BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO. Order/JS/VC/2025-26/31689-31690)

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

In respect of

Noticee No.	Name and PAN of the Noticee
1	Sigma Solve Limited (PAN: AAOCS2976E)
2	Beeline Broking Limited (SEBI Reg. No. INM000012546) (PAN: AAGCB0134P)

In the matter of Sigma Solve Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted an examination in the matter of Sigma Solve Limited (hereinafter referred to as the **'Noticee-1'** / **'the Company'**).

2. Based on the findings of examination, SEBI initiated adjudication proceedings against the Company (i.e., Noticee-1) and merchant banker to the issue of the Company, i.e., Beeline Broking Limited (hereinafter referred to as the **'Noticee-2'**) [hereinafter together referred to as **'Noticees'**] for alleged violation of the following provisions:

Table No. 1

Noticee No.	Name of the Noticee	Alleged Violations
1	Sigma Solve Limited	(a) Regulation 245(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, (hereinafter referred to as **'ICDR Regulations'**). (b) Regulation 32(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations,

Noticee No.	Name of the Noticee	Alleged Violations
		2015 (hereinafter referred to as **'LODR Regulations'**) read with clause 4 (b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019. (c) Regulation 32(4) of LODR Regulations.
2	Beeline Broking Limited	(a) Regulation 245(3) of ICDR Regulations. (b) Regulation 13 read with clauses 3, 4 and 6 of Code of Conduct for merchant bankers under Schedule III of SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as **'Merchant Bankers Regulations'**). (c) Clause 3 of SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023.

APPOINTMENT OF ADJUDICATING OFFICER

3. Pursuant to transfer of erstwhile Adjudicating Officer (hereinafter referred to as '**AO**') who had been appointed so vide order dated November 27, 2024, the undersigned was appointed as AO in the matter vide order dated April 02, 2025 under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**) and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Rules'**) read with section 19 of the SEBI Act, to inquire into and adjudge under the provisions of the section 15HB of the SEBI Act for the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice Ref. No. SEBI/HO/EAD-8/AS/VC/4847/1-2/2025 dated February 13, 2025 (hereinafter referred to as **'SCN'**) was issued to the Noticees in terms of the provisions of rule 4(1) of the Rules read with section 15-I of the SEBI Act, requesting the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed upon them under section 15HB of the SEBI Act for the alleged violations.

5. The allegations levelled against the Noticees in the SCN are as under:

I. <u>Findings w.r.t. Sigma Solve Limited (Noticee-1)</u>:

A. "Failure to restrict the use of Initial Public Offer (IPO) proceeds towards General Corporate purpose up to 25% as disclosed in the prospectus:

(a) It was observed during examination that Noticee-1, vide its corporate announcement dated August 24, 2022, disclosed the notice of the Annual General Meeting (AGM) to be held on September 19, 2022. In the said notice, the Company proposed alteration in the objects stated in the prospectus, the details of which are as follows:

Table No. 2

(Amount in Rs. Lakh)

Sr. No.	***Original object of the issue***	***Amount stated in prospectus***	***Balance amount unutilized***	***Proposed allocation of unutilised amount***
1.	*Acquisitions and other strategic initiatives*	*230.00*	*230.00*	*Nil*
2.	*Investment in subsidiary*	*70.00*	*Nil*	*Nil*
3.	*General Corporate Purpose*	*120.00*	*120.00*	*31.57*
4.	*Public Issue Expenses*	*75.45*	*31.57*	*(31.57)*
Total		***495.95***	***381.57***	

(b) The reason for such alteration as elaborated in the said notice is as follows:
"In the year 2020 we floated our IPO and got listed on NSE EMERGE, the board while preparing for it estimated that there would be an expense of Rs75.45 lakh. Accordingly they set aside the said amount from the IPO Proceeds to fund the expenses. But, as on March 31, 2022 after paying all the expenses relating to IPO there remained an excess fund of Rs.31.57 lakh under the head of Public Issue Expenses. Hence, the Board hereby proposed to transfer the said excess money under the head of General Corporate Purpose so that it can be utilised in more profitable activities."

(c) The alteration to the objects was approved by the passing of a Special Resolution by the Company in its AGM held on September 19, 2022. Thereafter, vide its disclosure dated November 14, 2022, the Company submitted a statement of deviation to the stock exchange in terms of Regulation 32(1) of LODR Regulations. The said disclosure highlighted that out of the total amount earmarked towards 'Public Issue Expenses', Rs. 31.57 Lakh was utilised by the Company towards 'General Corporate Purpose'. Noticee-1, vide email dated August 08, 2024, submitted the statement of funds utilised, which state as follows:
"the unutilised amount of Rs. 31.57 Lakh under the object of Public Issue Expenses as on 31st March, 2022 was fully utilised as general Corporate Purpose till September 30, 2022 by the Company under the Special Resolution passed by the Shareholders at their 12th AGM held on September 19, 2022 allowing the Company

to treat such un-utilised of Public Issue Expenses as General Corporate Purpose Expenses."

(d) *It was observed that the Company utilised Rs. 31.57 Lakh for the payment of overdraft dues of the company, which were used for the purchase of new office space. Hence, the un-utilised amount of Rs. 31.57 Lakh earmarked for the object of 'Public Issue Expenses' was utilised as the 'General Corporate Purpose' expenses.*

(e) *Pursuant to the change in the utilisation of the proceeds of the IPO, the total amount expended towards 'General Corporate Purpose' was Rs. 151.57 Lakhs. The total amount raised by the Company through IPO was Rs. 495.45 Lakhs. Hence, the total amount expended by the Company towards 'General Corporate Purpose' was 30.6% of the total amount raised through the IPO.*

(f) *It was noted that with respect to the funds to be utilised for General Corporate Purpose, the Company had stated the following in the prospectus for the issue:*
"We confirm that any issue related expenses shall not be considered as a part of General Corporate Purpose. Further, we confirm that the amount for general corporate purposes, as mentioned in this Prospectus, shall not exceed 25% of the amount raised by our Company through this Issue"
"Due to business exigencies, the use of issue proceeds as declared above may be inter changeable. However, the use of issue proceeds for general corporate purpose shall not exceed 25% at any point of time."

(g) *However, as observed above, the Company utilised more than 25% of the IPO proceeds towards General Corporate Purpose expenses which is alleged to be in contravention to the statement made by the Company in the prospectus.*

(h) *In view of the above, it was alleged that Noticee-1 violated the provisions of regulation 245(1) of ICDR Regulations.*

B. Delayed submission of statement of deviation of use of public issue proceeds:

It was observed during examination that the statement of deviation in the use of public issue proceeds for the half-year ended March 2021 was submitted to the stock exchange on July 20, 2021, with a delay of 50 days. Therefore, it was alleged that Noticee-1 violated the provisions of regulation 32(1) of LODR Regulations read with clause 4 (b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019.

C. Failure to give an explanation for variation in the usage of proceeds in the directors' report:

It was observed during examination that there was no explanation for the variation / deviation in the usage of IPO proceeds in the director's report in Annual Report of the Company for the year ended on March 31, 2023. Therefore, it is alleged that Noticee-1 violated the provisions of regulation 32(4) of LODR Regulations."

