e. even prior to Noticee no. 12 joining as the President Consumer Finance on 15.05.2008 and appointed as MD and CEO on 14.11.2011.

21.11. It is pertinent to state that most of the loans under the CLB were advanced prior to 2011 i.e., while RFL was a 100% owned subsidiary of REL. After 2011, the CLB only reduced due to the efforts of RFL management during Noticee No. 12's tenure.

21.12. It is pertinent to mention that no concerns regarding the ICD/ CLB Book were raised in 2012 after the due diligence conducted by the minority shareholders i.e. Jacob Ballas and Avigo prior or pursuant to their investment in RFL. Since the investments by the aforesaid two investors was made after extensive due diligence while the CLB was in existence and the said investors raised no objection, there was no reason for anyone in the management to believe that the CLB was a cause of concern.

21.13. The SME Lending business was being managed and run by the RFL Management team and the LAS and ICD Books were managed by the Promoters and the REL Management team comprising of Mr. Sunil Godhwani, Mr. Shachindra Nath, Mr. Anil Saxena, Mr. Sunil Garg, and Mr. Atul Gupta.

21.14. Noticee No. 12 repeatedly asked the Promoters i.e. Mr. Malvinder Mohan Singh (Noticee No. 6) and Mr. Shivinder Mohan Singh (Noticee N. 7), and the REL management team to take out the ICD/ CLB Book to address the concerns raised by the RBI. Subsequently, the Promoters and the REL management team assured RFL management and Noticee No. 12 that the same will be taken out of RFL completely.

21.15. Mr. Sunil Godhwani (REL Chairman & Managing Director) on numerous occasions gave assurances that the ICD/CLB had been given to entities known to the promoters and there have been no defaults in this book ever and they will never become Non-Performing Assets. However, Noticee No. 12 still insisted that since the said loans 'did not pass the credit compliance norms, they should be repaid based on concerns raised by RBI in its Inspection Reports which had pointed out the issue of governance and compliance with very weak credit worthiness of the borrowing entities. Reliance in this regard is placed on minutes of the meeting of the Board of REL dated 31.07.2015 and email dated 24.02.2016 written by Mr. Mohnish Dutt.

21.16. The promoters had assured the RFL Management of taking out the CLB from RFL and the same is recorded in the minutes of the Board Minutes of RFL held on 31.07.2015.

21.17. Since the responsibility of the ICD/ CLB had been taken by the promoters and they had repeatedly assured the management and Board of RFL, including Noticee No. 12, that the ICD/ CLB would be taken out of RFL, it came as a shock to Noticee No. 12 that the Board of RFL constituted after his resignation decided to grant an indemnity to the Promoters from any action being taken against them. with respect to the CLB. No such decision to grant any indemnity to the promoters was taken during Noticee No. 12's tenure.

21.18. In the Board Meeting held by RFL for the period ending 30.09.2016, the Board of RFL had decided to declare a large write off amounting to Rs. 794,00,00,000/- (Rupees Seven Hundred Ninety- Four Crores only) on 14.11.2016. Due to the aforesaid write off, the management of RFL anticipated a rating downgrade and consequently repayment pressures from the lending banks. Therefore, pursuant to the advice of the REL senior management team, it was decided that sum of Rs.1550,00,00,000/- (Rupees One Thousand Five Hundred Fifty Crores only) would be kept in mutual funds, FDs, and other investments for ensuring adequate liquidity for the company in the event of repayment pressure.

21.19. While the decision to keep liquid investments was taken in the interest of RFL, the decision of where these investments would be made was taken on the specific instructions of the Promoters. Accordingly, RFL management was asked to open FDs with Lakshmi Vilas Bank and invest in the NCDs of companies

backed by the SREI group, namely OSPL and BRNL, as the Promoters had good relations with both these entities at a family level and RFL did not have any existing borrowing relationship with either LVB or the companies backed by SREI which would compromise the liquidity of any investments with them.

21.20. It is submitted that Noticee No. 12 should be entitled to the benefit of parity with Mr. Shachindra Nath (REL Group CEO) who was his superior as he raised all the concerns pertaining to RFL with him in addition to the Board of Directors of RFL. Mr. Shachindra Nath pursuant to the concerns raised by Noticee No. 12, escalated the same to the Promoters of REL basis which the Chief General Manager & the Adjudicating Officer vide Adjudication Order dated 31.10.2022 bearing No. DS/DK/2022-23/20903-20964 in the matter of Religare Enterprises Limited was pleased to give the benefit of doubt to Mr. Shachindra Nath and not impose any penalty on him in respect of the alleged violations. It is held in the said Adjudication Order that Mr. Shachindra Nath raised red flags and concerns with the Promoters. Similarly, Noticee No. 12 raised the same concerns with him as well as the Promoters of RFL for the aforementioned transactions, and therefore, ought to be given the benefit of doubt be considered at par with Mr. Shachindra Nath.

22. SEBI had also filed its written submissions in this matter and the following is the gist of its submissions:

22.1. Noticee No. 12, had joined the Board of RFL as Managing Director & CEO on November 14, 2011 for a term of three years. In this regard, Noticee no. 12 has also given consent vide letter dated November 14, 2011 to act as Managing Director of RFL. Further, the Board in its meeting held on October 29, 2014 had re-appointed Noticee no. 12 as the Managing Director & CEO of the Company with effect from November 14, 2014 for a period of three years which was also accepted by Noticee no. 12 vide its letter dated October 22, 2014.

22.2. Considering above, it is observed that Noticee no. 12, was the Managing Director & CEO of RFL till November, 2017 and thus was at the helm of affairs of RFL

during the period when misuse and diversion of funds from RFL took place. As per the definition of Managing Director given in the Companies Act 2013, —"managing director means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called. "

22.3. Further during the investigation, it was observed that Noticee no. 12 was also member of the Loan Approval committees during the investigation period. The details of the loans approval matrix as submitted by RFL, it was observed that Noticee no. 12 was the member of Loan Investment and Borrowing Committee from August 16, 2011 till February 06, 2017. Thereafter he was the part of Risk Management Committee of RFL. As a committee member he had approved the following alleged loans without due diligence. The details of the loans approved by Noticee no. 12 as loan approval committee member during the investigation period are as follows:-

Sr. No.	Name of the Borrower Entity.	Amount (Rs. In cr)
1	Ad Advertising Pvt. Ltd.	100.00
2	Artifice Properties Pvt. Ltd.	165.00
3	Fern Healthcare Pvt. Ltd.	150.00
4	Modland Wears Pvt. Ltd.	155.00
5	Platinum Infrastructure Pvt. Ltd.	109.30
6	Rosestar Marketing Pvt. Ltd.	150.00
7	Star Artworks Pvt. Ltd.	150.00
8	Zolton Properties Pvt. Ltd.	160.00
9	Tripoli Investment & Trading Company	150.00
10	Volga Management and Consultancy Pvt. Ltd.	150.00
11	A & A Capital Services Pvt. Ltd.	100.00
12	Gurudev Financial Services Pvt. Ltd	100.00
13	Tara Alloys Ltd.	85.00
14	Sridham Distributors Pvt. Ltd. (Erstwhile Abhiruchi Distributors Pvt. Ltd.)	92.40
15	Annies Apparel Pvt. Ltd.	100.00
16	Religare Comtrade Ltd.	125.00
	Total	**2041.7**

22.4. Despite repeated adverse concerns by RBI regarding CLB portfolio size and loans to promoter linked entities since 2012-13, RFL had continued to grant such loans to entities with poor financials and unimpressive credentials primarily as they were related to promoters. Noticee no. 12 failed to exercise independent judgment and ensure adequate due diligence with respect to the grant of loans by RFL which ultimately led to diversion of funds for the benefit of promoters and their companies.

22.5. In view of the above, Noticee no. 12 was deliberately negligent in failing to monitor and exercise adequate due diligence, as Managing Director & CEO of RFL and member of loan approval committee of RFL and therefore, wass observed to have played a role in the aforesaid diversion and misuse of funds as well as misrepresentation in the consolidated financial statements of REL. Considering above, it is observed that the defences taken by him in his replies was an after-thought especially for an MD & CEO who is the overall executive head of the company.

Consideration of submissions and findings thereon:

23. After perusing through the SCN and its Annexures, I find that, the findings of the investigation by SEBI, can be broadly classified under following heads:

23.1. **Diversion of funds of RFL:** During the period from FY 2014-15 to 2017-18**,** funds to the tune of Rs. 2473.66 Crores stood permanently moved out/ diverted, from the subsidiary of REL i.e. RFL. RFL is a registered NBFC and a material subsidiary[1] of REL throughout the investigation period. Out of Rs. 2473.66 Crores, funds to the extent of Rs.1744.53 Crores were moved out/ diverted from RFL in the garb of loans/ ICD's/ investment in CP's by RFL, to promoter linked entities, and the remaining Rs. 729.13 Crores were diverted, by keeping them as collateral for the loan of equivalent amount being taken by promoter controlled entities. When the borrowing entities failed to repay their obligations, then the

[1] REL held 85.64% shareholding in RFL as on March 31, 2018. RFL contributed to 57% of the consolidated revenues of REL and 96.3% of the consolidated net-worth of REL, as on March 31, 2018

funds kept as collateral were appropriated towards settlement by the lending bank i.e. LVB.

Table 9: Summary of diversion of funds through RFL

Sr. No.	Borrower Name	Principal o/s as on May 31, 2018 (Rs. In Crores)	Ultimate Utilisation	
			Amount (Rs. In Crores)	Ultimate beneficiary
1	Platinum Infrastructure Pvt. Ltd.	109.30	100.00	**RHC Holding**
2	Ad Advertising Pvt. Ltd.	100.00	100.00	**RHC Holding**
3	Artifice Properties Pvt. Ltd.	165.00	133.48	**RHC Holding**
4	Best Health Management	40.00	115.00	**RHC Holding**
5	Devera Developers	40.00		
6	Vitoba Realtors	35.00		
7	Fern Healthcare Pvt. Ltd.	150.00	125.00	**RHC Holding**
8	Modland Wears Pvt. Ltd.	155.00	13.00	**RHC Holding**
9	Rosestar Marketing Pvt. Ltd.	150.00	150.00	**RHC Holding**
10	Star Artworks Pvt. Ltd.	150.00	150.00	**RHC Holding**
11	Tripoli Investment & Trading Co.	150.00	150.00	**RHC Holding**
12	Volga Management and Consultancy Pvt. Ltd.	150.00	125.00	**RHC Holding**
13	Zolton Properties Pvt. Ltd.	160.00	150.00	**RHC Holding**
			10.00	**ANR Securities**
14	A&A Capital	100	46.25	**RHC Holding**
15	Gurudev Financial Services Private Limited	100	42.80	**RHC Holding**
16	Tara Alloys Limited	85	44	**RHC Holding**
17	Sridham Distributors Private Limited	92.40	15	**RHC Holding**
18	Religare Comtrade Limited	125	75	**RHC Holding**
19	OSPL Infradeal Private Limited	200	231	**RHC Holding**
			19	**Religare Corporate Services**
	Total	**2347.2**	**1744.53**	

23.2. **Misrepresentation of Financial Statements and misuse of funds:** Funds amounting to Rs. 343.25 crores, as given by RFL to the certain borrowers, were utilised by same/other entities as interest/loan repayment for their earlier loans

taken from RFL itself. The details of the same are given at Para- 20.4.3.2. In this regard, it was found that such rollover of funds of RFL was allegedly carried out in order to avoid earlier loans of RFL being rendered as Non – performing assets. Due to the roll-over of loans taken up by RFL, NPA accounts were shown as active accounts. It was observed that similar observations were also made in the RBI letter dated January 27, 2017. Thus, it is alleged that the aforesaid rollover of funds aided in misrepresentation in the books of RFL during the FYs 2014-15 to 2017-18 and consequently, in the consolidated financials of REL during the same period.

24. I note that REL is a listed company having its shares listed on NSE and BSE. RFL was a material subsidiary of REL during the investigation period. RFL is a RBI registered NBFC, involved in lending business. I note that Noticee no. 12 has not disputed the factual findings of the SEBI's investigation, as mentioned in para 8 of the SCN (and reproduced at para 20.4 above), in respect of diversion of funds from RFL and misrepresentation of financials of RFL and misuse of funds of RFL. The SCN has alleged that Noticee no. 12 alongwith other Noticees to the SCN, was part of a fraudulent and deceptive scheme wherein he acted in a fraudulent manner which led to diversion of funds to the tune of Rs. 2473.66 crores (approx.) and misuse of funds of RFL to the tune of Rs. 343.25 crores (approx). Noticee no. 12 has denied being part of any fraudulent scheme and claimed that contrary to the allegations in the SCN, he was instrumental in blowing the whistle to the scam and protecting the interest of RFL.

25. I note that Noticee no. 12 was appointed at a senior level position in RFL on April 9, 2008 as President, Consumer Finance. Subsequently, in June 2009, he was appointed as a CEO of RFL. From November 14, 2011 till his resignation from RFL on November 12, 2017, he acted as the MD and CEO of RFL. I note that there was no other MD/ joint MD or CEO in RFL, during this time. Noticee no. 12 was the only MD as well as CEO during this period. From the various positions held by Noticee no. 12 during his tenure at RFL, I note that, he was at the helm of affairs at RFL.

26. I note that RBI has consistently raised concerns about the CLB portfolio of RFL since 2013. These adverse remarks were made by RBI, post the completion of its routine/ ad-hoc inspection of RFL. The relevant extract of the post-inspection observations of the RBI over the years that came to be issued against RFL through various letters are as under:

Table 10: Extract of observations of RBI Inspection letters

Sr. No.	RBI Letter Dated	Relevant Observations by RBI
1	May 3,2013	**6.** The Company had extended ICDs to group (43%)/non-group companies even in cases which were not backed by strong financials. ICDs had become long term assets as repayment was not demanded at maturity and facilities were renewed by rolling over the principal amount outstanding, which amounted to ever greening of accounts. Four such accounts with outstanding at Rs.32.15 crore were required to be classified as NPAs. Total amount of ICDs rolled over/ renewed during the year was Rs.834.35 crore. Further, there was frequent transfer of funds between these group entities and the Company and the accounts continued to be operated as current accounts as pointed out in the previous inspection, with multiple debit and credit entries on the same day. It did not reflect well on the arms length relationship/ corporate governance.
2	April 29,2014	**8**. The Company had a portfolio of Rs.1827.26 crore under the Corporate Loan Book (CLB) with 35 borrowal accounts as on March 31, 2013. The Corporate Loan Book was in the nature of inter-corporate deposits, with mostly related parties figuring in the list. A detailed examination of the CLB portfolio revealed certain aspects, which, were not in line with the extant corporate governance principles. All these 35 borrower companies could be grouped into 5-6 sub-groups with crossholdings in each other. Some of these accounts had complex and unnatural pattern of movement of funds. Detailed analysis of the bank account statements of some of these accounts (only few were made available by the Company despite persistent follow up) indicated layering of transactions which remained unexplained by the Company. As per the bank account statements, the loan amounts disbursed to these companies were further transferred to another group company account akin to almost circular movement of funds. The Company had not established any structured mechanism for end use monitoring of funds in these accounts. The Company had also violated RBI directions and terms of issuance of CoR by not providing the desired information with regard to all these accounts. **9**. Despite having a competent and highly qualified Top Management, its ability to .oversee the professional functioning of the Company and general quality of Corporate Governance was not considered satisfactory by the Inspection, as exercise of undue influence of the promoter group was reflected, particularly, in the conduct of its CLB.

		13. The Company did not have a uniform NPA recognition norm for its asset portfolio. It had followed a 90+ DPD only for SME—LAP portfolio, whereas, for others it was 180+. Corporate Loan Book (CLB) Policy did not indicate NPA recognition norms at all. Such selective treatment was rather indicative of weaknesses in other portfolios including CLB. As per the provisioning policy, the Company had proposed to move to recognition of NPA to more than 90 days past due (DPD) by 1st April, 2015.
3	March 8,2016	**V.** It was mentioned in the Corporate Loan Policy of the company that Memorandum of Understanding and track record of loan servicing by the borrower were essential requirements for sanctioning of loan. A sample check of corporate loans revealed that formal loan application was not obtained by the company and loans were sanctioned on the basis of MoU only. Profitability and repayment capacity/net worth of the borrowers was also not checked as financials were not analysed in many cases. Additionally, total group exposure and outstanding exposure of the borrower in some other portfolio was not being mentioned in the sanction notes while taking approval from Credit Committees. Even where these were obtained and analysed, the loans were sanctioned to companies having cash losses and negative net worth (Torus Buildcon Pvt. Ltd., Saubhagya Buildcon Pvt. Ltd., Tiger Developers Pvt. Ltd. etc.). The loans were sanctioned to multiple companies within same group ignoring the cross-holding and common Directors within the companies to whom the loans were sanctioned. Thus, the corporate loan policy was not being followed by the sanctioning authority. **VI.** The Corporate Loan Policy, which formed the basis of CLB portfolio of Rs. 1156 crore did not specify the criteria for lending i.e. financial status of the borrower. Any loan being sanctioned by the company should be based on the purpose of the loan and repayment capacity of the borrower. The Loan Policy was deficient to as it did not mandate calling of financial details of borrowers to ascertain their eligibility / repayment for loan thus making the loan sanction highly subjective. Such policies also reflect on the lack of corporate governance in the vital segment of company's business. his was also observed in last inspection and no improvement is seen. **VII.** The credit policies specified only an undertaking to be obtained from the borrowers on use of funds for the intended purpose. There was no mechanism specified to ensure the same through the post disbursal visits etc. leaving the scope for misuse of funds. **VIII.** The company had exposure of Rs.1156 crore under Corporate Loan Book which was unsecured and sanctioned only on the basis of vintage relationship without taking into account the financial fundamentals of the borrower. This also showed the influence of promoters on the functioning of company and therefore not in line with corporate governance, principles, as was pointed out in last inspection during which the company was advised to reduce this book. Though the company has taken some initiative in this direction by reducing this portfolio from Rs.1827 crore as on March 31, 2013 to Rs.1416 crore as on March 31, 2014 and further to Rs.1156 crore as on March 31, 2015,'yet this portfolio needs to be managed professionally to ensure adherence to prudent lending

		practice. This was also observed in last inspection and no improvement is seen. XIII. It was observed in the portfolio of loans against property that the loans were sanctioned without ensuring financial soundness of borrower companies viz.,certain companies had negative net worth in the last three years, i.e. 2011-13 (Hillgrow Infrastructure Private Limited Rs.(—)1.76 lakh, Addon Realty Private Limited Rs.(-)27.91 lakh, Modland wears Pvt. Ltd. Rs.(-) 2208.96 lakh as on March 31, 2013) due to losses. The loans were approved with deviations such as higher LW (Addon Realty Private Limited, Hillgrow Infrastructure Private Limited), legal opinion waiver (Midland Wears Pvt. Ltd.), etc.
5	January 27, 2017	**1.** Please refer to our inspection observations and special scrutiny of the company undertaken in respect of CLB portfolio. In this regard, our concerns are as under: **a)** On analyzing the shareholding pattern of the top borrowers under CLB portfolio (details as per Annex I), it had been observed that they were related entities. Preliminary scrutiny of the data provided by the banks, in which the borrowers maintained accounts and where loan proceeds were credited, also revealed that there were interlinkages between the borrowers as the funds were routed from one borrower to another in various instances. **b)** On analysis of the data of 51 transactions pertaining to disbursement of loan amounts to these borrowers, where the details were provided by HDFC Bank and Axis Bank, it was seen that in 21 cases (Annex II & Ill), funds disbursed to 9 borrowers ultimately came back to the.group companies of RFL, viz. Ranchem Pvt. Ltd., ANR Securities Pvt. Ltd. and Religare Comtrade Ltd., on the same dates. **c)** Accounts of various other borrowers were used by the company to route funds to the group companies. **d)** The credit appraisal notes in -most of these accounts indicated that the borrower companies were having weak financial standing with no revenue from operations, negative PAT, cash losses, accumulated losses and a negative net worth. However, approval for deviations was sought due to good repayment track record and vintage relationship with clients. **e)** It emerged from the discussions with the company's officials that these loans were given on recommendation of promoters as the owners of the borrowing entities had good relations with the promoters. The credit approvals in few of these loan accounts explicitly mentioned that these loans are granted on the basis of recommendation of the promoters. **f)** Majority of the loans in this portfolio were unsecured. **g**) No documentation, except a loan agreement / MoU entered into between RFL and other corporate, including analysis of the financial statements of borrowers, MoA and AoA was taken. **h**) The company was not aware of the end use of these funds.

		2) The above instances indicate improper practices being followed by the company and its promoters in sanctioning the loans and reflect poorly on the corporate governance structure of the company. Therefore, the company is advised to submit a clear roadmap by February 10, 2017 with a month wise plan for liquidating its CLB portfolio.
4	December 18, 2017	**X**. The company had no system of verification of end-use of funds after sanction of loan especially in the case of loans to corporates. **XI**. The company had taken Post Dated Cheques (PDC) from the borrowers for repayment of instalments (viz. Vitoba Realtors Pvt. Ltd., Mount Carmel Education Society, Sahitya Sadawart Samiti, St. Mary's Educational Society) in contravention it to the provisions of para 22 of RBI circular DNBR (PD) CC. No. 056 / 03.10:119 12015-16 dated July 01, 2015 as per which, all NBFCs were advised not to accept fresh / additional PDC / Equated Monthly Instalments (EMI) cheques (either in old format or new CTS-2010 format) in locations where the facility of ECS / RECS (Debit) was available. **XIII.** The company had not adhered to the asset classification and provisioning norms. It had not classified Strategic Credit Capital Private Limited, Perpetual Capital Servicing Pvt. Ltd. and Nishu Finlease Pvt. Ltd. as Loss assets. The company had not correctly classified the assets related to four fraud cases, viz. Naveen Malhotra, Ashish Gupta, Sanjeev Gupta and Rajendra Kumar Jain as Loss Assets. **XVIII.** The company had sanctioned unsecured corporate loans on the basis of Memorandum of Understanding (MoU) and without obtaining formal loan application. Profitability and repayment capacity / net worth of the borrowers was not analysed as part of credit appraisal in most of the cases. Loans were sanctioned to the companies having cash losses and negative net worth (Torus Buildcon Pvt. Ltd., Saubhagya Buildcon Pvt Ltd.. Tiger Developers Pvt. Ltd.). Corporate loan book portfolio of the company increased from 1,155.96 crore as on March 31, 2015 to Rs.1,840.43 crore as on March 31, 2016. However, corporate loan book portfolio decreased to - 1,696.08 as on March 31, 2017. RBI vide its letter DNBS.ND.No.1771/NDL SI/05.18.135/2016-17 dated January 27, 2017 had advised the company to submit a clear roadmap by February 10, 2017 with a month wise plan for liquidating its Corporate Loan Book (CLB) portfolio. The company vide its letter dated February 20, 2017 had submitted to RBI that the amounts • outstanding under CLB portfolio of the company would be completely repaid by February 2018-. Further, the company assured the Bank that during the first quarter of financial year 2017-18, it would be able to reduce the CLB portfolio by atleast Rs.100 crs.