II. <u>Findings w.r.t. Beeline Broking Limited (Noticee-2)</u>:

A. "Failure to conduct due diligence, ensure proper care and exercise professional judgement

(a) During examination, SEBI vide email dated August 30, 2024, had sought the backing documents relied upon by the Noticee-2 for the object of issue viz. 'Acquisition and other strategic initiatives'. Vide emails dated August 30, 2024 and September 02, 2024, Noticee-2 provided documents such as details of acquisitions of stake in subsidiary company, financials and tax returns, invoices, bank statements and fund deployment certificate form statutory auditors etc. It was observed that the documents submitted by the Noticee-2 as backing were majorly in respect of the object of "Investment in Subsidiary" of the Company i.e., Sigma Solve Inc, where an amount of Rs. 70 Lakh was proposed to be invested as mentioned in the prospectus. There was no mention of any funds to be transferred to subsidiary as a part of "Acquisitions and Other Strategic Initiatives". Hence, it is observed that the documents provided by the Noticee-2 did not have any backing for the amount of Rs. 230 Lakh being raised by the issuer company for the object of 'Acquisition and other strategic initiatives'. Thus, vide email dated September 17, 2024, SEBI again sought the comments of the Noticee-2 regarding the inadequate due diligence carried out for the said object of the IPO, where Noticee-2 submitted the following response:

"Kindly take note that details for the following email already send to you on 02.09.2024. Kindly verify from your end as no reply is pending to give."

(b) In view of the aforesaid, it was observed that despite giving two opportunities, the documents provided by the Noticee-2 were inadequate to justify the due diligence carried out by it for the said object.

(c) Therefore, it is alleged that the Noticee-2 was negligent in carrying out proper due diligence of the issue in respect of the stated object of 'Acquisition and other strategic initiatives' and hence it was negligent in performing its duties.

(d) In view of the above, it was alleged that Noticee-2 violated the provisions of regulation 245(3) of ICDR Regulations.

B. Failure to update the track record on its website

(a) During examination, the track record available on the website of the Noticee-2 in respect of the IPO of Noticee-1 was examined. It was observed from the track record available on the website that the amount raised through the IPO was to be utilised in FY 2020-21. Further, the details for the financial years 2021-22 and 2022-23 were not updated on website of the Noticee-2. Hence, it was observed that Noticee-2 had not updated the track record with respect to the information regarding utilisation of the said IPO proceeds.

(b) Therefore, it was alleged that the Noticee-2 failed to depict the true picture regarding the utilisation of IPO proceeds of Noticee-1, thereby it violated the following provisions:

(i) Regulation 13 read with clauses 3, 4 and 6 of Code of Conduct for merchant bankers under Schedule III of Merchant Bankers Regulations.

(ii) Clause 3 of SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023."

6. I note that the SCN issued to the Noticees was duly served upon them. Vide their respective emails dated February 27, 2025, Noticees requested for inspection of documents in the matter, which was granted to them on May 06, 2025. Vide email dated April 16, 2025, Noticee-1 informed that it filed the settlement application in the matter. The said settlement application filed by Noticee-1 in the instant matter was rejected by SEBI as the Noticee-1 failed to submit Revised Settlement Terms within required timelines. Subsequently, Noticees requested multiple extensions for submitting their replies to the SCN, which were granted to them. Thereafter, Noticee-1 vide letter dated June 24, 2025 and Noticee-2 vide letter dated July 08, 2025, submitted their responses to the SCN.

7. Replies of the Noticees are, *inter alia*, as under:

Reply of Noticee-1

"I. On the alleged violation of regulation 245(1) of ICDR Regulations

(a) We respectfully reiterate that regulation 245(1) obliges an issuer to make true and adequate disclosures in the offer document to enable an investor to make an informed decision. However, this duty must be understood in the context of Regulations 227 and 245(5), which define the time frame for determining compliance — i.e., as on the date of the filing of the offer document. The relevant ICDR regulations are as follows, -

"Regulation 227. Unless otherwise provided in this Chapter, an issuer making an initial public offer of specified securities shall satisfy the conditions of this Chapter as on the date of filing of the draft offer document with the SME exchange and also as on the date of filing the offer document with the Registrar of Companies

Regulation 230. (2) The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed twenty five per cent. of the amount being raised by the issuer.

Regulation 245. (1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

…

(5) The lead manager(s) shall ensure that the information contained in the offer document and the particulars as per audited financial statements in the offer document are not more than six months old from the issue opening date."

(b) It is thus clear, that these regulations regulate only compliance as on date of the filing and nothing more, with documents/information not being older than six months from date of issue. As far as subsequent events are concerned, section 27 of the Companies Act allowed with Special share- holder resolution deviation in objects of prospectus. Nor is it the charge of SEBI in the SCN that the Special Resolution is contrary to law, which it is not. Once SEBI has accepted the same, the natural consequences must follow.

(c) As a matter of fact and law, the estimate for Public Issue Expenses disclosed in the offer document was based on the best possible projections at the time of filing. Given that the IPO was carried out during the COVID-19 pandemic (FY 2020-21), the uncertainty surrounding marketing costs and compliance expenses made accurate forecasting extremely difficult.

(d) The surplus of ₹31.57 Lakh emerged post-facto, i.e., after March 31, 2022, following completion of the IPO process, allotment of shares, etc. and reconciliation of expenses. This is clear from both the remaining charges, the NIL deviation of 2021 is charged only on the ground of alleged delay and the correctness of NIL deviation in 2021 is not in dispute; it is only the 2022 utilization post finalization of issue expenses and use towards General Corporate purposes and share-holder dispute which pertains to alleged deviation.

(e) This surplus which emerged later could not have been disclosed in the offer document filed in 2020, and hence cannot constitute a violation of regulation 245(1). It is not the case of SEBI that at the filing with SEBI/issue of prospectus, the issuer must have crystal balled the exact expenditure to be incurred till the completion of offer/listing/monitoring in the future, especially during Covid-19 times, which itself was a black swan event and no estimate of expense at time of filing with SEBI/issue of prospectus could have been correctly estimated.

(f) It is not the charge of SEBI that we beforehand knew that there would be a surplus and then misused it later on, thereby making false disclosures in offer document and deviating therefrom. Rather it is a simple case of surplus arising in an unprecedented Covid-19 situation, and use of that surplus for investor benefit after investor approval for office purchase.

(g) The utilization of this surplus amount was duly approved by the shareholders through a Special Resolution passed under Section 27 of the Companies Act, 2013, in the AGM held on September 19, 2022.

(h) The application of these funds toward repayment of overdraft for office purchase was consistent with prudent financial conduct. The Noticee-1 adhered to all the requirements mandated under section 27 of the Companies Act. The Noticee-1 acted transparently and diligently in this regard by issuing the requisite notice to

shareholders including publishing the same in the Newspaper. 100% votes were cast in favour of the resolution varying the terms of the object of the Public Issue as stated in the prospectus of the Noticee-1. Thus, the investors themselves approved of the variation as above.

(i) On the contrary we have already explained that the said General Corporate Purpose allocation was towards acquisition of immoveable property/office premises. Such premises have only increased in value and have benefited shareholder wealth creation. Such allocation was only done for benefit and after approval of share-holders, and Over-draft facility was utilized in the interim. it was found useful to use the excess, after share-holder approval, towards the acquisition of the office/general corporate purpose. This clearly shows our bona fide as we waited and took due approval from share-holders instead of misusing funds and then seeking post-facto approval of share-holders.

(j) It is humbly submitted that section 27 of the Companies Act operates as a statutory framework permitting variation in the objects of the issue with shareholder consent. SEBI regulations cannot be interpreted to penalize conduct expressly authorized under central legislation unless there is demonstrable prejudice or material concealment, which is absent in the present case.

(k) We further rely on principles of harmonious construction, whereby SEBI regulations must be read in alignment with Companies Act provisions rather than in conflict.

(l) There was no question of utilizing the same for any other purpose in this regard. It may be noted that the relevant purposes of unmodified prospectus were as follows:

Table No. 3

(Amount in Rs. Lakh)

Sr. No.	***Particulars***	***Amount***	***% of total Issue Size***
1.	*Acquisitions and Other Strategic Initiatives*	*230.00*	*46.42*
2.	*Investment in Subsidiary*	*70.00*	*14.13*
3.	*General Corporate Purpose*	*120.00*	*24.22*
4.	*Public Issue Expenses*	*75.45*	*15.23*
	Gross Issue Proceeds	***495.95***	***100.00***

(m) Gross v Net: We would like to clarify that firstly, the reference in regulation 230(2) is towards 'amount being raised'. This includes the public issue expenses as even they are being expended from the monies being raised. Thus, when calculating 25% for the purpose of making disclosure of general corporate purpose the amount has to include the full amount and not net of estimated public issue expenses, which itself are variable and paid out of the issue proceeds.

(n) In this regard it is relevant to note that the surplus from public issue expense was not capable of being utilized for investment in subsidiary as that had already been completed as is clear from the 2021 disclosure and the Explanatory statement to the

Special Resolution of 2022 and no further investment was required by the subsidiary. Similarly, in respect of "Acquisitions and Other Strategic Initiatives", till date we have found no relevant opportunity and the said Rs. 230 Lakh remains to be kept in multiple Fixed Deposits and it would have been meaningless to add the surplus to this amount which is serving no purpose at present. It is further pertinent to mention that these fixed deposits have been placed across various banks in different amounts, and upon maturity, the same have been renewed into fresh fixed deposits. The interest accrued from these deposits has also been reinvested into fixed deposits upon renewal. It is further pertinent to mention that the Fixed Deposits are maintained under the auto-renewal facility.

(o) *On the contrary we have already explained that the said General Corporate Purpose allocation was towards acquisition of immoveable property/office premises. Such premises have only increased in value and have benefited shareholder wealth creation. Such allocation was only done for benefit and after approval of share-holders, and over-draft utilized in the interim. It was found useful to use the excess, after share-holder approval, towards the acquisition of the office/general corporate purpose.*

(p) *Thus, when the surplus arose post issue, there was no other object left, but to utilize in general corporate purpose which has been utilized towards purchase of a fixed asset, i.e., immoveable property. Thus, we fail to see how investors can be said to have been prejudiced by any of this.*

(q) *In absence of any suppression, fraud or investor prejudice, the invocation of regulation 245(1) is misconceived, especially when the relevant variation has neither been contested by any shareholder/investor nor disapproved by SEBI itself.*

(r) *In view of what is stated above, the Noticee-1 denies that it violated the provisions of regulation 245(1) of the ICDR Regulations.*

II. On the alleged delay in submission of deviation statement under regulation 32(1) of LODR Regulations read with clause 4 (b) of SEBI circular no. CIR/CFD/CMD1/162/2019 dated December 24, 2019

(a) *The SCN alleges a 50-day delay in submission of the Statement of Deviation for the half-year ended March 31, 2021. However, SEBI Circular No. SEBI/HO/CFD/CMD1/P/CIR/2021/556 dated April 29, 2021 extended the deadline to June 30, 2021 due to the prevailing COVID-19 conditions.*

(b) *The subject disclosure was submitted on July 20, 2021 and was reviewed by the Audit Committee in its meeting held on June 30, 2021. The effective delay was therefore of 20 days, during an exceptional public health emergency.*

(c) *Furthermore, the disclosure in question was a 'Nil deviation' report/disclosure as is clear from the said disclosure and did not involve any variation or misstatement. The deviation occurred much later, in FY 2022-23, and was accompanied by proper shareholders resolution.*

(d) *Without prejudice to what is stated above, the Noticee-1 submits that it is well-settled that minor technical lapses in procedural compliance in relation to a 'Nil' deviation disclosure, particularly when occasioned by pandemic- related disruptions, cannot be construed as wilful violations. Hon'ble Securities Appellate Tribunal has in fact in many cases opined that every technical breach or a venial violation does not necessarily lead to imposition of penalty on market participants. Courts and tribunals have regularly held that "substance prevails over form" in regulatory interpretation.*

(e) *In view of what is stated above, the Noticee-1 denies that it violated the provisions of regulation 32 (1) of the LODR Regulations read with clause 4 (b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019.*

III. On non-disclosure of variation in director's report under regulation 32(4) of LODR Regulations

(a) *It is respectfully submitted that regulation 32(4) requires an explanation in the Directors' Report only if there exists a deviation from the stated objects in the Prospectus.*

(b) *However, in the present case, there is no deviation as beforehand the prospectus itself was duly amended via a Special Resolution under section 27 of the Companies Act. The moment the Prospectus stands amended by operation of shareholders resolution, the "object" of the issue also stands varied. It is only after the Special Resolution, was the money utilized in terms of the amended Prospectus and not before.*

(c) *Please note that section 27 of the Companies Act, 2013 is squarely applicable as this was a public issue and the law permits the modification of the prospectus and there is no provisions in the ICDR or any other SEBI regulation which specifically over-rides section 27.*

(d) *Thus, as on the date of the Director's Report for FY 2022-23 (dated August 14, 2023), there was no deviation from the amended object. The overdraft utilized for office purchase was made through the surplus on November 7, 2022, well after the resolution dated September 19, 2022.*

(e) *It is a settled position of law that post-amendment, compliance must be tested vis-à-vis the varied Prospectus. The original object ceases to have operative effect once duly modified under section 27. SEBI's reference to the pre-amendment Prospectus is therefore legally untenable.*

(f) *Without prejudice to what is stated above, even otherwise the alleged violation amounts to a procedural technicality, especially when full and timely disclosure had already been made to the shareholders and stock exchanges. There is no allegation of concealment, misrepresentation, or prejudice to investors.*

(g) *With respect to the alleged violations of the LODR Regulations, it must be considered that the LODR Regulations are principles-based regulations and must not be interpreted and enforced in a mechanical manner without regard to the incongruity*

that may emerge in its application. In this regard, the Learned Adjudicating Officer's attention is drawn to regulation 4 of the LODR Regulations, which provides for the principles to be borne in mind when interpreting the LODR Regulations. Therefore, considering the extraordinary circumstances in which the Noticee-1 was operating, such a situation is understandable and ought not to lead to a mechanical imposition of a penalty. Instead, considering the circumstances the Noticee-1 should have been granted exemption from compliance with the LODR Regulations in terms of the power to exempt from strict compliance in the LODR Regulations.

(h) *In view of what is stated above, the Noticee-1 denies that it violated the provisions of regulation 32 (4) of the LODR Regulations.*

Conclusion

The Noticee-1 submits that its conduct has at all times been guided by good faith, transparency, and compliance with both the letter and spirit of the applicable laws and disclosure and permission from public share-holders."

Reply of Noticee-2

"A. Failure to conduct due diligence, ensure proper care and exercise professional judgment.

(a) Timeline of due diligence applicable to regulation 245(3) of the ICDR Regulation-

Please note that the charge of due diligence as we are charged with at charge A and approved by the appointment authority (and for which SCN has been issued) is only in relation to regulation 245(3) of the ICDR Regulations 2018. The charge A relates to 'justify due diligence in relation to the issue' as indicated in para 18 of the SCN.

Please note that the reference to Merchant Bankers Regulations r/w SEBI Circular is in relation to charge B and is answered separately later on in relation to the charge of utilization of of IPO proceeds as indicated in para 20 and 21 of the SCN by failing to update the track record on the website and depicting the true picture regarding the utilization.

Please note I have not been given notice of any other regulation in relation to charge A. Due diligence u/s regulation 245(3) is required to be done as on filing date of the prospectus, by checking documents within a look-back period of 6 months i.e. to ensure that the information in the prospectus is not older than 6 months counted backward from the issue opening date.

In this regard, please note that under regulation 245(3) the 6 months period cannot be counted 'ahead' of the issue opening date because then due diligence is not the same as foretelling the future. The Merchant Banker cannot prepare IPO documents based on what may or may not happen in the future, i.e. the Merchant banker cannot 'prepare' the prospectus by foretelling what will happen six months after it is filed.