27. From the minutes of the board meeting of REL and RFL, I find that these observations of RBI Inspection Letters, were regularly placed at the board meetings of both the companies.

28. Noticee no. 12 has contended that though he was designated as the MD and CEO of RFL, but he was not responsible for management of the CLB loans of RFL, which according to him were directly controlled by REL management team and the Erstwhile Promoters. He claims that he was only responsible for the SME Lending Business at RFL. He also claims that he made every effort to reduce the CLB exposure of RFL and constantly raised concerns to recover the amount due from the CLB borrowers.

29. I note that Noticee no. 12 was appointed as the MD and CEO of RFL from November 14, 2011. Noticee no. 12 has claimed that he was responsible for the SME Lending business and not the CLB Business of RFL. However, I do not find any evidence either in the form of Board approved 'Delegation of Power' or employment contract or Board approved 'Work Allocation' or like document, that would show that while being the MD of RFL, Noticee no. 12 was allocated the portfolio of SME Lending Business **only** of RFL. I note that Noticee no. 12 has produced copies of emails dated June 17, 2009, February 17, 2010 and April 19, 2010, to substantiate his claims. I note that none of these emails talk about his portfolio as MD of RFL. These emails relate to the time when he was mere CEO of RFL and not the MD of RFL. Thus, no inference can be drawn on the basis of these emails with regard to his responsibilities as MD. I note that Noticee no. 12 has relied upon the discussion recorded in the minutes of the board meeting dated September 7, 2016 of RFL, to emphasize the fact that RFL management team was responsible for looking after the SME Lending business only. I have perused the relevant board minutes and I do not agree with the inference being drawn by Noticee no. 12 from the said minutes. I note that while discussing the recovery status of a certain Loan A/c. namely 'SCCPL', at some point during the meeting, Noticee no. 12 offered to resign from the board of RFL, taking responsibility for the loss in SCCPL Loan A/c. Not agreeing with this suggestion, Mr. Malvinder Singh expressed his support for the RFL Management team and stated that the RFL management team should be held accountable only for the SME business. I note that Noticee no. 12 seeks to rely upon this statement of Mr. Malvinder Singh made during the meeting of the RFL Board on September 7, 2016. I note that whatever that was expressed by Mr. Malvinder Singh in the said meeting was merely an opinion expressed by one

attendee in the meeting of the board and not a resolution / decision of the board. It is also not the case that the same opinion was seconded and supported by other members in the board meeting. Further, Mr. Malvinder's statement in the said meeting is also unreliable in the present proceedings, since it is the case of SEBI before me that Noticee no. 12 connived with the Erstwhile Promoters including Mr. Malvinder Singh and certain other entities to perpetrate the Scheme of diversion of funds. Further, assuming without admitting, that the contention of the Noticee no. 12 in this regard is correct; in the later part of this order it has been found that Noticee no. 12 was in fact dealing with the approval, disbursal and recovery of CLB loans. He had also made commitments to RBI to reduce the CLB exposure of RFL. Thus, though Noticee no. 12 might not be formally assigned the task of CLB loans, however, in fact he was the one who was handling the same. I note that Noticee no. 12 has presented certain circumstantial evidence in the form of email correspondences to prove that he was not responsible for the CLB Loans, which has been dealt by me in the later part of this order.

30. SEBI has relied upon the definition of the term "*Managing Director"* as provided under Section 2(54) of the Companies Act, 2013. It is the case of SEBI that being the Managing Director and CEO of RFL, Noticee no. 12 was the highest executive personnel in RFL who was in-charge of the overall affairs at RFL. It is the contention of Noticee no. 12 that in terms of the aforesaid definition, for a managing director to exercise substantial powers of management in the affairs of the company, the *sine qua non* is that the same should be entrusted upon him by virtue of the articles of the company. According to Noticee no. 12, no such powers were entrusted to MD of RFL by the AoA of RFL. Noticee no. 12 submits that by virtue of his nomenclature, he was the MD of RFL, but in terms of its AoA, he was a normal Director exercising no special or substantial powers of management of affairs of RFL. Furthermore, according to Noticee no. 12, as per the AoA of RFL, the management of the business of RFL was vested with its Board of Directors and Noticee no. 12, being the MD and CEO did not have any special powers in the management of RFL. In this regard, I note that the definition of Managing Director as per Section 2(54) of the Companies Act, 2013 is as under:

> (54) —managing director means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

31. I note that the aforesaid definition makes it abundantly clear that the substantial powers exercised by the MD may be by virtue of AoA or by virtue of an agreement or by virtue of a resolution passed in the general meeting or by the board of directors. Thus, the claim that the substantial powers exercised by the MD must be entrusted upon him by the AoA only, is incorrect. I note that by virtue of the aforesaid definition, the power may flow from other sources as well. In the instant case, I note that there was no other person designated as MD/ joint MD/ CEO of RFL. Noticee no. 12 only was the MD and CEO of RFL from November 2011 to November 2017. Article 132 in the AoA of RFL reads as under:

> "132. The management of the business of the Company shall be vested in the Board and the Board may exercise all such powers and do all such acts and things as the Company is by the memorandum of association or otherwise authorized to exercise and do, and not hereby or by the statute or otherwise directed or required to be exercised or done by the Company in general meeting but subject nonetheless to the provisions of the Act and other laws and of the memorandum of association and these Articles and to any regulations, not being inconsistent with the memorandum of association and these Articles or the Act, from time to time made by the Company in general meeting, provided that no such regulation shall invalidate any prior act of the Board which would have been valid if such regulation not been made."

32. I note that the aforesaid Article in the AoA of RFL is a resonance of the provision of Section 179 of the Companies Act, 2013. It vests the management of the business of RFL with the Board. However, it would be too naïve to hold that all the members of the Board would enter into day-to-day management of affairs of the company, which is usually handled by the executive management of the company. The Managing Director is the designated director of the Board who is appointed to execute the decisions of the Board through the executive management of the company. In the instant case, the resolution passed at the board meeting at the time of re-appointment of Noticee no. 12 inter alia read as: "*Subject to the superintendence, direction and control of the Board, Mr. Kavi Arora shall perform such duties and functions as would be commensurate with his position as Managing Director and CEO of the Company and as may be delegated to him from time to time".* I find that Noticee no. 12 was

appointed to perform the functions commensurate with his position as MD and CEO. Thus, the argument of Noticee no. 12 that he was merely a namesake MD is not tenable. In the absence of availability of relevant material on record like board resolution or the resolution passed in a general meeting of the company or the employment contract of Noticee no. 12, no direct inference could be drawn in respect of the actual powers of management entrusted with Noticee no. 12. However, I note that the same can be gauged from the circumstantial evidence available on record. From the correspondences with RBI, I find that Noticee no. 12 was the representative from RFL to redress the concerns of RBI. He even made commitments to RBI on behalf of RFL which entailed meeting certain milestones. I note that Noticee no. 12 was the representative from RFL, attending the REL Board meetings and answering the queries / concerns raised by the members in the board meeting of REL and also highlighting the performance of RFL before the REL Board and even answering questions relating to CLB Loan Book and other Loan A/c's of RFL. From the copies of the various email correspondences that have been presented by Noticee no. 12, I find that he was the head of the REL Management Team. From the minutes of the RFL Board meetings as presented by Noticee no. 12, I find that he was answerable to the members of the Board for almost every Agenda Item of the meeting. He used to brief the members of the Board, address their queries, allay their concerns and even give assurances to the members of RFL Board as the Leader of the RFL Management. As the designated MD of RFL, he was also the member of the various Credit Committee(s) of RFL, which were responsible for vetting the various proposals for lending including CLB loans and subsequently approving/ disapproving the said proposals. In view of the foregoing analysis, I note that ample circumstantial evidence is available on record to hold that Noticee no. 12 indeed exercised substantial powers of management of the affairs at RFL, which were commensurate to that exercised by an MD of a company. Thus, I find that the contention raised by Noticee no. 12 that he was merely a namesake MD is untenable.

33. I note that from August 16, 2011 till his resignation in November 2017, Noticee no. 12 was always a part of and a member of the various Credit Committee's of RFL, that were responsible for approval of loans under CLB. From time to time the Credit

committee's came to be called by various names such as 'Loan and Investment Committee', 'Risk Management Committee', or 'Loan Investment and Borrowing Committee'. Being part of these Credit Committee's, Noticee no. 12 has provided his consent to the approval of the following loans/ ICD's by RFL, which ultimately have been found by SEBI's investigation, to have been diverted for the ultimate benefit of entities controlled by the Erstwhile Promoters of REL.

Table 11: Summary of diversion of funds through RFL by Noticee no. 12

Sr. No.	Borrower Name	Principal o/s as on May 31, 2018 (Rs. In Crores)	Ultimate Utilisation		
			Amount (Rs. In Crores)	Ultimate beneficiary	Date of approval by Noticee no. 12
1	Platinum Infrastructure Pvt. Ltd.	109.3	100	**RHC Holding**	26/09/2017
2	Ad Advertising Pvt. Ltd.	100	100	**RHC Holding**	28/01/2016
3	Artifice Properties Pvt. Ltd.	165	133.48	**RHC Holding**	01/09/2016
4	Fern Healthcare Pvt. Ltd.	150	125	**RHC Holding**	28/06/2017
5	Modland Wears Pvt. Ltd.	155	13	**RHC Holding**	1/09/2016
6	Rosestar Marketing Pvt. Ltd.	150	150	**RHC Holding**	10/02/2016
7	Star Artworks Pvt. Ltd.	150	150	**RHC Holding**	16/08/2017
8	Tripoli Investment & Trading Co.	150	150	**RHC Holding**	28/06/2017
9	Volga Management and Consultancy Pvt. Ltd.	150	125	**RHC Holding**	28/06/2017
10	Zolton Properties Pvt. Ltd.	160	150	**RHC Holding**	01/09/2016
			10	**ANR Securities**	
11	A&A Capital	100	46.25	**RHC Holding**	31/01/2017
12	Gurudev Financial Services Private Limited	100	42.8	**RHC Holding**	23/05/2017
13	Tara Alloys Limited	85	44	**RHC Holding**	23/05/2017
14	Sridham Distributors Private Limited	92.4	15	**RHC Holding**	31/01/2017
15	Religare Comtrade Limited	125	75	**RHC Holding**	16/10/2017
19	OSPL Infradeal Private Limited	200	231	**RHC Holding**	14/12/2016
			19	**Religare Corporate Services**	
	Total	**2141.7**	**1679.53**		

34. From the perusal of the respective Credit Appraisal Memos / Proposal notes and the minutes of the committee meetings with respect to aforesaid CLB loans, which ultimately have been found to have been diverted, I find that in most of the instances

no formal meeting of the credit committee ever took place. The approval proposals for loans used to be initiated by the REL management and then sent to the members of the relevant credit committee of RFL by email, for approval. While granting the approval for the aforesaid loans by email in his capacity as the member of the said credit committee(s), I find that despite the borrowing entities having such poor financial health and despite consistent concerns being expressed by RBI in its inspection observations, Noticee no. 12, is seen providing his unconditional approval for these loans. I find that Noticee no. 12 merely replied back to the aforesaid emails as 'OK', thereby indicating his consent for approval of such loans. There were no deliberations being held or any objections/ concerns or even remarks being raised by Noticee no. 12 while granting his consent to the impugned loan proposals.