Further, please note that Chapter IX of the ICDR is a composite whole. In this regard, please note the following Regulations, -

"227. Unless otherwise provided in this Chapter, an issuer making an initial public offer of specified securities shall satisfy the conditions of this Chapter as on the date of filing of the draft offer document with the SME exchange and also as on the date of filing the offer document with the Registrar of Companies

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

245. (5) The lead manager(s) shall ensure that the information contained in the offer document and the particulars as per audited financial statements in the offer document are not more than six months old from the issue opening date."

Therefore, in relation to Charge A the only due diligence is in relation to documents which exist upto the offer opening date.

(b) Relevant extract of the offer document-

At the outset, we would like to reproduce hereunder the paragraphs on "Acquisitions and Other Strategic Initiatives" as disclosed by the issuer in the Prospectus dated September 14, 2020 of the Sigma Solve Limited.

"1. Acquisitions And Other Strategic Initiatives:
……. As a part of strategic Initiatives, our company may invest and utilize Rs.230.00 Lakh towards acquisition/hiring of land/property for building up corporate house, hiring human resources including marketing people or technical people in India or abroad, we may also enter into strategic alliances with other body corporates for expansion of our business in abroad or in India.

The actual deployment of funds will depend on a number of factors, including the timing and nature of strategic acquisition/initiative undertaken, as well as general factors affecting our results of operation, financial condition and access to capital. ……."

In addition, we would like to draw your kind attention that a specific risk factor in the prospectus highlighting the fact that company intend to utilize part of the issue proceeds to undertake acquisition for which target has not been finalized, was also specifically added in the Chapter "Risk Factors" of the Prospectus of the Issuer Company. The said risk factor no. 41 has been reproduced hereunder for your ready reference:

"We propose to utilize part of the Net Proceeds to undertake an acquisition for which the target has not been finalised. We propose to utilize our Net Proceeds towards acquisitions and other strategic initiatives. We propose to use these Net Proceeds to acquire the target is yet to be finalised.

……. In the interim, the Net Proceeds proposed to be utilized towards this object shall be deposited only in the scheduled commercial banks included in the Second Schedule of the Reserve Bank of India Act, 1934. For schedule of implementation w.r.t. probable date of acquisitions and other strategic initiatives and further details in relation to this object, please see section titled "OBJECTS OF THE ISSUE" on page no. 60 of the Prospectus."

We would also like to highlight that even the provisions such objects are permitted as seen from the subjective risk factor no. (H)(5) / 4 under Schedule VI of the ICDR Regulations that says issuer company shall necessarily be disclosed "Where an object of the issue is to finance acquisitions and the acquisition targets have not been identified, details of interim use of funds and the probable date of completing the acquisitions" which implies that such object for investment in unidentified targets was permissible under ICDR Regulations. Further, there are precedents of many such IPOs in the past in which companies raised the funds for similar objects via IPO, which were approved/vetted by the Exchanges/SEBI.

(c) <u>Submissions on due diligence at the relevant time</u>-

We would like to categorically mention that -

- *the target of acquisition/strategic initiates measures were not identified at the time of the Prospectus and it was very clearly disclosed in the offer document;*
- *On the date of Prospectus, even after*

Further please note that the Prospectus, based on relevant due diligence, already disclosed, that the Company has proper authorization for such acquisitions/strategic initiates as and when Company deems fit as per the disclosure made by the issuer company in its prospectus. A list of such authorization is as under:

Special Resolution Passed under Section 62(1)(c) of the Companies Act, 2013: A Special Resolution was duly passed by the shareholders under Section 62(1)(c) of the Companies Act, 2013, which specifically authorized the issue of securities for the object of acquisition. This resolution was passed with full transparency and compliance with applicable laws, clearly stating the intended use of the funds to be raised through the IPO.

These documents and approvals justify our claim that we, as the Merchant Banker, have prepared the relevant Prospects based on the documents which existed as on the cutoff date after due diligence and ensured that the Company has the proper authorization for part of the object of the issue related to "Acquisitions and Other Strategic Initiatives" by the Company and it collectively demonstrate that proper care, professional judgment, and due diligence have been exercised by the Merchant Banker in the preparation for this IPO.

In addition, we would also like to mention that as the acquisition targets were not yet identified at that stage, no further due diligence could have been made by the Merchant Banker and that is the reason that ICDR Regulations has placed restriction on this sort of objects in the regulation itself.

In fact, even para 6 of the SCN makes it clear that Rs. 230 Lakh remained unutilized. As to what due diligence is to be done when the Company itself has not utilized the said money confounds us. Further, the Company in its latest reply filed with SEBI has already provided the details of the fixed deposit certificate of the said Rs. 230 Lakh which is perfectly in line with the above disclosure made. In any event these Fixed Deposits cannot form part of the due diligence as these are events subsequent to the due diligence Thus, it is submitted that nothing more could have been done at this stage in the name of due diligence.

For the purpose of regulation 245(3) the due diligence has to be determined as on documents available on reporting date/filing of prospects in view of regulation 227 and 245(5) of ICDR, not on hindsight of subsequent events. It is clear from the explanation given above, that the issuer had not identified any target for acquisition, then how can any supporting documents beyond what is already provided in the offer document exist for an unspecified target on reporting date which must be made available to Merchant Banker, then or even subsequently when there has been no investment/target company identified till date by the company.

Nor has the Company been charged for making such a object of issue with an unidentified target of acquisition as the same is perfectly in consonance with law. Whatever documents, information exist has already been forwarded to SEBI, what does not exist or will come into existence thereafter cannot be collected as part of the due diligence exercise for preparing the offer document.

In view of the above, we respectfully deny the allegation that we were negligent in carrying out proper due diligence of the issue in respect of the stated object of 'Acquisition and other strategic initiatives' and hence we negligent in performing its duties at the time of framing the offer document. We also respectfully deny the allegation that we have violated the provisions of regulation 245(3) of the ICDR Regulations.

B. Failure to update the track record on its website

(a) <u>Scope of the charge B</u>-

It is relevant to note that the charge B in para 20 and 21 of the SCN on updating the track record is in relation to not correctly depicting the true picture regarding the utilisation of IPO proceeds by the Company and not in relation to updating of any other information.

(b) <u>Winding down of business due to Covid-19</u>-

In this regard, we would like to clarify the following:
The charges primarily relate to FY 20-21 and 21-22 which were Covid-19 years, which are unprecedented black swan event years where even ordinary compliance was difficult as several persons fell unwell. It is also relevant to note that our last assignment was in July 2021, which was a relatively minor one, and thereafter we discontinued our business. Thereafter, decision of winding up was taken and the same is being actively pursued.

We would like to inform you that our website is duly updated until all our Key Managerial personnel ("KMP") resigned from the Company consequent to which we decided to file the License Surrender Application with the SEBI. We submitted the Merchant Banking License Surrender Application in June 2023 vide Request/Application Id is 1020634 after issuing public notice in Newspapers in this regard and exchanged few communications with SEBI. However, during the said process, we received an oral communication from your good offices informing us that as applications for refund of 1% security deposit in respect of six IPO companies previously handled by us had not been made, our application for surrender of Merchant Banking License cannot be accepted and were advised to file the surrender application after applications for refund of 1% security deposit in respect of such six IPO

companies is submitted. Accordingly, SEBI vide its letter dated November 29, 2023, returned our surrender application.

Thereafter, we tried to contact these companies for submitting their application for the release/refund of 1% security deposit, however, initially none of these companies provided us the relevant application along with the documents to enable us to forward the same to stock exchange. During this process, we were asked to pay the renewal fees to SEBI for a block of three years inspite of the fact, that we were neither carrying on any merchant banking activities at that point of time nor were willing to do any merchant banking activities in future. Thereafter, we continue to follow up with these companies rigorously and, applications for the release/refund of 1% security deposit in respect of all these companies have already been submitted as on today.