35. I find that Noticee no. 12 was seized of the fact that despite poor financial credentials of the borrowing entities, the loan proposals under CLB were originating from the family office of the Erstwhile Promoters of REL, thereby indicating a link with the Erstwhile Promoters. This factum alone was sufficient warning sign for him to be abundantly cautious while approving the loans for these borrowers. Nonetheless, what is even more strange is that the proposal for borrowing under the CLB Loans would emanate from REL, wherein REL management team would write email to the members of the Credit committee of RFL seeking the approval for CLB Loans, rather than the borrowing entities directly approaching RFL (which is the NBFC that will sanction and disburse the loan). This anomalous arrangement itself was sufficient ground to raise abundant suspicion while sanctioning these loans. Rather, I find Noticee no. 12 as member of these Credit committees of RFL, valiantly, providing his consent for approval of all loans without any deliberations, remarks, comments or concern. I note that such a conduct of Noticee no. 12 cannot be termed as mere professional 'oversight'. Such actions are rather deliberate and conscious actions by a person who is the highest executive head in the company and also a member of the board of directors. I note that the valiant approval of the CLB loans by Noticee no. 12, while being part of the various Credit Committee(s) of RFL, despite these abundant warning signals and regular red flags from RBI, ICRA and lending banks, lays bare his intentions in propagating the scheme of

diversion of funds which originally was designed by the Erstwhile Promoters of REL. The following instances provide further elaboration. In its letter dated March 8, 2016, RBI had specifically raised concerns, in respect of LAP loans to Modland Wears Pvt. Ltd., which had negative networth in the three years 2011-13. Despite this warning by RBI, Noticee no. 12, as part of the relevant Credit Committee of RFL gave its nod to the CLB loan to Modland Wears Pvt. Ltd. for Rs. 162 Crores. Even in the two financial years prior to the sanction of CLB loan of 165 Crores to Modland Wears Pvt. Ltd., the entity had negative networth of -498.22 Crores in FY 2014-15 and -623.54 Crores in FY 2015-16. In another instance, the RBI letter dated March 8, 2016 had also specifically raised adverse remarks about the practice of RFL to grant loans to companies having cash losses and negative networth. Despite these adverse remarks by RBI, the Noticee no. 12 as member of the relevant Credit Committee of RFL, is seen to granted his approval for CLB loans to Platinum Infrastructure Pvt. Ltd, Artifice Properties Pvt. Ltd., Fern Healthcare Pvt. Ltd., Star Artworks Pvt. Ltd., Tripoli Investment & Trading Co., Volga Management and Consultancy Pvt. Ltd. and Zolton Properties Pvt. Ltd. I note that, these instances lays bare, the intentions of Noticee no. 12. I also find that almost all the Borrowers mentioned in the above Table 11 also had cross-holding amongst themselves. This shows that loans were sanctioned to multiple companies within same group while ignoring cross-holding within the companies to which loans were sanctioned. I note that this observation was also made by RBI in its letter dated March 8, 2016, but Noticee no. 12 seems to have conveniently turned a blind eye to it. In another instance, I find that, RBI vide its letter dated January 27, 2017 *inter alia* had raised adverse remarks about loans sanctioned to 9 borrowers of RFL which ultimately came back to the group companies of RFL which included the name of 'RCL'. Despite the specific red flag being raised by RBI in January 2017 against RCL; in October 2017, Noticee no. 12, as member of the Risk Management Committee, agreed to grant his approval for conversion of investment in Commercial Paper of RCL into Corporate Loan to RCL amounting to 125 Crores. RFL had invested in the CP's of RCL in July 2017 for a period of three months, however, at the time of due date for repayment, RCL did not have funds for repayment. Hence, the Risk Management Committee of RFL resolved to convert the CP's into Corporate Loan. Being aware of the nature of this transaction, Noticee no. 12 without questioning

the dubious nature of such a transaction, actively agreed to the ever greening of this loan A/c. I note that he conveniently chose to turn a blind eye to the fact that, he himself at several occasions in the past had made several commitments to RBI that no new Loans under CLB will be granted and yet he agreed to grant corporate loan to RCL. This shows the intentions of Noticee no. 12 in conniving with the Erstwhile Promoters for the diversion of funds from RFL. I note that out of the 125 Crore loan given to RCL, SEBI investigation has revealed that an amount of Rs. 75 Crore stood diverted.

36. Noticee no. 12 has argued that he and his team at RFL were responsible for the management of the SME Lending business of RFL and the LAS and ICD/ CLB Books of RFL were managed by the Erstwhile Promoters and the REL Management team comprising of Mr. Sunil Godhwani, Mr. Shachindra Nath, Mr. Anil Saxena, Mr. Sunil Garg, and Mr. Atul Gupta. I note that, in his defense, Noticee no. 12 has produced many emails on record to show that he had consistently raised concerns regarding the CLB loans exposure and that the CLB Loan book was entirely under the control of the REL management team and the Erstwhile Promoters. I shall now proceed to examine these emails.

Sr. No.	Submissions of Noticee no. 12 and the reference Email.	Observations
1.	• **Email trail dated 05.10.2015 – 08.10.2015:** The email shows that Mr. Sunil Godhwani forced Mr. Bipin Kabra to disburse a loan amounting to Rs. 110 Crores even when Mr. Bipin Kabra and I agreed that the CLB exposure should not increase. It is pertinent to note that the same was done when I was traveling and was not in India. The said email demonstrates that firstly, the loans were disbursed at the behest of Mr. Sunil Godhwani and other senior functionaries of REL and the promoters. Secondly, Mr. Sunil Godhwani forced the	• The said emails do not imply in any manner that Mr. Sunil Godhwani forced the disbursal of CLB Loans through Mr. Bipin Kabra. Thus, the claim that REL management exerted pressure for disbursal of loans is not made out. • By showing this email trail, Noticee no. 12 wants to show that he had no control over the loans under CLB and the loans were granted irrespective of whether he approved them or not. I note that these emails indicate that at the time of consideration of further loan of Rs. 110

	disbursal through Mr. Bipin Kabra while I wasn't even in India which demonstrates the extent of pressure exerted by him. Thirdly, I was not even aware about the disbursement of the said loan until much after it had already been approved at the behest of Mr. Sunil Godhwani which further demonstrates that he had no control over the loans under the CLB and the loans were granted irrespective of whether he approved them or not. The requirement of my approval was a pretence purely for the optics to show everything being done as per the policy.	Crores under CLB, Noticee no. 12 was not in India. But I find that he was in loop and he had knowledge about the fact that such a proposal was under consideration. • I find that, merely because no approval for this particular loan was sought from Noticee no. 12, does not mean that he had no control over the other CLB Loans.
2	• **Email dated 18.12.2015 from Malvinder Singh to Mr. Sunil Godhwani and other employees of REL & RHC**: The said email was forwarded to me by Mr. Shachindra Nath stating that the Promoters need Rs. 200 crores on Tuesday i.e. in 4 days which demonstrates that the instructions for such loans came from REL. I was not even informed about or involved in such transactions or had any say in the same. In fact, I did not even know to which entity the money was going.	• The email dated 18.12.2015 from Malvinder Singh to Mr. Sunil Godhwani and other employees of REL & RHC, does **not** mention anything about the request for CLB Loan of 200 Crores. • It may be true that the proposals for loans under CLB originated from REL Management / the office of the Erstwhile Promoters. • This email does not demonstrate the fact that Noticee no. 12 was not involved in CLB loan transactions. From the Credit Appraisal Memos / Proposal notes and the minutes of the relevant Credit committee meetings, I observe that Noticee no. 12 was involved in the approval of almost all the loan transactions (more specifically mentioned at Table 11 at para 33, above) which ultimately have been found to have been diverted.
3	• **Email dated 16.02.2016:** • The said email demonstrates that I did whatever was within my powers by raising concerns over the increasing CLB	• From the of the minutes of the RMC meeting dated 26.02.2016, I find that RFL was experiencing difficulty in raising further borrowings from the market –

	exposures with my superior Mr. Shachindra Nath and also with Mr. Sunil Godhwani. The fact that I sought guidance for the ever increasing CLB demonstrates that the same was not in my control. The said fact is further substantiated by the minutes of the meeting of RMC dated 26.02.2016 wherein it is stated *"Mr. Kavi Arora sought guidance from the Committee and the Investors' representatives whether there were any action points suggested for the Management team on CLB* porifoiio *. . . "*	secured or unsecured. Its credit rating had been impacted due to the CLB Loans and the ABG Shipyard Loan A/c. RFL was finding it difficult to raise funds and this had posed an imminent threat to continuance of the 'Business as Usual' activities of RFL. I note that Noticee no. 12, sought guidance of RMC in this backdrop and not because of the reason that Noticee no.12 was not in control of the CLB loans, as claimed by him. • Therefore, I do not agree with the inference being sought to be drawn by Noticee no. 12 since he raised concern on increasing the exposure to CLB, he was not party to the scheme of diversion of funds of RFL by the Erstwhile Promoters. I note that this concern was raised by Noticee no. 12 to deal with the imminent impending financial threat at RFL. I note that submissions presented by Noticee no. 12 in this regard, also cannot be accepted for the reason that if Noticee no. 12 was concerned about the increasing CLB exposure, why did he accord his consent for approval of CLB Loans in the same calendar year and in the next calendar year, aggregating to 1891.7 Crores (calculated from Table 11 at para 33). If he had an iota of concern for the CLB Loan Book, why did Noticee no. 12 continue giving his approval to the CLB Loans in the later part of 2016 and the entire calendar year of 2017? This shows that not only the concerns raised by Noticee no. 12 were superficial but also that he was in control of the CLB loan transactions.

4	• **Email dated 29.07.2016**: I wrote an email to Mr. Sunil Godhwani drawing his attention to the CLB accounts and asking him to ensure the repayment which demonstrates that I did everything in my power to ensure repayment of CLB and also to ensure that it does not increase. • **Email trail dated 05.08.2016 - 26.08.2016 from the RFL Management Team to REL and Promoters**: This email trail demonstrates that the RFL. Management team as well as I kept following up with REL/Promoters to ensure timely repayment of CLB loans and interest as the same were disbursed on their instructions and they were only responsible to ensure its repayment. • **Emails dated 11.11.2016, 23.01.2017, 24.04.2017 and 25.04.2017:** I constantly raised concerns and followed up on repayments of CLB loans with the Promoters through Mr. Hemant Dhingra of RHC Holdings which clearly demonstrates that the control of CLB was with promoters through REL. • **Email trail dated 14.09.2017 - 22.09.2017**: I wrote an email to Mr. Maninder Singh raising concerns over the CLB book and also informed him that the I have no control over it and if the loans are not repaid then the entire CLB book would be declared as NPA.	• In these emails, Noticee no. 12 and RFL Management team members, are seen urging Mr. Sunil Godhwani / Mr. Hemant Dhingra / Ershwhile Promoters to ensure repayment of CLB Loans which are on the verge of turning NPA's. • I note that on one hand Noticee no. 12 continued his persuasion for the repayment of CLB Loans by Erstwhile Promoters and on the other hand he is seen approving fresh CLB Loans throughout the calendar year 2016 and 2017, to entities connected to Erstwhile Promoters. Noticee no. 12, continued giving his approval to the CLB Loans aggregating to Rs. 1891.7 Crores (calculated from Table 11 at para 33). to entities connected to Erstwhile Promoters, in the later part of 2016 and the calendar year of 2017. • Despite adverse concerns being expressed by RBI, ICRA and even some lending banks of RFL over the CLB Loans, Noticee no. 12 continued to grant his approval for fresh CLB Loans and rollover (by conversion) of existing loans. In certain instances he even approved the conversion of NCD's/ CP's to Corporate Loan (read BRNL and RCL case), so that these NCDs/CPs do not fall in default category and the borrowers/issuers continue to enjoy uninterrupted use of same funds now categorised as loans. Thus, Noticee no. 12 was desperate to avoid default, at any cost, even if it involved ever greening of loans.