We, therefore, request you to please note that as we were not having any KMP during this process and were just compelled/obliged to continue SEBI license just to facilitate these IPO companies to submit their applications for release/refund of 1% security deposit and even paid renewal fees of Rs.10.62 Lakh to SEBI in July 2023, we, without any mala fide intention, could not update the track record on our website. However, we have now updated the same on our website with the help of professionals and will continue to update the same as per relevant applicable laws.

(c) Exoneration in similar matters due to ongoing surrender process-

In this regard, we have already been exonerated for the other charges during the relevant period, in view of our surrender application and lack of KMPs for undertaking compliances, as being 'not a fit case for levy of penalty' vide Adjudication Order dated Feb 28, 2024. Further, SEBI has not taken any enhancement proceedings and has thus accepted the same order and our reply in this regard. In view of the same we request that the same reasons be considered in this case too, and the breach is at the very highest only technical and not a fit case for penalty.

(d) The updation of track record regarding utilisation of IPO proceeds pertains to "Nil" information-

Therefore, when we have no intention of continuing our business we are being now forced to continue with unnecessary compliances when in fact there is no impact on investors as can be seen to the reference to 'public issues managed in the future' in clause 8.2 of Master Circular of 2023 and 2012 Circular since we plan to have no public issues in the future nor did we have due to Coivd-19 for when the charge relates. In this regard clause 8.2 reads as follows -
"The track record shall be disclosed on the website of the merchant banker and a reference to this effect shall be made in the offer documents of public issues managed in the future. In case more than one merchant banker is associated with a public issue, all merchant bankers who have signed the due diligence certificate, as disclosed in the offer document, shall disclose the track record"

It is also relevant to note that as a matter of record, it is an admitted position that the investors are aware of any variation of the objects of the prospects and have approved the same by reason of the general body resolution passed in 2022, in view of the same, no

investors, present or future are aggrieved by such non-updating as there is 'Nil' deviation from the amended objects of the prospects. It is also relevant to note that the Company has not been charged with non-disclosure under the equivalent SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019, rather only a charge of delayed disclosure thereunder during Covid-19 period is made. Hence, it is not the case that the Company has not made the relevant disclosure and investors were not aware and the same information was already available to investors through the company. Even the Rs. 230 Lakh in respect of proposed acquisition is also safe and kept in bank account(s) in line with IPO document disclosure of the company.

Therefore, there really was in effect nothing to disclose because these are mostly 'Nil' deviations which were required to be reported in the track record for the benefit of 'public issues managed in the future' which were also 'Nil'. This is relevant since the charge in para 20 and 21 of the SCN on updating the track record is in relation to not correctly depicting the true picture regarding the utilisation of IPO proceeds by the company, which as the record and the reply of the company indicates is "Nil" for all years as there is no deviation worth reporting/updating in the track record. Hence, we can't be charged merely for not updating a "Nil" deviation, when there is nothing to update. In this regard, we adopt the stand and reply of the issuer, copy of which is already annexed.

In view of the above, we respectfully deny the allegation that we have violated provisions of regulation 13 read with clause 3, 4 & 6 of the Code of Conduct for merchant bankers under Schedule III of Merchant Bankers Regulations and the provisions of clause 3 of SEBI circular no. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023, by not depicting a true picture regarding the utilization of the IPO proceeds especially when there is nothing to update in respect of "Nil" deviation."

8. Vide notice of hearing dated July 10, 2025, an opportunity of hearing was granted to the Noticees on July 18, 2025. However, Noticees sought adjournment of hearing, which was granted to them and the hearing was rescheduled on August 01, 2025. Authorized Representative (**"AR"**) of the Noticees, viz., Mr. Kunal Kanungo, Kanungo & Co., AR of Noticee-1 and Adv. Akash Shah, AR of Noticee-2 attended hearing through video-conferencing and reiterated the submissions made by the Noticees vide their respective replies on the said date.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have carefully perused the charges levelled against the Noticees in the SCN, their replies, submissions made during personal hearing and the material available on record. The issues that arise for consideration in the present case are as follows:

   I. Whether Noticee-1 failed to restrict the use of IPO proceeds towards 'General Corporate Purpose' up to 25% of total IPO proceeds as disclosed

in the prospectus and thereby violated regulation 245(1) of ICDR Regulations?

II. Whether there was a delay in submission of statement of deviation of use of public issue proceeds by Noticee-1 and thereby it violated regulation 32(1) of LODR Regulations read with clause 4 (b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019?

III. Whether Noticee-1 failed to give an explanation for variation in usage of IPO proceeds in the directors' report and thereby violated regulation 32(4) of LODR Regulations?

IV. Whether Noticee-2 failed to conduct due diligence, ensure proper care and exercise professional judgement in respect of the stated object of 'Acquisition and other strategic initiatives' and thereby violated regulation 245(3) of ICDR Regulations?

V. Whether Noticee-2 failed to update the track record on its website regarding the utilisation of IPO proceeds of Noticee-1 and thereby violated regulation 13 read with clauses 3, 4 and 6 of Code of Conduct for merchant bankers under Schedule III of Merchant Bankers Regulations and clause 3 of SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023?

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

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

10. Before proceeding further, it is pertinent to refer to the relevant provisions of LODR Regulations, ICDR Regulations, Merchant Bankers Regulations and SEBI Circulars which are alleged to have been violated by the Noticees, as under:

LODR Regulations:

"32. Statement of deviation(s) or variation(s).

(1) The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc.,-

(a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;

(b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds

(2) The statement(s) specified in sub-regulation (1), shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.

(3) The statement(s) specified in sub-regulation (1), shall be placed before the audit committee for review and after such review, shall be submitted to the stock exchange(s).

(4) The listed entity shall furnish an explanation for the variation specified in sub-regulation (1), in the directors' report in the annual report.

(5) The listed entity shall prepare an annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, certified by the statutory auditors of the listed entity, and place it before the audit committee till such time the full money raised through the issue has been fully utilized."

ICDR Regulations:

"245. Disclosures in the draft offer document and offer document

(1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

……

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

Merchant Bankers Regulations:

13. Code of conduct.

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

Schedule III - Merchant Bankers Regulations - Code of Conduct for Merchant Bankers

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

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

……..

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

SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019:

Clause 4(b):

"Frequency of Disclosure: The disclosure to the Stock Exchange(s) shall be made by listed entities on quarterly basis along with the declaration of financial results (within 45 days of end of each quarter / 60 days from the end of the last quarter of the financial year) until such funds are fully utilised or the purpose for which these proceeds were raised has been achieved."

SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012:

Clause 3:

"3. In view of the above, it has now been decided in consultation with the merchant bankers that they shall disclose the track record of the performance of the public issues managed by them. The track record shall be disclosed for a period of three financial years from the date of listing for each public issue managed by the merchant banker. The format for disclosure of track record is given in the Annexure to this circular."

Clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023:

"8. Disclosure of Track Record of the public issues managed by Merchant Bankers

8.1. In order to enable investors to understand the level of due diligence exercised by the merchant bankers in managing public issues, the merchant bankers are required to disclose the track record of the performance of the public issues managed by them. The track record is required to be disclosed for a period of three financial years from the date of listing for each public issue managed by the merchant banker. The format for disclosure of track records is given in the Annexure IV.

8.2. The track record shall be disclosed on the website of the merchant banker and a reference to this effect shall be made in the offer documents of public issues managed in the future. In case more than one merchant banker is associated with a public issue, all merchant bankers who have signed the due diligence certificate, as disclosed in the offer document, shall disclose the track record."

11. Based on perusal of the material available on record, submissions of the Noticee and the facts and circumstances of the case, the issues raised in this matter are dealt in the following paragraphs.

Issue I. Whether Noticee-1 failed to restrict the use of IPO proceeds towards 'General Corporate Purpose' up to 25% of total IPO proceeds as disclosed in the prospectus and thereby violated regulation 245(1) of ICDR Regulations?