		• From the aforesaid conduct of Noticee no. 12, I find that, his urge to avoid NPA's was not borne out of any *bonafide* concern for the financial health of RFL, rather Noticee no. 12 was attempting to conceal the true status of these CLB Loans from being made public. In event these Loans were recognised as NPA, the dubious and delinquent nature of the CLB Loans would have been exposed in public, and it would have blown the lid-off the fraudulent Scheme of diversion of funds. • In view of the above, the inference sought to be drawn by the Noticee no. 12 on the basis of these emails, is not capable of being drawn.
5	• **Emails dated 27.03.2017, 29.03.2017, and 13.06.2017**: The said emails demonstrate that the Secretarial team was reconstituted and now operated under direct control of REL/ Promoters and all the decisions were taken on the instructions of the Promoters. The final minutes of the Board meetings were also prepared by the REL Secretarial team and the RFL Management team had no say. The said emails demonstrate the extent of pervasive control that promoters had through REL over the affairs of RFL wherein even the board minutes were prepared by REL.	• On a reading of the said emails, I only find that an internal re-structuring exercise was undertaken wherein the reporting relationship was changed for some employees and some employees were transferred. I do not find any evidence of the claim that the newly constituted secretarial team was directly under the control of promoters. I also do not find any evidence of the claim that the final minutes of the board meetings of RFL were prepared by the REL Secretarial team and the RFL management had no say in it. Thus, the claim of Noticee no. 12 that the Erstwhile Promoters had pervasive control over the affairs of RFL through REL, stands belied.
6	• **Email trail dated 06.06.2017 & 21.09.2017**: The email trail shows that though RFL had to give the plan to the RBI for reduction of CLB exposure of RFL. However, the same	• RBI had directed RFL for submission of quarterly plan for reduction in CLB, 20 days before the beginning of the next quarter. In this backdrop, for the quarterly plan of July-Sep 2017, theses emails were

	used to be done as per the instructions of REL and the Promoters. Accordingly, I raised a request for compliance of the same with Mr. Maninder Singh who raised it with the Promoters. This email trail again demonstrates that the CLB was under the control of REL and its promoters and RFL could not do much with respect to CLB.	written by Noticee no. 12 to Mr. Maninder Singh of REL, seeking his intervention to get the inputs from the family office of the Erswhile Promoters for the submission of the quarterly plan to RBI and a reminder for reduction of the CLB for the current quarter, since the same was committed to RBI. • I note that these emails nowhere indicate that Noticee no. 12 was seeking 'instructions' from the family office of the Erstwhile Promoters. Rather, I find that Noticee no. 12 was merely seeking their 'inputs', as the borrowers were connected entities to the Erstwhile Promoters. I note that by this email Noticee no. 12, felt it appropriate to finalise the quarterly reduction plan for the CLB Loans, which was to be submitted to the RBI after consultation with the Erstwhile Promoters since the loans under CLB were taken by promoter connected entities. • I do not agree with the claim of Noticee no. 12 that CLB was completely under the control of Erstwhile Promoters. I note that while RFL may not have much control over the repayment of CLB Loans, but the sanction of these loans in the first place was very much in hands of RFL. • I note that even after realising the gravity of the problem in recovering the CLB Loans, Noticee no. 12, as member of various credit committee(s) continued to grant his approval for CLB Loans to the "entities know to the promoters", from June 2017 to October 2017, worth Rs.

		1,035 Crore (approx.). This conduct of Noticee no. 12, lays bare the sinister connivance of Noticee no. 12 with the Erstwhile Promoters that thrived on the false posturing of 'helplessness' in recovery on one hand and subtle arrangement of disbursal of funds through fresh loans on the other hand.
7	• **Email trail dated 21.08.2017 & 19.09.2017**: One of the minority shareholders i.e. Resurgence PE Limited raised concerns on various issues faced by RFL. For resolution of the CLB issue he stated that he sent a detailed email to Mr. Malvinder Mohan Singh requesting him to reduce it. I also informed the representative of the minority shareholder that the same concerns were raised by me before the Board of RFL in the compliance certificates dated 09.08.2017 and 29.08.2017 which are already Annexure - A46. The said email demonstrates that the Board of RFL had no control over the CLB.	• I have read the reference emails. I note that certain concerns were raised by Resurgence PE Ltd, a minority shareholder of RFL. The concerns were addressed to the board of RFL and the same were discussed in the board meeting of RFL on August 30, 2017. • I do not agree with the claim of Noticee no. 12 that these emails demonstrate that the board of RFL had no control over CLB.

37. On perusal of the copies of various emails, as provided by Noticee no. 12, I find that the role of REL management team was limited only to the extent of presenting the proposals for sanction of CLB loans to the Credit Committee of RFL. The subsequent stages in the loan cycle such as execution of transaction documents, creation of security interest, disbursement of funds, follow-up for repayment etc., were being handled by RFL itself. On scrutiny of the copies of the emails mentioned in the above Table, I find that RFL management team including Noticee no. 12 is seen collating and reporting data in respect of the pending CLB Loans, intimating the REL management / family office of Erstwhile Promoters the status in respect of loans on the verge of turning NPA, etc. Thus, I find RFL Management Team being involved in the management of the CLB Loans. Hence, the claim of Noticee no. 12 that the CLB Loans were entirely controlled by REL Management and the Erstwhile

Promoters, is not correct. I also note that Noticee no. 12 has sought to portray that he was instrumental in protecting the interest of RFL by ensuring follow-up with the Erstwhile Promoters for repayment of CLB Loans and thus he was not party to the fraudulent scheme. As observed earlier, I note that the calls for repayment of CLB Loans were not being made out of bona fide concern for the financial health of RFL but to protect his own interest by ensuring that the cover is not blown-off on the Scheme of diversion of funds. There is no explanation being offered by Noticee no. 12 to justify his continuance in approval of CLB Loans to Erstwhile Promoter connected entities, despite repeated adverse observation by RBI, concerns of ICRA and lending banks. What perplexes me is the fact that while on one hand Noticee no. 12 requested for repayment of CLB Loans but at the same time he kept approving fresh loans and even evergreening existing loans in the CLB Book. The conduct of Noticee no. 12 does not inspire confidence.

38. I note that in one instance the Erstwhile Promoters even promised to take over the entire loan book from RFL contingent upon availability of the necessary funds at their disposal. I note that Noticee no. 12 has sought to portray this instance as an outcome of his persistent nagging with the Erstwhile Promoters. On perusal of the relevant evidence presented by Noticee no. 12, I find that, the 'Assurance to buy the CLB Loans of RFL' was made by the Erstwhile Promoters not because of any purported efforts of Noticee no. 12, rather such assurance was given only to ensure that better value is fetched for the shares of RFL, which at that relevant point in time, was in search of new investors. Thus, the claim of Noticee no. 12 that the 'Assurance by Erstwhile Promoters' was an outcome of his efforts is baseless.

39. Noticee no. 12 has claimed that most of the loans under the CLB were advanced prior to 2011 i.e., while RFL was a 100% owned subsidiary of REL. It is his case that after 2011, the CLB only reduced due to the efforts of RFL management during Noticee No. 12's tenure. I note that it is factually incorrect to say that most of the CLB Loans in question, were advanced prior to 2011. Table 11 (reproduced in pre-paras) has clearly shown that more than 80% of the CLB Loans that were found to have been diverted, have been approved and disbursed when Noticee no. 12 was

the MD and CEO of RFL. He has provided his consent (as member of the various Credit Committee(s)) to more than 80% of the CLB Loans which have been found to have been diverted. I note that the CLB Loans pre-2011 is not the focus of the present SCN, since the allegations in the SCN relate to CLB Loans disbursed and found to have been diverted post 2011. Thus, even if CLB was in existence prior to 2011 and loans used to be disbursed then as well, that statistic by itself is not relevant and does not help the case of Noticee no. 12 in any manner. Further, as regards the claim that CLB Loans only reduced due to the efforts of RFL management during Noticee no. 12's tenure, I find that even this claim is factually incorrect. I note that RBI vide its letter to RFL dated January 27, 2017 has raised serious concern on the inspection of the CLB of RFL for the FY 2014-15. RFL has committed by its reply to RBI via letter dated February 20, 2017, that it would be able to reduce the CLB portfolio by 100 Crores in the first quarter of FY 2017-18. However, instead of the reduction, CLB exposure (principal outstanding) had increased by Rs. 65.60 Crores and Rs. 459.60 Crores, as on June 30, 2017 and September 30, 2017, respectively, as compared to CLB position as on March 31, 2017. The CLB exposure has further increased by Rs. 650 Crores (37%) as on October 31, 2017, as compared to the outstanding exposure as on March 31, 2017, rather than reducing it, as was committed to RBI. Total CLB exposure had increased from Rs. 1846 Crores (including outstanding interest of Rs. 99 Crores) as on March 31, 2017 to Rs. 2517 Crores (including outstanding interest of Rs. 120 Crores) as on October 31, 2017. I note that Noticee no. 12 had provided his consent (as member of various Credit Committee(s) of RFL) for approval of majority of these loans under CLB or conversion of Loans into corporate loans, that had led to the increase in the CLB Loans. Thus, the claim of Noticee no. 12 that the CLB had reduced due to the efforts his team is factually incorrect and rather evidence is to the contrary wherein CLB Loans had actually increased.