12. It was alleged in the SCN that Noticee-1 altered the objects stated in the prospectus by passing a Special Resolution in its AGM held on September 19, 2022 and thereby transferred an amount of Rs. 31.57 Lakh from the head of 'Public Issue Expenses' to 'General Corporate Purpose'. Accordingly, Rs. 31.57 Lakh earmarked towards 'Public Issue Expenses' was utilised by the Company towards 'General Corporate Purpose' expenses, i.e., for the payment of overdraft dues of the company, which were used for the purchase of new office space. Pursuant to the change in the utilisation of the proceeds of IPO, the total amount expended towards 'General Corporate Purpose' was Rs. 151.57 Lakh, i.e., 30.6% of the total amount raised through the IPO. Hence, Noticee-1 utilised more than 25% of the IPO proceeds towards 'General Corporate Purpose' expenses, which was alleged to be in contravention to the statement made by the Company in its prospectus.

13. As per regulation 245(1) of ICDR Regulations, the offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

14. In response to above allegations, Noticee-1 contended that ICDR Regulations regulates only compliance as on date of the filing and nothing more, with documents/information not being older than six months from date of issue and as far as subsequent events are concerned, section 27 of the Companies Act, 2013 allowed deviation in objects of prospectus with special shareholders resolution. In this regard, I note that the ICDR Regulations governs the issue of Initial Public Offer of securities, which, *inter alia*, mandates the disclosures related to 'objects of the issue' in the offer document. I further note that regulation 230(2) of ICDR Regulations provides that the amount for general corporate purposes, as mentioned in objects of the issue in the offer document shall not exceed twenty five percent of the amount being raised by the issuer. Further, with respect to the funds to be utilised for general corporate purpose, it is noted that the Company, in the prospectus for the issue, stated the following:

"We confirm that any issue related expenses shall not be considered as a part of General Corporate Purpose. Further, we confirm that the amount for general

corporate purposes, as mentioned in this Prospectus, shall not exceed 25% of the amount raised by our Company through this Issue"

"Due to business exigencies, the use of issue proceeds as declared above may be inter changeable. However, the use of issue proceeds for general corporate purpose shall not exceed 25% at any point of time."

15. However, the Company utilised 30.6% of the total IPO proceeds towards general corporate purpose expenses, which is more than 25% of the IPO proceeds. The same is in contravention to the statement made by the Company in the prospectus and regulation 230(2) of ICDR Regulations. However, in the instant case it is alleged that the Company violated only regulation 245 of the ICDR Regulations as per the SCN.

16. Noticee-1 has submitted that the offer document was based on the best possible projections at the time of filing, the IPO was carried out during the COVID-19 pandemic, the uncertainty surrounding marketing costs and compliance expenses made accurate forecasting extremely difficult, the surplus which emerged later could not have been disclosed in the offer document filed in 2020, no estimate of expense at time of filing with SEBI/issue of prospectus could have been correctly estimated, the application of these funds toward repayment of overdraft for office purchase was consistent with prudent financial conduct, the surplus from public issue expense was not capable of being utilized for investment in subsidiary and no further investment was required by the subsidiary when the surplus arose post issue, there was no other object left but to utilize in general corporate purpose which has been utilized towards purchase of immoveable property, etc.

17. Since the sole provision invoked in the instant case is regulation 245 of the ICDR Regulations, the applicability of the said regulation on events or decisions of a company subsequent to filing of prospects requires deliberation. Prior to reenactment of ICDR Regulations in 2018, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations, 2009) had *pari materia* provisions dealing with disclosures in the offer document. Regulation 57 of ICDR Regulations, 2009 dealing with issue and listing on the main board of stock exchanges read as under:

"57. (1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

(2) Without prejudice to the generality of sub-regulation (1):

(a)the red-herring prospectus, shelf prospectus and prospectus shall contain:

(i) the disclosures specified in Schedule II of the Companies Act, 1956; and

(ii) the disclosures specified in Part A of Schedule VIII, subject to the provisions of Parts B and C thereof.

……..."

18. The identical provision dealing with small and medium enterprise in ICDR Regulations, 2018 which was invoked against Noticees in this matter reads as under:

"245. (1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

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

a) disclosures specified in the Companies Act, 2013; and

b) disclosures specified in Part A of Schedule VI."

19. In this connection, reference is drawn to the order of Hon'ble SAT in the matter of *Mohandas Shenoy Adige v. SEBI, 2021 SCC On Line SAT 263; MANU/SB/2849/2021 decided on August 26, 2021,* wherein Hon'ble SAT while examining the applicability of regulation 57 of ICDR Regulations, 2009 held as follows:

"……In our opinion, a subsequent event/decision by the Company cannot lead to an adverse inference being drawn nor can it lead to a conclusion that the prospectus of the Company was misleading the subscribers. Such finding is based on no evidence. If a statement made in the prospectus is not adhered to by the Company it does not become a misstatement. At best it can be a case of the Company violating the terms and conditions of the prospectus. Thus, the finding that the disclosures made in the prospectus were deliberately lacking in material particulars and were inadequate is patently erroneous."

20. In the instant matter, as submitted by Noticee-1 above, there is no evidence indicating that it had prior knowledge that the 'Public issue expenses' would be less than what was originally estimated (apparently due to the prevailing Covid-19 pandemic situation) and that it would in future reallocate the balance amount in 'Public issue expenses' head to 'General Corporate Purposes' which would in turn

exceed 25% of the issue proceeds. Thus, in the given circumstances and in view of the order of Hon'ble SAT cited above, the material on record does not establish violation of regulations 245(1) of ICDR Regulations by Noticee No.1.

21. In view of the above, I hold that Noticee-1 did not violate the provisions of regulation 245(1) of ICDR Regulations.

Issue II. Whether there was a delay in submission of statement of deviation of use of public issue proceeds by Noticee-1 and thereby it violated regulation 32(1) of LODR Regulations read with clause 4 (b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019?

22. SCN alleged that the statement of deviation for the use of public issue proceeds for half-year ended on March 2021 was submitted by the Noticee-1 to the stock exchange on July 20, 2021, i.e., with a delay of 50 days.

23. As per regulation 32 of LODR Regulations, the listed entity shall submit a statement to the stock exchange for public issue indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable on a quarterly basis. Further, SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019 provides that the disclosure to the stock exchange(s) shall be made by listed entities on quarterly basis along with the declaration of financial results (within 45 days of end of each quarter / 60 days from the end of the last quarter of the financial year) until such funds are fully utilised or the purpose for which these proceeds were raised has been achieved.

24. In response to above allegation, Noticee-1 submitted that SEBI vide Circular No. SEBI/HO/CFD/CMD1/P/CIR/2021/556 dated April 29, 2021 extended the deadline to June 30, 2021 due to the prevailing COVID-19 conditions, thus the effective delay was therefore of 20 days. In this regard, I find that SEBI vide circular dated April 29, 2021, had extended the deadline to June 30, 2021 for compliance with the provisions of regulation 32(1) of LODR Regulations read with SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019. Hence, the submissions of Noticee-1 are tenable.

25. Regarding delay beyond extended timeline, i.e., June 30, 2021, Noticee-1 submitted that the disclosure in question was a 'Nil deviation' report/disclosure as is clear from the said disclosure and did not involve any variation or misstatement. The deviation occurred much later, in FY 2022-23, and was accompanied by proper shareholders resolution. I note that as per regulation 32 of LODR Regulations, Noticee-1 was required to submit a statement to the stock exchange indicating deviations, if any, in the use of IPO proceeds from the objects stated in the offer document. If there was no deviation in the use of IPO proceeds, Noticee-1 was required to submit a statement indicating 'Nil deviation', which in fact, Noticee-1 submitted to the stock exchange on July 20, 2021. Therefore, the said contention of Noticee-1 is not acceptable.

26. Further, Noticee-1 submitted that minor technical lapses in procedural compliance in relation to a 'Nil' deviation disclosure, particularly when occasioned by pandemic related disruptions, cannot be construed as wilful violations. I note that regulation 32 of LODR Regulations providing for the statement of deviation ensures accountability and transparency with respect to the utilisation of public issue proceeds as against the stated objects in the offer document. Therefore, it cannot be considered as minor technical lapse in procedural compliance.

27. Therefore, in view of the above, I hold that Noticee-1 violated the provisions of regulation 32 (1) of the LODR Regulations read with clause 4 (b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019.

Issue III. Whether Noticee-1 failed to give an explanation for variation in usage of IPO proceeds in the directors' report and thereby it violated regulation 32(4) of LODR Regulations?

28. It was alleged in the SCN that Noticee-1 failed to give an explanation for the variation / deviation in the usage of IPO proceeds in the director's report in its Annual Report for year ended on March 31, 2023.

29. In response to above allegation, Noticee-1 submitted that there is no deviation as beforehand the prospectus was duly amended via a special resolution under

section 27 of the Companies Act, 2013 (Companies Act) and the moment the prospectus stood amended by operation of shareholders resolution, the "object" of the issue also stood varied. Noticee-1 further submitted that only after the special resolution, money was utilized in terms of the amended prospectus. Thus, as on the date of the director's report for FY 2022-23, there was no deviation from the amended object.

30. Regarding contention of Noticee-1 that section 27 of the Companies Act allowed deviation in objects of prospectus with special shareholders resolution and the utilisation of said surplus amount was duly approved by the shareholders through a special resolution passed in the AGM held on September 19, 2022, it is pertinent to draw reference to the section 24 of the Companies Act, which reads as under:

"24. Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.—
(1) The provisions contained in this Chapter, Chapter IV and in section 127 shall,—
(a) in so far as they relate to —
(i) issue and transfer of securities; and
(ii) non-payment of dividend,
by listed companies or those companies which intend to get their securities listed on any recognised stock exchange in India, except as provided under this Act, be administered by the Securities and Exchange Board by making regulations in this behalf; ……."

31. In this context, it is also pertinent to note that the Hon'ble Supreme Court in its order dated August 31, 2012 in the matter of *Sahara India Real Estate Corporation Limited & Ors. v. SEBI*, *inter alia*, held as follows:

"...107. From a collective perusal of sections 11, 11A, 11B and 11C of the SEBI Act, the conclusions drawn by the SAT, that on the subject of regulating the securities market and protecting interest of investors in securities, the SEBI Act is a standalone enactment, and the SEBI's powers thereunder are not fettered by any other law including the Companies Act, is fully justified. In fact, the aforesaid justification was rendered absolute, by the addition of section 55A in the Companies Act, whereby, administrative authority on the subjects relating to "issue and transfer of securities and nonpayment of dividend" which was earlier vested in the Central Government (Tribunal or Registrar of Companies), came to be exclusively transferred to the SEBI…. "

32. Thus, as far as 'issue of securities' is concerned, powers of SEBI is unfettered and Regulations made by SEBI dealing with the issue of securities stand supreme. In the absence of specific monitoring of general corporate purpose where any expense could be classified under this head, in order to avoid misuse of issue proceeds, SEBI had restricted maximum 25% of the issue proceeds towards general corporate purpose in case of small and medium enterprises. The trend in this regard was to further limit the allocation towards general corporate purpose to 15% of the issue size or Rs.10 crore, whichever is less. Therefore, in view of section 24 of the Companies Act and the judgment of Hon'ble Supreme Court in the matter Sahara India Real Estate Corporation Limited & Ors. v. SEBI, I am of the opinion that Noticee-1 is not entitled to vary the objects in prospectus of the Company under section 27 of the Companies Act after achieving the listing of its shares, to circumvent the express statutory limits provided under regulation 230(2) of ICDR Regulations. Accordingly, the contention of the Noticee-1 that there was no change in the objects of prospectus is not acceptable in law.

33. I note that regulation 32 of LODR Regulations provides that the listed entity shall furnish an explanation for the variation in the use of proceeds from the objects stated in the offer document, in the directors' report in the annual report. In the instant matter, there was variation in the use of proceeds from the objects stated in the offer document as an amount of Rs. 31.57 Lakh was re-allocated from the head of Public Issue Expenses to the head of General Corporate Purpose. Therefore, the amount stated in the prospectus for 'General Corporate Purpose' was Rs. 120.00 Lakh, however, the total amount spent towards 'General Corporate Purpose' was Rs. 151.57 Lakh. Thus, there was variation in the use of proceeds from the objects stated in the offer document. Hence, Noticee-1 was required to give an explanation for variation / deviation in the use of IPO proceeds from the objects stated in the offer document in the director's report in its Annual Report for year ended on March 31, 2023.

34. In view of the above, I hold that Noticee-1 violated the provisions of regulation 32(4) of LODR Regulations.

Issue IV. Whether Noticee-2 failed to conduct due diligence, ensure proper care and exercise professional judgement in respect of the stated object of 'Acquisition and other strategic initiatives' and thereby it violated regulation 245(3) of ICDR Regulations?

35. It is observed that the documents provided by the Noticee-2 did not have any backing for the amount of Rs. 230 Lakh being raised by the issuer company for the object of 'Acquisition and other strategic initiatives'. Hence, it was alleged in the SCN Noticee-2 was negligent in carrying out proper due diligence of the issue in respect of the stated object of 'Acquisition and other strategic initiatives' and hence it was negligent in performing its duties.

36. In response to above allegation, Noticee-2 submitted that the object of 'Acquisition and other strategic initiatives' in the offer document stated that *'as a part of strategic Initiatives, our company may invest and utilize Rs.230.00 Lakhs towards acquisition/hiring of land/property for building up corporate house, hiring human resources including marketing people or technical people in India or abroad, we may also enter into strategic alliances with other body corporates for expansion of our business in abroad or in India. ……The actual deployment of funds will depend on a number of factors, including the timing and nature of strategic acquisition/initiative undertaken, as well as general factors affecting our results of operation, financial condition and access to capital.'*

37. Noticee-2 also submitted that the 'Risk Factors' of the prospectus of the issuer company stated that *'We propose to utilize part of the Net Proceeds to undertake an acquisition for which the target has not been finalised. We propose to utilize our Net Proceeds towards acquisitions and other strategic initiatives. We propose to use these Net Proceeds to acquire the target is yet to be finalised.'*

38. Noticee-2 further submitted that the provisions such objects are permitted as seen from the subjective risk factor no. (H)(5) / 4 under Schedule VI of the ICDR Regulations that says issuer company shall necessarily disclose *"Where an object of the issue is to finance acquisitions and the acquisition targets have not been identified, details of interim use of funds and the probable date of completing the acquisitions"* which implies that such object for investment in unidentified targets is

permissible under ICDR Regulations. Further, there are precedents of many such IPOs in the past in which companies raised the funds for similar objects via IPO, which were approved/vetted by the Exchanges/SEBI.

39. In view of the above reply of the Noticee-2 and the fact that the Company had stated in the object of 'Acquisition and other strategic initiatives' that it may invest and utilize Rs. 230.00 Lakh towards acquisition/hiring of land/property for building up corporate house, hiring human resources including marketing people or technical people, it may also enter into strategic alliances with other body corporates for expansion of its business and the Company gave a disclosure under 'Risk Factors' that it proposes to utilise the proceeds to undertake an acquisition for which the target was not finalised, I am inclined to accept the submissions of the Noticee-2.

40. In view of the above, I hold that Noticee-2 did not violate the provisions of regulation 245(3) of ICDR Regulations.

Issue V. Whether Noticee-2 failed to update the track record on its website regarding the utilisation of IPO proceeds of Noticee-1 and thereby it violated regulation 13 read with clauses 3, 4 and 6 of Code of Conduct for merchant bankers under Schedule III of Merchant Bankers Regulations and clause 3 of SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023?