40. I note that Noticee no. 12 was the MD and CEO of RFL. The loans were disbursed and the consequent assets and liabilities were crested in the books of and in the name of RFL, which is a RBI registered NBFC primarily engaged in lending activities and a material subsidiary of a listed company. The ultimate legal authority to approve the loans to various borrower entities on behalf of RFL vested with the

various Credit Committee's of RFL. Noticee no. 12 was a member of these Credit Committee's and being part of it, he actively gave his consent to the approval of the impugned loans to Erstwhile Promoter connected entities with dubious financial credibility, which ultimately have been found to have been diverted. Further, I note that, being at the helm of the affairs at RFL and being a member of the various Credit Committee's of RFL, Noticee no. 12 had every opportunity to refuse his approval to such loans and also to raise his objections/ concerns, especially after RBI has been consistently making adverse remark on the CLB loans since FY 2012-13. Further, even the credit rating agency ICRA and certain lending banks had expressed concerns about the increasing CLB exposure. However, from the material available on record, I do not find that Noticee no. 12 indeed acted in his professional capacity exercising his independent judgement. Rather, I find ample evidence to infer that the conduct of Noticee no. 12 was deliberately passive when there was a fiduciary duty to be proactive and valiantly active when it came to providing his approval to the loans to the Erstwhile Promoters connected entities. On perusal of the Credit appraisal notes/ proposal notes, I find that all the borrowers in the above Table 11 had negative profits / negligible profits and negative net worth in the previous financial years before the sanction of these loans. Despite such poor financial credentials, no lien or security was taken from most of the borrowing entities. Noticee no. 12 agreed to grant approval to such loans merely on the premise that "the entities were known to the promoters". These loans were approved without any deliberations, by merely replying back to the emails seeking approvals as 'Ok'/ 'Ok with me', thereby indicating Noticee no. 12's consent for approval of such loans. In view of the foregoing discussion, I find that, Noticee no. 12's role as the MD and CEO of RFL and his role as the member of the various Credit Committee(s) cannot be overlooked and after examining these roles it only leads to the conclusion that Noticee no. 12 played a key role in the furtherance of the scheme of diversion of funds by the Erstwhile Promoters.

41. Noticee no. 12 has claimed that in July 2016, he refused to present the financials of the first quarter to the Board of RFL with the intention to force a resolution of the issues in RFL. It is his case that pursuant to his refusal to present the financials of the first quarter, the top management was changed & he claims the same is

recorded in the minutes of REL' s Board of 26.10.2016. From the minutes of the Board meeting of REL held on October 26, 2016, I do not find any mention of the fact that Noticee no. 12 has refused to present the financials of RFL for the first quarter, nor do I find mention of the fact that since Noticee no. 12 has raised concerns/ objections, hence, top management was being overhauled. Thus, these claims by Noticee no. 12 remains bald assertions unsupported by any evidence and hence, not tenable.

42. With regards to the FD's created by RFL worth 750 Crores with LVB and the subsequent adjustment of Rs.729.13 Crores from these FD's towards the settlement of loan taken by RHC Holdings and Ranchem Pvt. Ltd, the following may be noted. It is the case of Noticee no. 12 that he was never aware about the lien marked by LVB on the FD's that were created by RFL with LVB. He has submitted that as soon as he became aware about the alleged illegal misappropriation done by LVB by adjusting the funds in FD account of RFL, for the settlement of loan taken by REL promoter companies, he took all necessary steps to protect the interests of RFL and recover the said funds from LVB. To support his claims Noticee no. 12 has submitted copies of various emails to show that he initiated necessary action to recover and reinstate the FD's, soon after July 31, 2017 i.e. the date when Noticee no. 12 claims to have acquired knowledge for the first time about the alleged fraud committed by LVB. However, I am not convinced with the reasons being plead by Noticee no. 12 to justify his decision to create the FD's with LVB in the first place. Consequently, I find that the conduct of Noticee no. 12 at the time of creation and placement of these FD's with LVB is fraught with suspicion. I am also not convinced with his claim that there was no reason to doubt that these FD's were not free from lien until he became aware about it on July 31, 2017. The following facts raise suspicion on role of Noticee no. 12 in placement of FD's with LVB:

(i) RFL had opened two FD's of Rs. 210 Crores and Rs. 190 Crores on November 11, 2016. In this regard, RFL addressed a letter dated November 11, 2016 (signed by Noicee no. 12 and Mr. Pawan Seth) to LVB for opening of two FD's by debiting its current A/c with LVB. I note that the said letter was sent by email dated November 11, 2016 by Mr. Pawan Seth of RFL to Mr. Hemant Dhingra and

Mr. Sanjeev Singhal (authorized representatives of RHC Holdings and Ranchem Pvt. Ltd.), with a copy of the email being marked to Noticee no. 12 and Mr. Bipin Kabra of RFL. I also note that the aforesaid FD opening letter dated November 11, 2016, from Mr. Pawan Seth of RFL to Mr. Hemant Dhingra, was in-turn forwarded by Mr. Hemant Dhingra to LVB. Strange as it may sound, if RFL had nothing to do with the loans taken by RHC Holdings and Ranchem Pvt. Ltd. from LVB, then, instead sending the 'FD Opening Letter' directly to LVB, why would Mr. Pawan Seth of RFL, send the said letter to Mr. Hemant Dhingra of RHC Holdings? This email is evidence of the nexus between RFL, RHC Holdings and Ranchem Pvt. Ltd. I find that Noticee no. 12 was marked in "CC' to the impugned email. I note that Noticee no. 12 has failed to explain as to why would the 'letter requesting LVB to create FD's for RFL', be ever sent to Mr. Hemant Dhingra and Mr. Sanjeev Singhal, if RFL had never intended to secure the loans taken by RHC Holdings and Ranchem Pvt. Ltd. I note that the sending of this FD opening letter to Mr. Hemant Dhingra of RHC Holdings and not directly to LVB, demonstrates the intention of RFL and consequently highlights the role of Noticee no. 12 in facilitating the plan of creation of FD's for securing the loans to be taken by promoter group entity of REL.

(ii) I note that RFL had issued two post-dated cheques dated December 29, 2016 to LVB, at the time of creation of FD's in November 2016. These cheques were signed by Noticee no. 12 and Mr. Pawan Seth. As per complaint filed with Economic Offences Wing, Delhi by RFL, as annexed to the reply of Noticee no. 12, RFL has claimed that these cheques were provided for the creation of FD's whereas LVB claims that these cheques were provided as security for the loan taken by Ranchem Pvt. Ltd. and RHC Holdings. I note that Noticee no. 12 has failed to provide any explanation about these cheques in his reply, however, assuming that these cheques were issued by RFL for creation of FD, then I fail to understand as to why would it be issued with the date of 'December 29, 2016' and not 'November 11, 2016'. I also fail to understand as to what was the requirement for issuance of cheque when RFL had already authorised LVB (vide its letter dated November 11, 2016) to debit the current A/c. for the creation of FD. Thus, the explanation provided by RFL that the cheques were issued for

creation of FD's, stands on shaky ground, and the apparent silence by Noicee no. 12 in respect of these cheques, does not inspire confidence.

(iii) Noticee no. 12 has annexed with his reply, the copy of a letter dated November 30, 2016, purportedly issued by LVB stating that the FD's created by RFL are 'free for use by the company'. Noticee no. 12 has relied upon this letter to emphasize that, since there were adequate assurances given by LVB that the FD's were free from lien, hence, he had no reason to suspect the conduct of LVB. I note that the SCN has stated that LVB has disputed the authenticity and genuineness of this letter. Since, the existence of this letter itself is under dispute, I do not wish to draw any inferences from the same.

(iv) Noticee no. 12 has stated that the board of RFL had decided to declare a large write-off of 794 Crores on November 14, 2016, and in anticipation of a possible rating downgrade and possible repayment pressures from lending banks, it was decided by RFL management to keep a sum of Rs. 1550 Crores in mutual funds, FD's and other investments for ensuring adequate liquidity for the company, in the event of repayment pressure. It is the case of Noticee no. 12 that while the decision to keep liquid investments was taken in the interest of RFL, the decision as to where these investments (including FD's) would be made was taken on the specific instructions of Mr. Malvinder Singh. I do not find any merit in this contention. Assuming that the FD's with LVB were indeed created for a short term in order to manage a purported liquidity event which was to occur within 3 days of its creation, but I fail to understand the logic as to why were these FD's renewed continuously for over 10 months? If Noticee no. 12 indeed was not aware about the factum of 'FD's being secured for loan', then as a prudent professional, he ought to have pulled the FD's out of LVB within a short term of its creation i.e. soon after the risks of the purported liquidity event subsided. Rather, I find that Noticee no. 12 approved the placement of further FD's worth 350 Crores on January 9, 2017 and apparently no so called liquidity event was looming large at this time. He even approved the renewal of all these FD's from time to time over a period of approximately 10 months. Furthermore, I note that the claim by Noticee no. 12 that he acted on the instructions of Mr. Malvinder

Singh, raises serious doubts about the diligence and independent professionalism judgement exercised by Noticee no. 12 while discharging his duties as MD and CEO of RFL. It is matter of record that the FD's with LVB fetched a meagre interest at 4.50% - 5.25% p.a. as against the borrowing cost of RFL of 10.10% - 10.19% p.a. The SCN also notes that although RFL and REL had banking relations with some of the largest banks in India, RFL decided to open FDs with LVB which had a total net worth (aggregate of share capital and Reserves & Surplus) of only Rs. 1,763.59 crores as on 31st March 2016. I do not consider this decision as a mere professional misadventure by Noticee no. 12, rather upon analysis of the complete facts, I notice the malicious intentions of Noticee no. 12 in helping the Erstwhile Promoters of REL in securing the loans taken by their connected entities.

(v) Attention may also be drawn to the forensic audit report by M/s. T. R. Chadha & Co. LLP. I note that the minority shareholders of RFL, namely, Jacob Ballas India Fund III LLC and Avigo Capital, had appointed M/s. T. R. Chadha & Co. LLP to conduct a forensic audit into the affairs of RFL. The said forensic audit report has been filed by Noticee no. 12 alongwith his reply and the same has been relied upon by him to support his other contention. However, from the said report, I find the following findings by the forensic auditor in respect of FD's with LVB, perplexing.

- **<u>Board Approved Investment policy for placing FDs not complied with</u>**
  We have reviewed the Investment policy of RFL, effective from October 28, 2015, which lays out the general terms and conditions for Investments (including FDs) made by RFL. Following has been mentioned in the Investment Policy for investment in FDs:

  "Fixed Deposit can be used for both long term and short term/current investments depending upon the requirement. The Company may need to invest in FDs for the following purposes:
  - *Investment*
  - *Government Authorities FDR's for submitting in Tax department, Legal, VAT and Sales Tax Registration etc.*
  - *Insurance of Bank Guarantee/LC/SBLC*
  - *Credit enhancement for securitization/assignment transaction*
  - *Any other purpose*

  Following key factors should be considered while taking Investment decisions in Fixed Deposits:

  - *Rate of Interest and tenor requirements*

- *Relationship with the Bank*
- *Ease of Operations: - Facility of splitting of FDs, electronic banking, less paperwork etc.*
- *Treasury would source FD rates from banks after the amount and the tenor have been decided.*

However, in the emails which were used for approving the placement of funds in FDs with LVB, nothing has been mentioned w.r.t. the following, though these should have been mentioned as per the Investment Policy of the company:

- Reasons for investing such a large amount in an FD instead of other high yielding instruments were not provided.
- Purpose to invest in FDs i.e. Investment, FDR's for submitting to Government Authorities, Issuance of Bank Guarantee/LC/SBLC etc. was not recorded.
- Tenure requirement and the period upto which funds were available were not recorded. It may be noted that first FDs was placed for 19 days on 11/11/2016 and the same has not been withdrawal till 30th September 2017.
- Basis of deciding on LVB is not on record. There is no evaluation done to identify the right bank in which the amount is to be invested especially considering the significant amount involved.
- There were no quotation of interest rates received from LVB or other banks.

The emails, which have been made available to us for approval of placing/renewal of these FDs do not mentions details required by Investment Policy. Since no other document has been available to us in this regard, it is evident that the placement /renewal of FDs is against the Investment Policy of the Company which has been duly approved by the Board.