41. It was alleged in the SCN that Noticee-2 failed to update the track record on its website regarding the utilisation of IPO proceeds of Noticee-1 for the financial years 2021-22 and 2022-23.

42. As per SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and Master Circular for merchant bankers dated September 26, 2023, the merchant bankers are required to disclose the track record of the performance of the public issues managed by them. The track record is required to be disclosed for a period of three financial years from the date of listing for each public issue managed by the merchant banker.

43. In response to above allegation, Noticee-2 submitted that the charges primarily relate to FY 2020-21 and 2021-22 which were Covid-19 years, which are unprecedented black swan event years where even ordinary compliance was difficult as several persons fell unwell. I note that the track record of utilisation of IPO proceeds was not updated for the FYs 2021-22 and 2022-23 by the Noticee-2 on its website, which was not a peak Covid-19 period, when most of the things were working normally and SEBI has not granted any relaxation to the Noticee in this regard during the relevant period. Therefore, Noticee-2 cannot take shelter under the Covid-19 pandemic for its failure to update the track record of utilisation of IPO proceeds.

44. Noticee-2 further submitted that its last assignment was in July 2021, which was a relatively minor one and thereafter it discontinued its business. Thereafter, decision of winding up was taken and the same was actively pursued and it did not have any KMP during this process. In this regard, I note that the Noticee-2 is under obligation to comply with the regulatory provisions till the time its merchant banking registration is active. Resignation of KMP of Noticee-2 cannot be a justification for not updating the track record of utilisation of IPO proceeds, as the Noticee-2 had already taken up the responsibility to provide in its website the track record and performance of issues managed by it for a period of 3 years in investor interest and therefore, it cannot plead lack of supporting human resources.

45. Further, Noticee-2 contended that it has been exonerated in similar matters due to ongoing surrender process. I note that the charges in the instant matter are different from the relied upon matter, as the charges in the relied upon matter were related to not holding of valid NISM certification by KMPs and officials of Noticee-2 and there were no allegations of any discrepancy observed in the documents handled by the Noticee during the period of delinquency. Further, it was also noted in the relied upon order that *'had the Noticee showed interest to continue to do business as merchant banker, it would have been advised to be careful in the future',* hence, it was not considered a fit case for levy of penalty. However, the concerns are different in the given circumstance where lack of qualified personnel is affecting Noticee-2's ability of do business with future clients, the alleged failure pertains to

its existing clients (issuers) and their subscribers. From an investor's perspective, if Noticee-2 shuts shop, investors who had subscribed shares in issues managed by Noticee-2 will have no recourse as to see the track record and performance of those issuers. Besides, Noticee-2's registration as a merchant banker is still active, therefore, the said justification cannot be accepted.

46. Noticee-2 further submitted that the updation of track record regarding utilisation of IPO proceeds pertains to 'Nil' information, hence there was nothing to disclose in effect. Noticee stated that variation in the objects of the prospects was approved by a resolution and there was no deviation worth reporting/updating in the track record, hence, Noticee cannot be charged merely for not updating a 'Nil' deviation. I note that aforementioned SEBI circulars stipulate that the merchant bankers are required to disclose the track record of the performance of the public issues managed by them for a period of three financial years from the date of listing. Therefore, Noticee-2 was required to update the track record of the performance of the IPO in the specified format on its website, irrespective of whether there was any deviation from the objects stated in the prospects or not, or whether variation in the objects of the prospects was approved by shareholders or not. I note that the format specified vide said SEBI circulars requires that the status of utilisation of issue proceeds needs to be reported, however, Noticee-2 had failed to update the track record in respect of the IPO of the Company. Thus, the above contentions of Noticee-2 are not tenable.

47. In view of the above, I hold that Noticee-2 violated the following provisions:
    (a) Regulation 13 read with clauses 3, 4 and 6 of Code of Conduct for merchant bankers under Schedule III of Merchant Bankers Regulations;
    (b) Clause 3 of SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023.

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

48. In light of the findings and observations brought out against the Noticees in the foregoing paragraphs, it is evident that Noticees violated the following regulatory provisions:

Noticee No.	Name of the Noticee	Provisions violated
1	Sigma Solve Limited	(a) Regulation 32(1) of LODR Regulations read with clause 4(b) of SEBI Circular No. CIR/CFD/CMD1/162/2019 dated December 24, 2019. (b) Regulation 32(4) of LODR Regulations.
2	Beeline Broking Limited	(a) Regulation 13 read with clauses 3, 4 and 6 of Code of Conduct for merchant bankers under Schedule III of Merchant Bankers Regulations. (b) Clause 3 of SEBI Circular No. CIR/MIRSD/1/2012 dated January 10, 2012 and clause 8 of Chapter II of Master Circular for merchant bankers dated September 26, 2023.

49. The said violations by the Noticees attract monetary penalty. In this regard, reliance is placed on the judgment of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund [2006] 68 SCL 216 (SC)*, wherein it was, *inter alia,* held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not."*

50. In view of the above, the aforesaid violations make the Noticees liable for penalty under section 15HB of the SEBI Act, which reads as under:

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

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

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

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

"Factors to be taken into account while adjudging quantum of penalty

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

(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."

52. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of non-compliance to the provisions of ICDR Regulations, LODR Regulations, Merchant Bankers Regulations and SEBI Circulars is not available. With respect to the repetitive nature of the default, I do not find anything on record against the Noticee-1. In respect of Noticee-2, SEBI passed orders against it in past as summarised below:

Sr. No.	Case Name	Order date	Violation of provisions of Acts / Regulations / Circulars, etc.	Penalty / Regulatory Action
1	In the matter of M/s.	September 15, 2021	Section 23D of SC(R) Act, 1956 and	Rs. 12,00,000/-

	Beeline Broking Ltd.		provisions of various SEBI circulars	
2	In the matter of Beeline Broking Limited and Beeline Commodities Private Limited	September 30, 2022	Section 23D of SC(R) Act, 1956 and provisions of various SEBI circulars	Rs. 3,00,000/- and Rs. 30,00,000/- was imposed on Noticee-2 and Beeline Commodities Private Limited, payable jointly and severally)
3	In the matter of Transwind Infrastructure Ltd.	March 31, 2023	Violation of provisions of SEBI (PFUTP) Regulations, 2003 and Code of Conduct for Stock Brokers	Rs. 33,00,000/- was imposed on Noticee-2 and other entities payable jointly and severally.

53. Further, I note that the findings of the examination brought out a number of instances where Noticees violated the provisions of ICDR Regulations, LODR Regulations, Merchant Bankers Regulations and SEBI Circulars as Noticee-1 submitted the statement of deviation of use of public issue proceeds with a delay and it failed to give an explanation for variation in usage of IPO proceeds in the directors' report. Similarly, Noticee-2 failed to update the track record on its website regarding the utilisation of IPO proceeds of Noticee-1.

ORDER

54. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticees, findings made hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of SEBI Act read with rule 5 of the Rules, I hereby impose the following penalty on the Noticees:

Noticee No.	Name of the Noticee	Penalty Provisions	Amount of penalty (in ₹)
1	Sigma Solve Limited	Section 15HB of the SEBI Act	₹2,00,000/- (Rupees Two Lakh Only)

Noticee No.	Name of the Noticee	Penalty Provisions	Amount of penalty (in ₹)
2	Beeline Broking Limited	Section 15HB of the SEBI Act	₹1,00,000/- (Rupees One Lakh Only)

In my view, the said penalty is commensurate with the violations committed by Noticees in this case.

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

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

56. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

57. In terms of rule 6 of the Rules, copy of this order is sent to the Noticees and also to SEBI.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.09.25 17:14:47 +05'30'

Place: Mumbai

Date: September 25, 2025

JAI SEBASTIAN

ADJUDICATING OFFICER