Further, the retention of such a large deposit at an interest rate of ~4.5% p.a. without withdrawal appears to be strange and raises serious doubts as to the ultimate intention of the management. We are informed that the company's average lending rate is about 13.5% p.a. and on that basis, the loss incurred to the company, till 31st December 2017, from a negative carry rate broadly works out to Rs.72 crores.

(vi) I note that the forensic audit report by M/s. T. R. Chadha & Co. LLP, lays bare the intentions of head of the executive management of RFL i.e. Noticee no. 12. The said forensic auditor has concluded that the investment in FD's of LVB by RFL was not in accordance with the board approved Investment Policy of RFL. This raises serious doubts on the conduct of Noticee no. 12 who approved the investment in FD's by email.

(vii) I note that, Noticee no. 12 was aware about the intentions of the Erstwhile Promoters to use the FD's by RFL with LVB, as security for the loan to be taken by RHC Holdings. The same is evident from the email dated November 11, 2016, written by Mr. Bipin Kabra of RFL to Mr. Nalin Nayyar and Mr. Maninder Singh of REL. Noticee no. 12 was marked a copy of this email by keeping him as 'CC" to the said mail. In this email, Mr. Bipin Kabra had expressed his concerns on the proposal to link the FD's of RFL with the loan being taken by RHC Holdings.

While Noticee no. 12 claims that this email was written by Mr. Kabra on his instructions, however, there is no evidence on record to prove this. On the other hand, since Noticee no. 12 was marked a copy of this email, thus, I infer that Noticee no. 12 was aware that these FD's were proposed to be used as 'security for loan'. I note that awareness of this fact itself, was sufficient for Noticee no. 12 to raise eyebrows. I find that despite knowing that the FD's could be used for such a purpose, Noticee no. 12 moved ahead and approved the investment in such FD's with LVB, lays bare the intentions of Noticee no. 12 in helping the cause of the Erstwhile Promoters of REL. The connivance of Noticee no. 12 with the perpetrators of the fraud is also evident from the fact that for all the FD's that were created/ renewed by RFL with LVB, RFL does not possess any original FD Receipts. Noticee no. 12 claims that he alongwith RFL, had continuously followed-up with LVB to provide the FD receipts, but LVB failed to do so. I note that Noticee no. 12 has not provided any proof of follow-up for FD receipts, to substantiate this claim. Further, I fail to understand if LVB failed to provide a document as critical as FD Receipts, why did Noticee no. 12 continue to create and renew the FD's with LVB only? I note that LVB has claimed that the original FD Receipts were retained by it as the proof for creation of security against the loans to RHC Holding and Ranchem Pvt. Ltd.

43. In view of the foregoing discussion, I find that the decision by Noticee no. 12 to approve the investment in FD's of LVB was **not** an isolated or innocent event, as is being attempted to be made out by Noticee no. 12. Rather upon analysis of the complete facts, I note that this decision was part of a well thought out plan with malicious intent of Noticee no. 12 to help the Erstwhile Promoters of REL in securing a loan for their connected entities. The claim of Noticee no. 12 that he was never aware about the lien marked by LVB on the FD's that were created by RFL, is found to be untenable. I note that the default by Ranchem Pvt. Ltd. and RHC Holdings in repayment of their loans to LVB and the consequent appropriation of FD's by LVB was part of the well thought out plan to assist the Erstwhile Promoters. After actual appropriation of FD's by LVB, Noticee no. 12 took legal action against LVB only and not against the borrowing entities who were connected to the Erstwhile Promoter Group, just to create an impression, of him being a victim of the so called fraud by

LVB and of a whistleblower. Therefore, inference sought to be drawn by Noticee no. 12 on the basis of legal action initiated against LVB, can not be so drawn. It does not in any manner prove the claim of Noticee no. 12 that he was innocent and never aware about the lien existing on the FD's created with LVB. I find that Noticee no. 12 approved the placement of FD's with LVB with the intent and complete knowledge that these would be used by the promoter group entities to secure the loans being taken by them. Thereby, I find that Noticee no. 12 played a role in furtherance of the plan of the Erstwhile Promoters.

44. With regards to the investment in the NCD's of BRNL and OSPL, the SCN has alleged that this transaction was part of a quid pro quo deal between SREI Group and Religare Group. RFL granted a loan of Rs. 50 crores to BRNL and Rs. 200 crores to OSPL on December 14, 2016, without carrying out adequate due diligence and with significant waivers on account of the entities being known to Erstwhile Promoters of REL. On the other hand, SREI extended a loan of equal amount i.e. Rs. 250 crores to the promoter entity of REL i.e. RHC Holdings through Torus Buildcon Pvt. Ltd. In this regard, it was observed that BRNL was a group entity of SREI Group as more than 80% shares were held by SREI Group entities and OSPL did not own any asset apart from the investments in the shares of BRNL. At the end of the loan tenure, i.e. on December 14, 2017, RHC Holding was unable to service its loan taken through Torus Buildcon Pvt. Ltd. from SREI. Consequently, even SREI did not repay the loan it had taken from RFL in the books of OSPL. Thus, SCN has alleged that an amount of Rs. 200 Crores stood diverted from RFL for the benefit of the Erstwhile Promoters of REL. I note that Noticee no. 12 has contended that RFL had invested in the NCD's of BRNL and OSPL on the basis of the instructions of Mr. Malvinder Singh, executed through Mr. Hemant Dhingra. He claims that as part of the Credit Committee, he consented to the approval for the impugned investments, since REL management had assured that Mr. Hemant Kanoria (promoter of SREI) would be giving separate Letter of Comfort for each of these loans.

45. I note that the decision to invest in the NCD's of BRNL and OSPL was maligned from the beginning. From the minutes of meeting of the Loans Investments and

Borrowings Committee of RFL dated December 14, 2016, I find that, Noticee no. 12 being a member of the said Committee, approved the said investments without raising any questions/ concern or remarks, whereas the financial creditworthiness of BRNL and OSPL was very poor. From the forensic audit report of M/s. T. R. Chadha & Co. LLP, I note that, OSPL had a net worth of Rs.1 Lac only as on March 31, 2016. The forensic audit report notes that there were no operations carried out by OSPL since its incorporation. OSPL did not have any other asset other than investment in shares of BRNL. BRNL itself had a negative networth of Rs. 65.29 Crore on March 31, 2016. BRNL had incurred substantial losses worth Rs. 44.37 Crore during FY 2015-16. The forensic auditor has observed the following in respect of the policy deviations found, while sanctioning these investments:

- **Requirement of Investment Policy of the Company not complied with**

  As per the Company's Investment Policy dated October 28, 2015, made available to us by Jacob Ballas and Investment Policy dated February 7, 2017 provided to us by the Company, for making investment in NCDs/Commercial Paper, following key factors should be considered while proposing investments from Treasury:

  i. Credit rating of the Issuer: A thorough study of the offer document for terms and conditions, information on the management, promoter, business plans, and financials should be done. This information along with credit rating of the issuer should be a deciding parameter for making an investment. All investments proposed by Treasury should be rated bonds with rating of A1+(ST) or AA-(LT) from any of the following rating agencies:
     - CRISIL
     - CARE
     - India Rating and Research
     - ICRA

  ii. Liquidity: Secondary market appetite for the product should be examined prior to any Investment

  iii. Yield/Return

  iv. Size of the issuer: The revenue of the issuer be more than Rs1000 crore or the asset book of the issuer should be Rs.5000 crores.

  We have not been provided with the appraisal done at time of investment in the NCDs of OSPL. However, based on analysis of financials of OSPL and other documents filed by OSPL with the MCA w.r.t. issue of NCD, it clearly demonstrates that following requirements of the Investment Policy have not been complied with:

  i. Credit Rating: No Credit rating was assigned to these NCDs

  ii. Liquidity: Not mentioned, although clearly illiquid

  iii. Size of the issuer: OSPL does not have any revenue and entire the NCDs were issued to RFL only, Further, BRNL, where ultimate funds were invested, had consolidated revenue of Rs.4.25 crores during FY 2015-16 i.e. latest audited financial available at the appraisal of Investment in NCDs.

> Considering that investment in the NCDs of OSPL is inconsistent with the requirement of Investment Policy, which is duly approved by the Board of Directors of the Company, this investment appears to be irregular in nature.

46. In view of the above, it is abundantly clear that the decision to invest the funds in NCD's of BRNL and OSPL was against the board approved investment policy of RFL. It did not meet the fundamental criteria's set by the board of RFL, such as, credit rating, size of the issuer etc. Another alarming facet of this investment was non-execution of any documentation in respect of these investments. I note that while the funds were transferred to OSPL on December 14, 2016, but the term sheet, which is the most basic document of a transaction of this nature, was executed and sent to OSPL only on February 24, 2017 for the first time. In this regard, the forensic auditor has observed that, "the funds have been transferred by RFL to OSPL without any approval and the entire documentation has been done thereafter. i.e. approximately 3 months after the actual transfer of funds by RFL to OSPL." In this regard, Noticee no. 12 has sought refuge under the fact that his team at RFL was continuously following-up with OSPL and BRNL and Mr. Hemant Dhingra to execute the pending documents. After perusing through the copies of the relevant emails, it appears that attempts were being made by RFL management team to follow-up. However, this fact does not in any way dilute the fact that decision to invest Rs. 250 Crore of RFL into OSPL and BRNL, in total disregard to the board approved investment policy clearly shows that giving of loans by RFL to these entities was malafide since inception. Noticee no. 12 has contended that the proposal to invest in the NCD's of BRNL and OSPL came from Mr. Hemant Dhingra of RHC Holdings and RFL did not have any say in it. I do not agree with this contention. I note that while the proposal may have originated from the family office of the Erstwhile Promoters, but the ultimate decision to invest or not to invest in these NCD"s was that of RFL. I find that the proposal for investment was put up to the Loans Investment and Borrowings Committee of RFL, of which Noticee no. 12 was a member. He had every opportunity to deny his consent or raise his conern. However, I do not find any such action being taken by him. Rather, I find him giving approval to these investments even when they were not in line with the board approved investment policy of RFL, let alone the shabby financial position of these firms. The connivance of Noticee no. 12 in furtherance of the alleged diversion of

funds from RFL is also evident from the following instance. BRNL was transferred funds of Rs. 50 Crores as investment in its NCD's on December 14, 2016. Subsequently, even after passage of six months, no single document came to be executed by BRNL in respect of these investments. No Letter of Comfort came to issued by Mr. Hemant Kanoria, as was approved as condition precedent, at the time of making this investment in BRNL in December 2016. Subsequently, on June 14, 2017, the Risk Management Committee of RFL (Noticee no. 12 also being one of its members) surprisingly, approved the conversion of this investment into a corporate loan, to take effect retrospectively from December 14, 2016. The said proposal of conversion was also ratified by LIBC Committee (Noticee no. 12 also being the member). I note that Noticee no. 12 being a member of Risk Management Committee and LIBC Committee consented to the conversion of investment to loan. The dubious nature of this loan ought to have been questioned on the ground of non-execution of documents for six months alone. I am surprised as to why were no alarms raised on this apparent dubious deal? The conversion to corporate loan was approved despite RFL's commitment to RBI to reduce the corporate loan book. I do not find any remarks/ concerns being expressed by Noticee no. 12 to the RFL board or the REL board or the Erstwhile Promoters in respect of this transaction.

47. In view of the above, I find that none of the contentions raised by Noticee no. 12 in respect of the transaction of investment in NCD's of OSPL and BRNL by RFL, command merit. Rather, I find that Noticee no. 12 was involved knee deep in the furtherance of the scheme of diversion of funds that was perpetrated by the Erstwhile Promoters of REL.

48. I note that Regulation 4(1) of PFUTP Regulations, 2003, reads as under:

> **4.Prohibition of manipulative, fraudulent and unfair trade practices**
> (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.
>
> Explanation.– For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

Aforesaid Regulation 4(1) to the PFUTP Regulations, 2003 puts complete prohibition on all manipulative, fraudulent or unfair trade practice relating to securities market. What constitutes 'unfair trade practices' and 'manipulative' is not defined in the PFUTP Regulations, 2003. However, it is not difficult to ascertain true meaning of these terms and consequent scope and ambit of Regulation 4(1), by reading the various terms defined in and the objective of, PFUTP Regulations, 2003, as a whole. In this context, Section 11(2)(e) of SEBI Act, 1992 which enumerates prohibiting fraudulent and unfair trade practice relating to securities market, as one of the functions of SEBI, may also be referred to. In discharge of said function SEBI had earlier framed SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 (since repealed) which were later replaced by PFUTP Regulations, 2003. The Regulation 4(1) inter alia seeks to prohibit any act of diversion of assets of a listed company or its concealment or any scheme to manipulate the books of accounts or financial statements of such a company that would directly/ indirectly manipulate the price of securities of that company. What was earlier implicit has now been made explicit by adding 'Explanation' to Regulation 4(1) of PFUTP Regulations, 2003 w.e.f. October 19, 2020. I note that the aforesaid amendment, though introduced on October 19, 2020, does not make any substantive change in the ambit of Regulation 4(1). It merely makes explicit what was implicit. Act of large scale diversion of funds of the listed company or manipulation of financial statements of the company, which leads to or which may lead to impacting the price of the scrip, directly or indirectly, thereby inducing the investors to deal in securities or to remain invested in the securities of that company, are undoubtedly a 'fraudulent and/or unfair trade practice relating to securities market', which are covered by the vigor of Regulation 4(1) since July 17, 2003 itself i.e. the date of coming into force of PFUTP Regulations, 2003. Thus, I note that the 'Explanation' added to Regulation 4(1) merely clarifies that certain acts such as diversion of funds / manipulation of books of accounts, shall always be deemed to have been considered as 'fraudulent and unfair trade practice relating to securities market'. I note that in the instant case, funds were diverted from a material subsidiary of REL, of which Noticee no. 12 was the MD and CEO at the relevant time, in the garb of

loans for the ultimate benefit of entities controlled by the Erstwhile Promoters. I note that the financial statements of RFL were consolidated with the financial statements of REL on quarterly basis. The diversion of funds was never disclosed to the shareholders of REL, which mislead them to remain invested in the shares of REL or deal in the securities of REL. Thus, the apparent diversion of funds from RFL (in the garb of loans), led to indirect manipulation of the price of shares of REL and thus, in terms of Regulation 4(1), such an act was fraudulent and an unfair trade practice relating to securities market. Therefore, I find that Noticee no. 12, has violated Regulation 4(1) of PFUTP Regulations, 2003. I also find that by indulging in the scheme of diversion of funds alongwith the Erstwhile Promoters, Noticee no. 12 has also violated the provisions of Section 12A(c) of the SEBI act, 1992 and Reg. 3(d) of PFUTP Regulations, 2003.

49. Noticee no. 12 has been called upon by the SCN, as to why penalty under Section 15HA of the SEBI Act, 1992 should not be imposed on him. As in the present case, violations of Section 12A(c) of SEBI Act, 1992 and provisions of Regulation 3(d) and 4(1) of PFUTP Regulations, 2003 have been made out against Noticee no. 12, therefore, penalty under Section 15HA of SEBI Act, 1992 is attracted against Noticee no. 12.

50. For imposition of penalty under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act,1992 provides as follows:

> "**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: —
> (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.
>
> Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

51. Regarding the factors of Section 15J of SEBI Act, 1992, I note that SCN alleges that Rs. 2473.66 Crores of the material subsidiary i.e. RFL of a listed company i.e. REL, were diverted (in the garb of loans) through various intermediate entities for the ultimate benefit of entities controlled by the Erstwhile Promoters. I note that the SCN does not specify the amount of loss caused to an investor or a group of investors as a result of the diversion of funds from RFL. I note that Noticee no. 12 was the MD and CEO of RFL during the time when the loans were approved and disbursed, which ultimately have been found to have been diverted. Noticee no. 12 was also member of the various Credit Committee(s) of RFL and being the member thereof, he granted his consent to the approval of such loans. Noticee no. 12 has sought leniency on the ground that he was a salaried employee of RFL, appointed in his professional capacity and he has not enjoyed any undue benefit during the tenure of his employment. I note that Noticee no. 12 was not just any other employee but the highest executive head at RFL and a member of the board of directors of RFL. For the first three years from November 2011, he was appointed as MD and CEO, for a salary (including perquisites + PF contr.) of Rs.14.66 lacs per month. And at the time of his re-appointment in November 2014 for a further period of three years, his salary was fixed as Rs. 3.82 Crores per annum. During his tenure as MD and CEO, there was no other MD or CEO of RFL. I note that no relief can be granted to Noticee no. 12 on this ground, since the connivance and malicious intent of Noticee no. 12 in the perpetration of the Scheme of diversion of funds, has been amply brought out in the pre-paras of this order. I note that the continuance of employment of Noticee no. 12, as the MD and CEO of RFL at such a high remuneration, itself was the undue benefit for Noticee no. 12.

52. Noticee no. 12 has urged to consider the following fact as a mitigating factor. Noticee no. 12 submits that on August 29, 2017, he had already tendered his resignation and merely continued to act as MD and CEO so as to safeguard the interest of RFL in the eyes of potential investors. I note that there is no material available on record to prove that Noticee no. 12 tendered his resignation on August 29, 2017. In fact, from the copy of resignation letter, which was attached as Annexure to the reply of Noticee no. 12, I find that though the resignation letter is dated August 29, 2017, but the same is acknowledged as received by RFL on

November 12, 2017. Thus, in accordance with Section 168(2) of the Companies Act, 2013, the effective date of resignation of Noticee no. 12 shall be November 12, 2017. Thus, Noticee no.12's submission that his early resignation must be considered as a mitigating factor, cannot be considered. Noticee no. 12 has also sought mercy on the ground that it was because of his efforts that the CLB of RFL was reduced from Rs. 3400 Crores in March 2012 to Rs. 1700 Crores in March 2017. As observed in the pre-paras, this claim of Noticee no. 12 does not reflect the whole truth. I note that, contrary to the commitments made to RBI, the CLB of RFL had actually increased from Rs. 1846 Crores as on March 31, 2017 to Rs. 2517 Crores as on October 31, 2017.

53. Noticee No. 12 has submitted that he should also be treated on the same yardsticks as that of Mr. Shachindra Nath, who was his superior. I note that SEBI had initiated separate Adjudication Proceedings in the instant matter against many other entities, wherein Mr. Shachindra Nath was one of them. Vide its order dated October 31, 2022, bearing No. DS/DK/2022-23/20903-20964, the Ld. Adjudicating Officer, SEBI had granted a benefit of doubt to Mr. Shachindra Nath and did not hold him guilty for violation of SEBI (PFUTP) Regulations, 2003, however, a penalty of Rs. 2 Lakhs was imposed upon Mr. Shachindra Nath for violation of certain provisions of SEBI (LODR) Regulations, 2015. It is the case of Noticee no. 12 that he should be entitled to the benefit of parity with Mr. Shachindra Nath who was his superior as he raised all the concerns pertaining to RFL with him in addition to the Board of Directors of RFL. I note that there is no material on record to indicate that Mr. Shachindra Nath was the reporting superior of Noticee no. 12. From the copies of the emails produced by Noticee no. 12, I find that Noticee no. 12 and his team used to have regular communications by emails with all concerned at REL such as Mr. Sunil Godhwani, Mr. Malvinder Singh, Mr. Hemant Dhingra and also Mr. Shachindra Nath. Thus, from these emails it can be ascertained that depending on the type of 'subject matter', Noticee no. 12 used to correspond with the relevant person. Therefore, on the basis of such emails, it cannot be established that Mr. Shachindra Nath was his reporting superior. On the contrary, I note that, as the MD of REL, Noticee no. 12 was answerable to the board of RFL and thus, to think of a reporting relationship otherwise is unfathomable. In this regard, attention is drawn to the

Board resolution dated December 29, 2014, re-appointing Noticee no. 12 as MD and CEO of RFL, which reads as *"…….subject to the superintendence, control and direction of the Board, Mr. Kavi Arora shall perform such duties and functions as would be commensurate with his position as Managing Director and CEO of the Company and as may be delegated to him from time to time*". Noticee no. 12 has produced certain organisation charts explaining the reporting structure at Religare Group, but the authenticity of these charts cannot be verified, since the same did not appear to have been approved by the board of REL or RFL. Thus, it could not be factually established that Mr. Shachindra Nath was the reporting superior of Noticee no. 12. On the contrary, the role of Noticee no. 12, as MD and CEO of RFL in disbursal of CLB loans to entities connected to Erstwhile Promoters, is writ large. On the basis of the material available before me (Including the documents filed by Noticee no. 12 and SEBI), I find that Noticee no. 12 was involved knee deep in the perpetration of scheme of diversion of funds. As noted in the earlier paras of this order, the so called 'concerns' raised by Noticee no. 12 were found to be superficial either to deal with an impending liquidity crises or were meant to protect the interest of Noticee no. 12 itself so that the scheme of diversion of funds, is prevented from being exposed. I note that there is ample material on record to hold that, despite repeated and specific adverse comments by RBI, ICRA and some lending banks, Noticee no. 12 gave his consent to the approval of fresh loans under CLB and even ever greening of certain loans under CLB. Thus, as far as Noticee no. 12 is concerned, I find that there does not exist any so called parity between Noticee no. 12 and Mr. Sachindra Nath.

Directions and monetary penalties:

54. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 11(1), 11(4), 11(4A), and 11B(1), 11B(2) of SEBI Act, 1992 read with Section 19 and Section 11(2)(j) of SEBI Act, 1992 and Rule 5 of the Rules, direct as under:

(i) The Noticee no. 12 is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market including as a director or Key Managerial Personnel in a listed company or an

intermediary registered with SEBI of any Market Infrastructure Institution, for a period of two (02) years, from the date of coming into force of this order;

(ii) The Noticee no.12 is hereby imposed with, the penalty, as specified hereunder:

Noticee No.	Name of Noticees	Provisions under which penalty imposed	Penalty Amount (In Rupees)
Noticee no. 12	Mr. Kavi Arora	Section 15HA of the SEBI Act, 1992.	Rs.5,00,00,000/- (Rupees Five Crore Only)

(iii) The said Noticee shall remit / pay the said amount of penalties within 45 days from the date of coming into force of this order. The said Noticee shall remit / pay the said amount of penalty 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 Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticee may contact the support at portalhelp@sebi.gov.in.

55. The obligation of the Noticee no. 12, restrained/ prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of coming into force of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticee no. 12, restrained/prohibited in the present Order, in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

56. This Order comes into force with immediate effect.

57. This Order shall be served on Noticee no. 12, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents of mutual funds to ensure necessary compliance.

-sd/-
ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date: March 16, 2023
Place: Mumbai